

**HOUSE OF COMMONS TRANSPORT SELECT COMMITTEE INQUIRY INTO PUBLIC  
TRANSPORT TICKETING**

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## Introduction

*pteg* represents the six English PTEs which plan, provide, procure and promote public transport in six of the largest conurbations outside London. Strathclyde Partnership for Transport and Transport for London are associate members.

## Integrated ticketing

### **1. Is ticketing sufficiently integrated across different modes of transport and between different geographical areas?**

Tickets which are available across the modes and across operators are a cornerstone of any truly integrated public transport system. PTEs initiate, administer, promote and provide a range of such tickets. Many of these schemes are successful and make a considerable contribution to encouraging the use of public transport. For example, last year in Greater Manchester, one in twelve bus journeys (19 million) were made using multi-operator and multi-modal integrated tickets, and over 900,000 multi-modal 'Metrocard' season tickets were sold in West Yorkshire.

Market research undertaken in preparing West Yorkshire PTE's bus strategy found that ticketing – particularly around simplicity and value for money – were one of four principal areas of concern for bus passengers.

However, ticketing integration in the PTE areas falls well short of that achieved in London where the Travelcard provides easy access to the bus, tube, light and heavy rail network, and the Oystercard system facilitates easy payment and automatically selects the cheapest way of buying travel for the pay-as-you-go user (although yet to be fully extended to heavy rail).

In the PTE areas bus deregulation makes it impossible to replicate what London has achieved on integrated ticketing, and it makes it extremely difficult to provide the kind of competitive and comprehensive integrated ticketing that the citizens of most other European city regions take for granted. For example only 40% of passengers surveyed in West Yorkshire were confident that they had the right (ie best value) ticket for their bus journey. Confidence in what ticket to buy was much lower amongst non-users. The only group that expressed confidence in having the right ticket was concessionary travellers.

85% of public transport trips in PTE areas are made by bus and bus service provision is largely a free market but with provision characterised by large, near-monopolies operated by combinations of the five biggest UK transport operators punctuated by numerous smaller local operators. With operators free to set their own fares and to change them at will, multi-operator tickets require all those operators to be bought into the scheme. Those tickets can - and are - undercut by operators promoting their own single-operator schemes, creating a very complex and unsatisfactory ticketing structure.

For example in West Yorkshire the number of each type of operator only tickets are:

Day	5 day	Week	Month	Term	3 month	6 month	Year	Total
37	1	19	17	3	2	2	7	88

PTE attempts to develop and promote multi-modal and multi-operator schemes are often frustrated by operators who focus on their own schemes in order to protect their own market share.

For example, In May 2004 major bus operators in West Yorkshire gave an undertaking to the PTE that they would progress the introduction of 'on bus' sales of the multi-modal, multi-operator, 'DayRover' tickets (equivalent to the London one day Travelcard). This has not occurred however, and the operators continue to promote their own tickets which are only valid on their services.

Another example can be found in Merseyside. In March 2006 the cost of Merseytravel's multi-operator Bus Saver travelcard was £13.50 compared with £11 for the First Group adult weekly or £8.50 for the Stagecoach adult weekly

## **2. Does the Government have an adequate strategy for developing the integration of ticketing systems?**

Outside London there is no overall strategy for ensuring the integration of public transport ticketing throughout the rest of England. Two initiatives could help in the development of such a strategy. Firstly, greater regulation of bus services and secondly, new technologies – and in particular smartcards (see response to Q3-6).

On the former - if the Government's bus proposals (set out in Putting Passengers First) were to achieve their objective of making the introduction of quality contracts 'more realistic' then it would be possible for PTEs and local authorities (where there is no PTE) to specify competitive and comprehensive multi-modal ticketing as part of the franchise contract. This is one of the many advantages of Quality Contracts although not an issue that Putting Passengers First considers, given its near exclusive concentration on performance and reliability issues. Although performance and reliability are of major importance in attracting passengers to the bus – rapid increases in the cost of off-peak bus travel is a major factor in the continuing decline in the number of fare-paying passengers in PTE areas. We believe that the ability to develop soundly based and affordable integrated strategies for fares and ticketing are an important benefit to be gained from franchising of local networks.

### **The use of smartcard technologies:**

- 3. Is the industry taking up modern smartcard technologies adequately and appropriately?**
- 4. Does the ITSO system cater for the needs of all passengers and travel providers?**
- 5. What can be learned from the experiences of areas such as London and Scotland where smartcard technology is already in place?**

Smartcards offer significant benefits. These include: ease and convenience of use for passengers; reduced fraud; better data about public transport use and lower costs. There is also the potential for the public transport smartcard to be the basis for wider 'e-purse' add ons – as has been achieved with the Octopus card in Hong Kong, and/or 'civic' add ons – for example as a wider concessionary card for particular groups (such as younger or older people).

Ensuring that all public transport smartcards are ITSO compliant will help ensure interoperability and reduce the costs, complexities and limitations of adopting different smartcard standards. The ITSO specification allows schemes to select the necessary

equipment and back-office from a range of suppliers, rather than being tied to a bespoke system. The ITSO specification also provides a framework and security environment for the development of a wide range of tickets and passes to meet the needs of passengers and travel providers.

The experience in London and Scotland on smartcards has so far been positive. In the rest of the country progress has not been as rapid. The reasons for this are that Transport for London had both the resources and control over the Underground and bus system which made the introduction of Oystercard possible. In Scotland the Scottish Executive is fully funding the Scottish Smartcard. In England outside London none of these conditions are replicated.

The 'Yorcard' experience demonstrates the difficulties involved in implementing a smartcard scheme in England outside London. The Yorcard project aimed to provide a multi-modal, multi-operator ITSO smartcard covering all of South and West Yorkshire – with over a million smartcards in circulation. To make the scheme work in a deregulated environment the scheme required both the active support of operators and a grant from the DfT. The scheme was approved as a Major LTP scheme by the DfT in December 2003.

However, since then the major bus operators have constantly disputed the commercial benefits of the scheme to them. Given that the PTEs have no ability to impose the scheme the project has been reduced to a pilot in South Yorkshire. The pilot covers 200 buses, seven rail stations and 30,000 cards and is designed to demonstrate to the operators the benefits of Yorcard. Provisional approval for this pilot was agreed in 2005. Since then operator concerns about the scheme have meant that it has taken a further year to get agreement on the specification of the scheme – with a supplier finally selected in March 2006.

PTEs believe that the industry needs to be more flexible in its thinking about the opportunities (including for cash-flow and innovative pricing structures) that smartcard ticketing offers, as well as the value of customer information through data-mining.

#### **Revenue protection and the powers of ticket inspectors:**

- 6. Is the legal framework within which ticket inspectors function appropriate?**
- 7. What appeal mechanisms exist for passengers, and are they adequate?**
- 8. Are the rights of passengers and the powers of ticket inspectors well-balanced?**
- 9. Do operators of public transport take adequate measures to protect fares revenue?**

No response

#### **Concessionary fares – the right strategy?**

- 10. Is the Government's concessionary fares strategy, including the proposed scheme for concessionary bus travel, adequate?**

Free off-peak concessionary bus travel for older and disabled people is popular and has significant social inclusion benefits. Prior to the scheme's introduction PTEs were already supporting schemes more extensive than the legal minimum, so *pteg* has welcomed the introduction of the free local scheme and the 2008 free national scheme. However, the way in which the scheme is currently funded and administered by the Government is

leading to unintended consequences – which threaten to worsen over time. There is a pressing need for the Government to establish a clearer national framework for the planning, funding and administration of the scheme if these unintended and undesirable consequences are to be mitigated.

The key challenges in implementing this policy (which is expected to cost well in excess of £1 billion in England alone by 2008/9) are:

a) ensuring the funding follows the passenger

Funding for the scheme is distributed by Government on the basis of standard government formulae. This means that a proportion of funding for the **English** scheme goes to the Scottish Executive (even though their scheme has been running since September 2002 and is fully funded by the Scottish Executive), to the Welsh Assembly and to the Scilly Islands (which has no bus service). The formulae also does not take account of the differing levels of bus use across English local authority areas – this can leave our areas at a disadvantage (as levels of bus use are higher) and led to Tyne and Wear PTE having to make budget cuts of £3.4 million in 2006/7 to make up for the effects of under-funding due to the formulae funding allocation.

The funding allocation problems can be exacerbated in PTE area as the funding for the scheme goes to their constituent local District Councils who are under no obligation to pass on this funding to the PTEs (who have the legal duty to provide and fund the CT scheme). Further problems have been caused by a series of orchestrated appeals by operators against the way in which they are reimbursed for the scheme. Appeals against the PTEs for the current financial year (2006/07) will require additional payments by PTEs to operators of more than £10 million.

Quality Contracts would dramatically simplify the complexities of funding the CT scheme fairly and efficiently. Under a Quality Contract the requirement for the free concessionary fares scheme would be a condition of the contract and franchise bidders would factor that into their bids. A further simplification would be to route funding for the scheme direct to the PTEs rather than via the Districts.

b) coping with demand

Take-up of the scheme has been in excess of expectations in Scotland and the signs are that in England take-up is also likely to be extensive. For example all PTE areas who previously had flat fare concessionary schemes are reporting 20%-30% increases in use, and this may rise further as pass-holders gain a better understanding of the travel opportunities presented by the bus network. When the scheme goes national from April 2008 the local authority where the concessionary journey is made will have to reimburse the bus operator for that journey. This could leave those areas which are particularly attractive for free travel at a disadvantage. This includes areas which contain seaside resorts, major shopping centres, national parks and other areas of outstanding natural beauty. We doubt whether any formula based on data collected currently will be able to adequately reflect these 'honey-pot' characteristics, and believe that specific funding grants based on the costs incurred by individual authorities would be the best way forward.

c) the perverse incentive to increase fares

The concessionary fares scheme has created an incentive for operators to increase off-peak fares as they are reimbursed for concessionary travel on the basis of a proportion of the off-

peak fare. With fare-paying bus passengers outside London in decline and concessionary use increasing, this incentive becomes greater over time. There is already considerable evidence that off-peak fares are rising far faster than inflation. For example off-peak fares in PTE areas typically rose by 12% in the year to Summer 2006.

d) the scope for fraudulent use of passes

When the English local scheme becomes an English national scheme, in April 2008, older and disabled people will be able to use bus services anywhere in England. However, given that the national scheme will be administered locally there are currently 320 local authorities issuing over 100 different styles of pass. A few of the pass designs don't even include a photograph. It is unrealistic to expect bus drivers to be able to recognise and authorise bus travel on the basis of so many different types of pass. There is therefore scope for significant fraud – with fake or duplicated permits from one part of the country being used to get free bus travel in another part of the country. Every journey with a false permit would be paid for by the taxpayer via reimbursement to the operators. In the medium term, a family of smartcards could deliver both national entitlement and local enhancements. Scotland is currently introducing such a scheme and London has had a smartcard system in place for more than two years. However, the technical and administrative challenges are such that it is not feasible to introduce such a fully operational smartcard system in time for April 2008.

An interim solution would be to reissue local cards (with an element of common national design as well as photo id and other security elements) in time for April 2008 with smartcard facilities already included. These could be activated later when the administrative and 'back office' systems were in place. Given there are about 11 million eligible users, even this interim solution would be a significant exercise requiring strong central co-ordination. However, we believe that such an exercise is feasible. PTEs estimate the cost of the interim solution is around £50 million and an early decision is needed soon from the DfT if an interim solution is to be in place by April 2008.

e) concessionary travel for non-statutory groups

The focus on the provision of improvements in concessions for older and disabled people should not be allowed to obscure the important local benefits offered in many areas using non-statutory powers, where there is often a sound local case for cheaper fares as part of wider social inclusion policies. PTEs are able to support child fares and those for companions of disabled people unable to travel independently through non-statutory schemes. These powers are widely used, though it is becoming increasingly difficult to maintain these benefits in the face of spiralling costs for older and disabled people.

However, PTEs are not allowed to financially support concessionary fares for other excluded groups (such as the unemployed). PTEs do not have the 'wellbeing' powers that other local authorities have to provide concessionary travel for a wider range of needy groups, such as young people on training schemes and those seeking work. PTEs would welcome the powers to enable such schemes to be used in their areas, where they provide good value for money and are integrated with wider policy objectives.

**11. Are concessionary fares schemes sufficiently integrated across different modes of transport and different geographical areas?**

Prior to the introduction of the English free local bus scheme some PTEs were already offering free travel for older and disabled people across all modes (Merseytravel and Centro). With the introduction of the English free local bus scheme other PTEs have

extended the scheme to cover light rail (for example on Manchester Metrolink). **pteg** believes that although there is clearly an argument to be made for the free scheme to be multi-modal throughout the UK – unless the Government is prepared to cover the costs (which appears extremely unlikely) the decision on the extent of the free fare offer (above and beyond the nationally specified and funded minimum) should be determined locally. This is because local circumstances vary – including in terms of the nature of their local transport network, their socio-economic make-up and the funding priorities of their locally accountable transport authorities. In an area where there are high concentrations of disadvantaged pensioners and the cost of extending the scheme to the local heavy rail network is affordable, then this would be (and in our areas often is) a policy which the local PTE or transport authority may decide to adopt. In other areas (such as in the South East) the case for extending the concession to the commuter rail network would be harder to justify.

The case for local discretion over the extension of the scheme to other modes is amplified by the fact that some local transport authorities and PTEs are facing, either now, or in the future - some serious budgetary challenges in funding the existing mandatory bus scheme. If that scheme were to be extended to other modes - without a Government commitment to ensure that scheme was fully funded - then more local transport authorities and PTEs could face a Concessionary Travel funding crisis. And those already in difficulty could be faced with having to make even larger cuts in other programmes and services in order to fund an expanded CT scheme.