

The Department's vision should be an Oyster card for the UK ~ Consultation response from Campaign for Better Transport

We are pleased that the Department is developing a vision of smart, integrated ticketing across the country. If the Department can get ticketing right for passengers, this will encourage substantial modal shift, as has been shown in cities across the world. A new report by Booz Hamilton for PTEG has found that simple and unified ticketing offers such as the London Oyster card can lead to substantial patronage growth in the range of 6% to 20%, with some increases of up to 40%.

In London, the Oyster card means that public transport is one product that people can buy, so it can compete better with the car. It offers reassurance that the user can travel around the city as and when needed. People know they are getting a good deal with an Oyster card because fares are capped, and they can use whichever transport modes and operators they like without financial penalty. An Oyster card is easy, convenient, quick and cashless.

London's success suggests that people would value a national public transport product, an integrated multi-modal, multi-operator smart card that gives people an easy way to use the whole of the national public transport network, and that ensures value for money by offering capped fares.

We suggest that the Department takes the London Oyster card as its starting point. Its vision should be an Oyster card (or an Oyster-style offer) for the whole of the UK that makes the public transport network one easy to use product that can compete with the car. (It could also include car clubs, bike parking and other services as well as suggested in the consultation document). The Department should work with the devolved authorities to achieve this.

How this vision could be achieved

The Department needs to set out a clearer roadmap and timeline for achieving its vision. Integrated smart ticketing agreements should be developed by local authorities (and we will discuss these further later) but these should be underpinned by an understanding that the final product will be national travel by public transport, in the same way as a car offers travel throughout the UK. The implications of this would be that:

- The Department should consider producing a smartcard for the UK
- Local authorities and ITAs should be encouraged and supported in creating their own ticketing products to suit people in their area, but local smartcards should in time become part of a national smartcard structure
- National and local fare structures must be as clear and simple as possible. This might be an opportunity to rethink current fare structures and consider whether, for example, a zonal system for rail fares might be more appropriate than the current mish-mash of products
- The interrelation between national and local fares must be clear, and a national fare cap as well as local ones could be considered
- The Government cannot ignore the fact that public transport fares are rising in real terms year after year. It should take this opportunity to review rail fares and also look at how bus fares can be

- reduced. Integrated smart ticketing will not fulfil its potential if current high fare levels continue
- The Department should think about how it will be able to bridge the gap between the rail and bus markets to offer integrated products. Its role should be to develop the national smartcard so it will need to negotiate with operators to ensure that passengers get a good deal when travelling on it
 - The Department should avoid getting sidetracked into discussion of technical advances such as EMV and mobile technology, when these improvements may be marginal to the passenger experience

The vision must be about the whole integrated product, not just smart ticketing

The evidence from London and other European countries strongly suggests that passengers value a simple, unified and integrated ticketing system like Oyster. The Department's vision should state clearly that this is what is required. Smartcards should not simply reproduce current offers – including both integrated multi-operator, multi-modal travelcards and single operator tickets – as this is very confusing for passengers and does not improve the overall product.

Implementing smart ticketing will not bring with it the benefits of the London Oyster card unless commercial agreements are negotiated so that ticketing products are fully integrated and fares are capped. Introducing smartcards must not simply involve a new method of payment but an integrated public transport product, with no incentive for the passenger to choose one particular operator, and no penalty for not doing so. We understand that bus operators think that customers would benefit very little from moving existing products onto a smart platform. This means that the commercial agreements which ensure that the ticketing product is good value for money are vital.

Barriers to achieving the vision

The key barriers to integrated, smart ticketing across the UK are:

- The current deregulated structure offers little incentive for bus operators to cooperate to provide integrated products. Bus operators do not see a business case for offering a multi operator product rather than their own single operator product. They are concerned about losing market share and not receiving a fair proportion of ticket revenue, and would rather maintain full control over their own ticket revenue. They may also be concerned about OFT fines.
- Bus operators do not see a business case for investing in smart ticketing infrastructure. They do not accept the Department's suggestion that increased speed, fraud detection and greater information about their passengers would justify the financial investment required. They also recognise that smart ticketing infrastructure without a good deal for the passenger is not likely to lead to the increased passenger numbers that would make up for the money spent. Therefore it is understandable that if they are not keen on multi-operator deals, they will not see a business case for smartcards.
- Given these constraints, it is difficult for PTEs/ITAs and even more difficult for regular local authorities to establish integrated ticketing schemes. PTEs which have made progress in this area have had to identify pump-prime funding and have had to lead on smartcard implementation

Recommendations for action

The Department must be prepared to provide funding and to make changes to the regulatory environment to achieve its vision

The consultation document suggests that the Department has already ruled out changes to the regulatory structure of the UK, and provision of funding. This attempt to rule out potential solutions before a full analysis of the problem has been completed suggests that the Department is not really committed to its own vision of better ticketing. We think it extremely unlikely that the Department will be able to achieve its vision without making funding available, and without being willing to look at changes to the regulatory structures that currently exist. We urge the Department to look clearly at the barriers to its vision and how they can be overcome, considering how successes have been achieved in London and in other countries. The public sector in the city regions (in the form of the PTEs) has been critical in promoting integrated tickets and investing directly in the technology required. There is no reason for the Department to think that it can achieve the benefits of integrated smart ticketing without making any funding available.

The Department believes that there is a strong business case for integrated, smart ticketing while bus operators do not. This is a clear case of market failure (London's Oyster card has shown that people want an integrated, smart product but it is not provided outside London) and it is not the Department's role to persuade businesses that they are wrong about the strategies they take in the markets in which they operate. Instead, the Department should recognise that it has identified a number of important wider public benefits that would result from its vision. If the benefit cost ratio is as high as the consultation document suggests, this justifies Government spending to achieve the vision. In the Netherlands, when a national smartcard was introduced, this was paid for by central Government.

The Department will fail if it simply sits back and hopes that operators will realise there is a business case for integrated smart ticketing. The consultation document attempts to distinguish between genuine barriers to integration which need to be addressed, and 'the reluctance of transport operators to participate in integrated ticket products because of commercial self-interest'. We do not think this distinction can be upheld. Companies should be expected to act on commercial self-interest, and they will not introduce integrated smart ticketing if this does not suit that interest. It is the Government's role to commit to implementing its vision which is in the wider public interest, rather than relying on other players.

The Department should not make BSOG payment conditional on buses being equipped with smartcards

The BSOG proposal as it stands would impact badly on passengers, as it would increase costs for operators, leading to higher tender prices, higher fares or bus cuts. We don't believe the benefits of smartcard systems are likely to outweigh these costs.

Furthermore, operators will have a strong incentive to meet the minimum national standard set by DfT for higher tier BSOG, but very little reason to go beyond this point. Incentivising operators to fit smartcard readers without ensuring that integrated products are provided on these readers is likely to encourage individual operator products rather than integrated local ticketing products. This proposal would also be a bad use of money as in some areas it would reward operators for past investment.

Instead the Department should provide an additional grant to transport authorities to provide delivery of the vision – the introduction of integrated smart ticketing

This would be a much better use of public money than BSOG incentives to equip buses with smartcard readers because the final outcome – an Oyster-style offer for passengers outside London - could be guaranteed instead of simply hoped for. A partnership approach between authorities and operators could deliver the Department's vision whereas BSOG incentives would only mean that most buses would be appropriately equipped for smartcards.

Delivering the vision will require the ability to persuade operators to participate in joined up local schemes. Transport authorities are uniquely placed to provide this leadership and build partnerships to deliver city-wide or sub-regional schemes that are consistent with local transport policies. Locally appropriate strategies could be agreed that would ensure all the benefits of integrated smartcard ticketing are delivered to passengers throughout the country. PTEs have a strong record of working with smaller operators and putting in place financial and other support arrangements that should encourage them to raise their standards. In some cases they have taken on back-office functions and need revenue funding to support this work. A revenue funding deal between transport authorities and Government creates the opportunity to lock in a service level agreement.

Directing funding towards a partnership approach will be more effective in achieving the Government's aims because it will:

- Allow councils and their partners locally to develop and set out a timescale for implementation of fully integrated, multi-operator smart-ticketing that delivers maximum benefits to passengers
- Support the development of joined up and efficient back office systems rather than a series of local, operator led systems
- Enable councils to provide incentives locally for operators to join in partnerships for integrated ticketing
- Enable these incentives to be targeted effectively towards smaller local operators, thus making 100% coverage possible
- Ensure that the incentives provided complement rather than duplicate past and current plans for investment in smartcard facilities
- Make sure the data and information provided by smartcards is consistent and available to local authorities to inform transport planning and policies

Government has already recognised that delivering better public transport will require stronger powers for councils to influence bus services in their areas. For that reason, the Local Transport Act 2008 was designed to give councils more control through enhanced partnerships or Quality Contracts. In this context it makes sense to enable transport authorities to deliver integrated smart ticketing by providing dedicated funding.

The Department should keep in mind a vision for the country as a whole, including rural areas as well as urban. This means it should ensure that when a national smartcard is introduced at a later date, city-region smartcards work within this structure. It also means that the Department should actively encourage local authorities to review their transport governance and consider introducing ITAs. Every travel to work area should have its own ITA, so that transport can be planned at the appropriate level, with the appropriate resources. In the Netherlands, regional transport authorities played a key role in implementing the national smartcard.

The Department should use statutory tools to make integrated tickets work better

Although there are integrated ticketing products in the city regions, bus operators tend to undercut them on price and promote their own tickets. Also simple zonal fares systems are needed. Passengers are confused about whether they are getting the best deal, which detracts from the overall public transport offer.

We would suggest the following statutory tools be used to deal with these problems:

- The provisions of sections 135-138 of the Transport Act 2000 should be amended to allow the scheme to set maximum fares for prescribed ticket types and to set fare controls, e.g. maximum annual fare increases in line with a defined index. This would allow transport authorities to introduce some stability and consistency into ticketing and fares, yet allow operators to compete on fares within the boundaries set. It would also need to allow the authority to implement smart multi-operator

capped pay-as-you-go products, if the real passenger benefits of this type of technology are to be realised

- The Office of Fair Trading Ticketing Block Exemption should be amended to allow operators the ability to agree a daily/weekly maximum fare cap for pay-as-you-go products. This type of multi operator product is critical to the attractiveness of smartcards and thus to realising the benefits of the technology. The ability to have integrated pay as you go products that customers can trust will charge them up to the cap, or calculate the most efficient fare for the journey(s) made would be a genuine benefit that needs accommodating within the legislative framework, and at present the block exemption may not accommodate such an initiative

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Campaign for Better Transport

Campaign for Better Transport is the leading transport NGO. Our compelling arguments and ideas have won us the support of national decision-makers and local activists, enabling us to secure transport policies and programmes that improve people's lives and reduce environmental impact.

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