



Consultation on the renewal of the Ticketing Scheme Block Exemption – Response of the Wellglade Group

Questions for consultation:

1. Do you agree with renewing the Block Exemption? Please explain and provide reasons for your answer.

Yes. There is clear customer demand for the tickets that it allows us to offer.

2. Do you consider the continuation of the Block Exemption to be necessary to deliver integrated ticketing schemes that are beneficial to consumers?

Yes. We would be hesitant to consider integrated ticket schemes and we know that some of our partner operators would not even discuss such schemes without the comfort of the exemption.

3. Would consumer choice, in particular the variability and suitability of ticketing options, be significantly reduced without the Block Exemption?

Yes, there would be fewer integrated tickets available which would deter some customers and reduce the frequency of use of others. Patronage would decline as it would in any market if a demand was not being met.

4. If the Block Exemption was not renewed how would that influence your operations? Please provide examples and an indication of the likely costs to your business and the potential implications for the transport sector more widely.

We would be less likely to meet the customer demand for integrated tickets. This would impact adversely on customer demand and hence revenue particularly for operators with minority market share as we are in each of the four cities in which the Group operates. The dominant operators would be the only operators able to offer a ticket that covers most services in the area.

It would also strengthen the calls for an end to the free market and a return to regulation and control by the local authorities.



5. Have there been any adverse consequences from the application of the Block Exemption? Please provide examples and details.

No.

6. Has the current Block Exemption prevented any developments in the last five years that could have benefited consumers? Please provide details of the proposed development and how the Block Exemption has prevented this.

No.

7. Do you encounter any difficulties in applying the Block Exemption rules? Please explain and provide specific examples.

No, but they are cumbersome.

8. We would welcome views on whether a longer duration for the Block Exemption would be desirable. Please outline the reasons for your answer highlighting any cost implications and associated risks of your preferred options (see Chapter 4 above).

A ten year extension would be helpful.

9. Do you agree with the assessment outlined in Chapter 5 of this consultation? Please provide further explanation and information to support your answer.

Customers expect to be rewarded for loyalty whether it is by virtue of frequent use or to a particular operator. So a customer who buys a product 200 times a year expects to buy the product at a cheaper unit price than a customer who buys it twice a year, even if neither buys in advance. This may be in the form of a loyalty bonus or a loyalty discount.

Equally a customer who is prepared to restrict themselves to the products of one particular supplier even though other supplier's products are available at the same time will expect to be rewarded for that loyalty by a discounted price or some other mechanism.

Customer expectation is that if you restrict yourself to the services on one bus operator then that operator's multi journey ticket will be cheaper than one which is valid for any journey on any operator in the area.

Customers expect MTC's to carry a premium price over single operator products and the pricing mechanism must reflect this position.



Operators should also be allowed to distribute MTC revenue in relation to fares foregone which is a simple method and in practice has no adverse consequences for customers.

With regard to MITs customers expect a single brand to carry the same price for each product regardless of which operator sells it. This makes the brand easy to use and thus results in higher frequency of use.

In addition we have highlighted some areas where we would welcome representations:

(a) We would welcome examples where MIT schemes have been abandoned or not commenced because of the requirements that revenue lies where it falls. We would also welcome proposals of other possible revenue share options that would satisfy section 9(1) conditions and under what conditions these would apply, for example where operators only overlap to a limited extent because their services mostly operate at different times of the day. (See paragraphs 5.17 to 5.20)

We are not aware of any schemes that have been abandoned or not commenced, only delayed as negotiating an apportionment has proved to be more difficult.

(b) Whether in relation to capped tickets there are any practical obstacles to redistributing revenue collected to the relevant operator on a revenue foregone basis for smart ticket sales which fall below the capped price. If so, what revenue allocation would be appropriate? (See paragraphs 5.36 to 5.38)

Revenue foregone is the only reasonable revenue distribution method for smart sales.

(c) Whether barriers are likely to arise for smart ticketing and the extent to which they could prevent participation in the schemes. (See paragraphs 5.42 to 5.44)

None

10. We consider that it is possible for new ticketing technology and products to be accommodated within the current Block Exemption (subject to clarification through revisions to the Guidance Document). Have there been any developments, in particular in ticketing technology and products, in the last five years or are any expected over the next five years that affect the Block Exemption and would require, in your



view, a change in its terms? Please explain and provide specific examples.

No

11. Please provide any other information and/or views that you consider relevant for the CMA's review of the Block Exemption. Are there in your view other recommendations that the CMA should consider? For example, are there variations to the scope of the Block Exemption that have not been considered in this consultation document? Please provide any relevant evidence that you have to support your views.

None

Ian Morgan
Deputy Chairman
Wellglade

September 2015.