Building better bus services: multi-operator ticketing

Guidance for local transport authorities on planning and implementing multi-operator ticketing services

Produced in association with the following organisations:

- Association of Local Bus Company Managers (ALBUM)
- Association of Transport Coordinating Officers (ATCO)
- Bath & North East Somerset Council
- Campaign for Better Transport (CBT)
- Competition Commission
- Office of Fair Trading (OFT)
- Passenger Focus
- University of Hertfordshire

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Credits

We would like to thank the following organisations for giving up their time to support the development of this guidance, and helping us with their specialist advice and knowledge.
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Foreword

One of the Department for Transport’s fundamental priorities is to encourage sustainable local travel and economic growth by making public transport more attractive and effective. In support of that priority, we have set out a clear vision for a better bus service that offers more of the attributes that we know passengers want, such as more punctual, inter-connected services.

Multi-operator ticketing can play an important role in delivering this vision. It means journeys that are quick and simple: the sorts of journeys that passengers have a right to expect in 21st century Britain. By increasing the flexibility of when and how people can travel on a single ticket, multi-operator ticketing will make public transport more convenient, more reliable and easier to use.

Take Oxford as an example. Passengers buying a return ticket for travel within the city’s SmartZone can make the return journey on almost any bus travelling along the same route, whatever the operator. That kind of option makes bus travel more attractive to new users and provides a better experience for existing passengers.

That’s why we want to see schemes like this operate in every area of the UK – and this guidance will help achieve that. This guidance is not intended to be definitive: we do not live in a world of one size fits all. It is, however, intended to help stimulate the debate between local transport authorities and bus operators on how they can move closer to meeting their passengers’ increasingly high expectations.

It draws on the valuable experiences of those involved in existing schemes – both local transport authorities and bus operators – to set out the key issues that need to be considered when setting up a multi-operator scheme. It also underlines the fact that UK competition law facilitates multi-operator ticketing, in recognition of the fact that carefully designed and implemented multi-operator schemes can deliver significant benefits to passengers by enhancing competition in local bus service provision.

Enhanced competition is just one of the potential rewards: to me, the greatest gains are the delivery of more attractive services that tempt passengers away from private vehicles, ultimately leading to market growth and environmental benefits.

I would like to thank the broad range of contributors to this guidance who have imparted their experience and have given their valuable time over to the development of the guidance.

Norman Baker MP
Parliamentary Under-Secretary of State for Transport
Executive summary

1. Multi-operator ticketing is an important aspect of realising our vision for a better bus service. It makes using buses more convenient, reliable and flexible for passengers, allowing them to use services from a range of operators. As evidence from across the world shows, by improving the passenger experience in this way, multi-operator ticketing can help attract new passengers to bus services.

2. That in turn is good news for operators and for local transport authorities: increased use of buses often correlates with decreased car use – hence reduced congestion and lower carbon emissions.

3. Furthermore, the Competition Commission’s report into local bus services in the UK found that carefully designed and implemented multi-operator ticketing products can help increase competition between bus operators – delivering further benefits for passengers.

Our response to the Competition Commission

4. This guidance is part of the Department for Transport’s (DfT’s) response to the Competition Commission report. Its aim is to help local transport authorities (LTAs) introduce effective multi-operator ticketing schemes in their area and to maximise the benefits of existing schemes. It also shows how, by combining multi-operator ticketing with a move to smart ticketing – another of our ongoing priorities – the passenger experience can be improved still further.

What the guidance covers

5. Section 1 of the guidance covers the benefits of multi-operator ticketing, and provides some examples of effective schemes. It also sets out the benefits of smart ticketing, and explains further why smart ticketing and multi-operator ticketing are complementary.

6. Section 2 examines the steps you need to take when planning a multi-operator ticketing scheme. It looks at some of the options available – such as voluntary or statutory schemes – and the fundamental decisions that need to be taken regarding geographical reach and how revenue will be shared. It provides guidance on how to set prices and put in place an effective governance structure for your scheme.
7. One of the prime concerns for many LTAs is how a multi-operator ticketing scheme fits within competition law. This is considered in Section 3, which explains how, under the Public Transport Ticketing Schemes Block Exemption, you can design your multi-operator ticketing scheme in a way that should be compatible with competition law.

8. Section 4 focuses on the stage between planning and launch. It provides guidance on scheme marketing and retailing, staff training, and testing.

9. Section 5 looks ahead to how you can review and extend your scheme in the future.

10. Section 6 includes some case studies of existing multi-operator ticketing schemes, setting out how they work, who is involved and what the benefits have been.

11. Throughout the guidance, there are links to other sources of information – including the Office of Fair Trading, the Competition Commission report, existing DfT guidance – and to helpful resources, such as templates. There are also some decision trees to help you plan your way forward.

Updating the guidance

12. We see this guidance as a living document, which will be updated with further information and examples as we receive them. If there are particular issues that are not covered in the guidance, please let us know at smartticketing@dft.gsi.gov.uk.
1. Why multi-operator ticketing?

Introduction

1.1 Multi-operator ticketing is recognised as a means of making bus travel more flexible, convenient and cost-effective for passengers. It refers to a system where passengers are able to use the same ticket on services provided by different operators. That might mean buying one ticket to cover a journey that will involve changing from one bus operator’s service to another (i.e. where routes do not overlap); but it can also refer to situations where more than one operator runs services on a particular route. Here, a multi-operator ticket will allow passengers to use services from any of the operators – meaning they can make their journey faster and avoid waiting at the bus stop while a bus heading in their desired direction goes past.

Attracting new passengers

1.2 That kind of flexibility doesn’t just make bus travel more flexible for those that already rely on bus services: it also makes it a more appealing option for those who currently prefer other modes of transport.

1.3 When multi-operator ticketing schemes have been introduced in cities and districts around the world, the number of passenger journeys made has increased – and evidence indicates that this isn’t just from existing users making more journeys, but also from a wider audience choosing bus travel. Surveys into the schemes have also recorded higher levels of passenger satisfaction and increased confidence in the public transport system as a whole.

Over the past 20 years, many Local Transport Authorities (LTAs) have successfully developed multi-operator ticket products. Some examples are given in Section 6 of this guidance.

Benefits for operators and transport authorities

1.4 This, clearly, is good news for both bus operators and local authorities/local transport authorities (LTAs) alike. Increased bus patronage means increased ticket revenues for operators, and less reliance on cars – contributing to local carbon emissions reduction targets. It can also help lead to a more efficient overall bus service: improving the overall passenger experience without a need for individual operators to run more buses on a particular route, especially at quieter times of day.
Increasing competition in bus service provision

1.5 Finally and crucially, multi-operator ticketing is recognised as a means of increasing competition in local bus service provision:

- **It can help reduce barriers to entry and expansion for smaller operators.** In 2011, The Competition Commission published a comprehensive report on the supply of local bus services in the UK. It found that ‘where passengers choose in advance to use a particular operator’s services or to purchase a return or network ticket, a major determinant of this choice is also the frequency of service.’ Therefore, smaller operators that can only provide a handful of services a day will be less attractive to these passengers – in turn making it harder to secure a foothold in the market. In a multi-operator ticketing environment, however, where passengers are able to use services from any operator on a route, this problem is removed: passengers can use a smaller operator without the risk of having limited choice for a return or onward journey.

- **Competition between bus operators benefits passengers.** Over half of those who rely on the bus outside London do not have access to a car, and one third of local bus trips are taken by people in the lowest income group. They may have no alternative but to use buses, no matter how high the fares. Where competition in a local area is weak, the main operator may have the incentive to increase fares or worsen the quality of service. A multi-operator ticketing environment can help avoid this.

1.6 These are two of the reasons why the Competition Commission recommended multi-operator ticketing as a way of opening up the market, to make it more competitive and improve the offer and experience to the travelling public.

Responding to the Competition Commission’s report

1.7 The Department for Transport (DfT) fundamentally agrees with this recommendation, which fits with our vision for a better bus service – in particular, in terms of offering more punctual, inter-connected services. We believe that multi-operator ticketing can and does improve the passenger experience, helping to attract more people onto buses.

1.8 Therefore, this guidance, which is part of our response to the Competition Commission’s review, aims to help LTAs to introduce and/or enhance multi-operator ticketing on bus services – and, where possible, as part of an integrated multimodal transport ticketing offer – in their local area. Further, this guidance sets out the case for combining the introduction of multi-operator ticketing with smart ticketing, another integral part of our vision.

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1 National Travel Survey 2010
1.9 Developed following consultation with a range of organisations, including the Competition Commission, Office of Fair Trading, bus operators, local transport authorities and passenger transport representative groups, the guidance demystifies multi-operator ticketing, identifies the key issues that need to be considered when introducing it on local bus services and clarifies how it fits within the context of competition law.

How to use this guidance

1.10 As stated above, this guidance is designed to help Local Transport Authorities develop multi-operator ticketing schemes as part of improving their local public transport offer and to enhance any existing multi-operator ticketing schemes that are currently provided in their area. It aims to provide a practical overview of the issues that will need to be considered and draws on best practice to recommend possible approaches.

1.11 It is, however, only guidance and is neither comprehensive nor prescriptive. Readers should therefore seek independent professional advice, including legal advice, before applying the guidance. It should also be noted that some sections only apply to multi-operator travelcards – a specific type of multi-operator ticket: where relevant, we have indicated where this is the case. Please be aware too that the relevant law may differ in other Jurisdictions.

1.12 This guidance will develop over time, adding case studies and reflecting the feedback we receive from LTAs and operators. In particular, we intend adding further content on how to enhance multi-operator ticketing systems once they are operational. We will also aim to signpost users to specialist information to help address some of the more complex features of multi-operator ticketing.

1.13 Therefore, we encourage you to use this guidance as a living document that can help you at any stage of developing or managing a multi-operator ticketing system – from initial market analysis to scheme design.

If you have any comments or suggestions for improving the guidance, please email smartticketing@dft.gsi.gov.uk.
Multi-operator ticketing and smart travel

1.14 The Government has already set out its commitment to enable most public transport journeys to be undertaken using smart ticketing technology by December 2014.\(^2\) Smart ticketing – where tickets are held electronically on a microchip, either in a dedicated smartcard, or on a mobile phone or other device – offers convenience for passengers and, where implemented effectively, can make boarding simpler and faster. What’s more, it provides a wealth of information about transport usage, which is of significant value to operators and LTAs.

1.15 While both smart ticketing and multi-operator ticketing can be introduced separately – in the case of multi-operator ticketing, using paper-based tickets – to reap the maximum benefits, it often makes sense to combine the two. This will mean that the offer to passengers only needs to change once, and the smart system will reinforce the increased convenience and flexibility that multi-operator ticketing provides. Also, the data that smart ticketing generates can help monitor the uptake of multi-operator tickets and support revenue sharing where appropriate and legally permitted.

1.16 Therefore, throughout this guidance our prime focus is on setting up and managing a system which offers multi-operator smart ticketing – and highlighting the issues which will need to be addressed to make this system work in practice.

Tip: Smart from the start

The introduction of a smart multi-operator ticketing system provides an ideal opportunity to review current ticketing policies from a passenger perspective to ensure they are attractive and easily understood. For example, can passengers see how much they have saved by making a through journey rather than buying individual tickets? Are there any routes where savings currently don’t apply and, if so, why?

This sort of review can ensure that ticketing is more transparent – again building confidence in the overall system.

Is multi-operator ticketing right for you?

1.17 If you are unsure whether multi-operator ticketing is something your authority should introduce or not, use the flowchart in Figure 1.1 to help you identify how it could benefit you. If you have previously considered multi-operator ticketing and decided not to proceed, the flowchart can also direct you to relevant points in this guidance to help you keep your decision under review.

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Figure 1.1 Is multi-operator ticketing right for you?

1. Are passengers broadly satisfied with bus services in your area?
   - Don’t know
   - No
   - Partly
   - Yes

   Multi-operator ticketing may well be suitable for you – but first, you need to do some research. Look to understand how satisfied customers are with services and what they would like to see improved. You may also like to benchmark your findings against research from similar or neighbouring authorities.

   Q3

2. What do you see as the main problems for bus services?
   - Poor geographical reach
   - Service frequency
   - High fares
   - Lack of competition

   If all of these issues apply in your area, then multi-operator ticketing can help as one of a range of improvement measures.

   Q5

3. How would you describe the level of competition in bus services in your area?
   - Multiple operators, head-to-head competition on same routes
   - Just one operator

   Multiple operators, head-to-head competition on same routes. You are in the perfect position to introduce multi-operator ticketing. Ensure you have internal support, then start talking to operators about the prospect of a multi-operator ticketing scheme.

   Just one operator. If you have only one main operator in your area, competition is likely to be weak. Your first step should be to look at ways to encourage more competition.
• Multiple operators, but each on different routes/different districts.
• A couple of large operators.
• One dominant operator and a few small operators.

4. Have you previously considered multi-operator ticketing in your area?
   Yes, but we were unsure about how to proceed. If that's your only concern then multi-operator ticketing is well worth investing in. This guidance should help you understand how to proceed.
   Yes, but we were deterred by competition law. It's a common misconception that multi-operator ticketing will infringe competition law. In reality, properly designed multi-operator ticketing is often exempt from competition law. See Section 3.
   Yes, but we were unsure about how to proceed. If that's your only concern then multi-operator ticketing is well worth investing in. This guidance should help you understand how to proceed.

5. Do you have targets to increase bus patronage, reduce congestion or carbon emissions?
   Yes, but it was decided that we were not ready as an organisation to manage a change project of that size and scale.
   Yes, but we were deterred by competition law. It's a common misconception that multi-operator ticketing will infringe competition law. In reality, properly designed multi-operator ticketing is often exempt from competition law. See Section 3.
   Yes, but we were unsure about how to proceed. If that's your only concern then multi-operator ticketing is well worth investing in. This guidance should help you understand how to proceed.
   Yes, but we could not come to an agreement with operators. Consider introducing a statutory multi-operator ticketing scheme, as opposed to a voluntary one. See paragraphs 2.20–2.32.
   Yes, but we have not yet approached operators. Your next best step is to start engaging with operators to try and gain their support for multi-operator ticketing. See paragraphs 2.76–2.82.

6. Do you have any plans to review ticketing arrangements in your area, e.g. to introduce smart ticketing?
   Yes, but it was decided that we were not ready as an organisation to manage a change project of that size and scale.
   This could be a perfect time to look at introducing multi-operator ticketing as an additional improvement to service flexibility and convenience. See paragraphs 2.51–2.52.

Although your answers suggest multi-operator ticketing may not be your top priority at the moment, evidence from around the world shows that it can help increase bus usage and passenger satisfaction, improving even the most successful services still further.
2. Planning a multi-operator ticketing scheme

2.1 The potential benefits of multi-operator ticketing are clear: increased passenger satisfaction, greater usage of bus services and scope to reduce costs and carbon emissions. But, to maximise these benefits for passengers, LTAs and operators alike, schemes need to be rigorously planned.

2.2 While there is no single template to follow, as schemes need to reflect the local transport environment, a number of factors should be considered in planning and designing a scheme, including:

- what you want the scheme to achieve;
- how you will engage with operators;
- where the scheme will operate;
- how the scheme will be governed;
- who will be part of it; and
- whether the scheme will use smart ticketing.

2.3 This section examines these factors and highlights the key conditions needed for a multi-operator ticketing scheme to succeed. See also the pre-launch checklist in Annex A.

The essential foundations

2.4 There are three essential foundations for a successful multi-operator ticketing scheme:

- a multi-operator bus network;
- suitable relationships with local bus operators; and
- high-level support for multi-operator ticketing within the local authority/LTA.

A multi-operator bus network

2.5 Clearly, multi-operator ticketing is only feasible where there are multiple operators. Remember also that multi-operator schemes can also include different modes of transport (i.e. a single ticket to cover a combined bus/train/tram journey).
Suitable relationships with local bus operators

2.6 Delivering a multi-operator ticketing scheme requires LTAs to perform a delicate balancing act.

2.7 On the one hand, you must act as advocates for passengers, hence demanding affordable and simple tickets. On the other hand, you need to understand the commercial constraints within which bus networks operate and the financial implications of changes in fare structures and pricing. You may need to mediate between the potentially competing views of different operators, to ensure that the local market for bus services functions as efficiently as possible.

2.8 In short, even if you choose to introduce a statutory scheme (see paragraphs 2.20–2.32), you will need to secure the co-operation and engagement of the bus operators in your area.

Tip: Building effective partnerships

Multi-operator tickets can form part of wider partnerships between the authority and bus operators to develop and enhance public transport delivery within a defined area. You can find useful guidance on building effective partnerships from DfT at www.gov.uk/government/policies/improving-local-transport/supporting-pages/increasing-the-use-of-buses, or go to www.buspartnership.com – a site jointly created by the Passenger Transport Executive Group (PTEG) and the Confederation of Passenger Transport (CPT). It sets out some core principles that should govern bus partnerships, several of which are particularly relevant to setting up multi-operator ticketing schemes (ticketing and fares, branding, marketing and customer relationships, permissible data sharing).

High-level support for multi-operator ticketing within the local authority/LTA

2.9 This is crucial. Introducing multi-operator ticketing will take some time and investment on the part of the LTA – potentially spanning different local administrations. You need to be sure that there is a clear commitment at executive level, and across parties, to introducing multi-operator ticketing.

2.10 A comprehensive cost/benefit assessment (including potential wider benefits such as social inclusion and mobility) can be useful to gain that commitment. You should also assess the level of resource and skills within your transport team to deliver the initiative.

Strategy and goals

2.11 To get the best results from a multi-operator ticketing scheme, it is essential to define from the outset what you want to achieve from it – within the context of your overall transport strategy.
2.12 The main objective of any scheme is likely to involve providing good value and convenient multi-operator ticketing products to passengers. Other relevant goals could include:

- maximising travel opportunities across the network;
- offering improved door-to-door journeys;
- easing interchange;
- reducing boarding times;
- reducing congestion;
- reducing carbon emissions;
- growing the market; and
- supporting economic and social mobility.

2.13 In defining the goals for your multi-operator ticketing, you will also need to consider what the potential demand for multi-operator tickets would be, what type of tickets are likely to be required (zonal, add-on, etc) and what the implications of introducing a new ticketing product are likely to be for overall operator revenue.

2.14 By setting these goals at the outset, you will be better able to assess whether your multi-operator ticketing scheme will achieve the desired outcomes.

Consulting on the strategy

2.15 Consulting on the strategy with passengers, operators and other stakeholders is critical, as their priorities can determine final outcomes. However, while all comments should be considered, be aware that there may well be conflict in the feedback, as different stakeholders have different expectations: some operators may not be in favour of multi-operator ticketing. Also, don’t forget your internal audience – getting senior political support within the local authority and LTA – so that they understand the overall goals, and then can help maintain the direction and engage stakeholders throughout the process.

Geographical range

2.16 One of the first things to determine for your multi-operator ticketing scheme is where it will operate. Should it cover the whole of an LTA area, more than one area or specific smaller zones? Are there particular parts of a LTA area that would benefit from multi-operator ticketing such as key commuting or school transport routes or areas where more than one bus company operates?

The advantages of zonal schemes

2.17 In general, zonal schemes (such as the one shown in Figure 2.1) are more attractive than point-to-point schemes, as they include more
operators and options. That means they are more useful for passengers, cutting out the need for multiple tickets whenever a passenger leaves the specific corridor. Zones can also simplify the transport network for users, helping them understand pricing and options within the zone and so making public transport more attractive. For schemes that cover a large geographic area, it may make sense to offer multi-operator tickets that cover travel within distinct zones within that area, as well as an ‘all zone’ ticket. However, care needs to be taken in the design of zones to avoid making the system too complex.

2.18 Council boundaries or operator boundaries may seem like obvious boundaries for zones. However, zones should be designed for the journeys that passengers actually want to make. You may also want to ensure that other key transport assets are included (e.g. railway stations), to help create a multi-modal scheme that again is more attractive to passengers. Also, consider travel-to-work areas when setting zone boundaries: if a large number of residents in your area travel to a major employer in another LTA area, it may make sense to work together with your neighbouring LTA on a multi-operator ticketing offer.
Defining the zone: guidance from the Competition Commission

In its report on local bus services, the Competition Commission suggested the following approach to defining zones.

‘The precise delineation of zones will be a matter to be determined locally, in light of a range of practical considerations. However, we took the view that, as a guiding principle, such zones should correspond broadly to the main zones available for the main single-operator multi-journey tickets in the area, where these have been demonstrated to correspond to a passenger demand for multi-journey tickets. Tickets should also be available to cover the travel-to-work areas in and around particular Urban Areas.’

Testing the scheme in a small area

2.19 You may want to test the water by introducing multi-operator ticketing on a handful of routes to start with – expanding to a broader zone once operators and passengers are comfortable with the system, and in particular any technology required.

Tip: Integrating public transport with new business/residential developments

New residential or business developments can be ideal opportunities to encourage public transport use – and multi-operator ticketing can help. For example, introducing multi-operator ticketing for all routes to and from a new industrial park can attract those who work there to use public transport, hence growing the market.

Voluntary or statutory scheme?

2.20 There are essentially two different ways to set up a multi-operator ticketing scheme:
- voluntary scheme; or
- statutory scheme.

2.21 Each has its own merits and requirements, which we discuss further below. However, given these different requirements, the sooner you decide which approach you wish to adopt, the better.

2.22 As a general principle, LTAs should first investigate whether a voluntary scheme is possible – and whether operators will agree to it. If operators are reluctant to participate, or would only agree to a scheme that is limited in scope and size, then a statutory scheme may be required.

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3 Competition Commission (2011) – *Local bus services market investigation* paragraph 15.45. See also paragraphs 25 to 31 of Appendix 15.2
2.23 Whichever route you take, you will need to define the geographical range and types of tickets available, as well as identifying any services that are excluded from the scheme (e.g. park and ride, coach services, tours, etc). You will also need to consider the Scheme Agreement (see paragraphs 2.83–2.85) and define governance and administration (paragraphs 2.61–2.62).

Once a scheme is set up, whether voluntary or statutory, it can only be terminated by the agreement of all the partners signed up to the scheme.

Voluntary schemes

2.24 In a voluntary scheme, operators can not only decide whether or not they want to participate, but also have a greater say in the way the scheme is defined. In most voluntary schemes operators will decide jointly with the LTA, on ticket types and validities, scheme area and excluded services. Operators also have the right to leave the scheme, in accordance with the agreed conditions. However, under competition law, in order to benefit from the Public Transport Ticketing Schemes Block Exemption, any multi-operator ticketing scheme has to be open to all that want to join, including new operators entering an area, unless there is there is an objective, transparent and non-discriminatory reason for the exclusion.

2.25 Voluntary schemes are more flexible than statutory ones. They can be open to tram or rail operators, and changes can be made to the scheme boundary or ticket types without the formal consultation processes. This means that pilot schemes are often best run on a voluntary basis, to allow for gradual expansion.

2.26 LTAs need to decide what level of involvement they want in a voluntary scheme. As a minimum, we would expect there to be formal LTA representation in the scheme, in accordance with the Competition Commission recommendation that LTAs should be full voting members of schemes. Where schemes extend across LTA boundaries, you will need to decide whether all LTAs involved have an individual vote or are represented collectively. You may also want to introduce rules that mean any future tenders for services will require parties to accept multi-operator tickets.

2.27 Other roles for the LTA may include:

- marketing support – see paragraphs 4.2–4.12;
- acting as scheme administrator; and
- participating in operator meetings; this may be particularly important when it comes to discussions around pricing, where LTAs should actively lead partnership and negotiation arrangements.

2.28 There is nothing to stop operators from introducing multi-operator ticketing schemes without the involvement of an LTA, as long as they can show that the scheme satisfies competition law obligations (see Section 3). However, in terms of good governance, LTAs can play an
important role in safeguarding the public interest. Although the presence of the LTA would not mean that discussions that would be unlawful under competition law – for example around price fixing or sharing markets – are lawful, the involvement of the LTA can reduce the likelihood that operators are perceived to be, or are actually, improperly fixing ticket prices or sharing markets behind closed doors.

Statutory schemes

2.29 As you would expect, in a statutory or mandatory scheme all local operators must participate – and under section 155(c) of the Transport Act 2000, penalties can be imposed on operators if they do not participate. This obviously ensures a comprehensive offer for passengers.

2.30 However, setting up a statutory scheme can take longer. You must follow a formal process, as set out in sections 135-138 of the Transport Act 2000. This includes:
   - publishing a draft scheme in the local paper;
   - consulting on the ticket types and validities, scheme area and excluded services; and
   - finalising the scheme and instructing operators on what they must do.

2.31 You then have to follow the same consultation process if you want to change any aspects of the scheme.

In practice: statutory scheme

A statutory scheme was introduced in Bath & North East Somerset that created a single travel zone covering the Bath urban area and introduced daily and weekly tickets for adults and children valid on all buses within that area. See the notice that the LTA published and the draft scheme. Please note these are examples, rather than templates to follow.

Pricing and revenue sharing

2.32 Pricing is clearly pivotal to the success of a multi-operator ticketing scheme. Passengers are only likely to use a multi-operator scheme if they perceive it to offer better value for money than existing ticketing products. However, operators are likely to only agree to participate in a scheme if it enables them to recover their costs and/or increase bus patronage.

2.33 LTAs should be aware of the need for a scheme to balance these two perspectives and follow competition law in determining a fair price for multi-operator ticket that does not eliminate competition between operators. Prices must then be formally decided in accordance with the scheme governance arrangements.
2.34 However, it should be noted at this stage that fixing of multi-operator ticket prices between operators is only likely to be compatible with competition law in relatively limited circumstances – for example in relation to multi-operator travel cards (‘MTCs’) under the Public Transport Ticketing Schemes Block Exemption, or where maximum prices are imposed under a quality partnership scheme under the Transport Act 2000.

2.35 For most ticket types, pricing will need to be determined unilaterally by each operator in a scheme. The pricing framework suggested in this section relates solely to MTCs. Section 3 provides more details on adhering to competition law.

Gathering pricing information

2.36 To make things simple for passengers, MTC schemes should cover, or broadly correspond to, the main ticket types offered by individual operators – in terms of both the duration of tickets (i.e. daily or weekly travelcards or passes) and specific discounts (e.g. for children or students). Therefore, a useful first step in developing a pricing scheme is to look at ticket types and pricing on existing routes, corridors or network.

2.37 LTAs should request that all operators participating in the scheme provide details of their existing ticket prices. Under s139(6)(b) of the Transport Act 2000, LTAs have the power to require operators to give them fares information. You can then compile a full list of products and understand existing pricing boundaries on an operator-by-operator basis – which in turn form the basis for negotiating and helping operators determine the appropriate pricing for multi-operator tickets.

Developing a pricing framework

2.38 To facilitate discussions about pricing and provide transparency to operators and passengers, it is good practice to develop a suitable formula or framework. In its report, the Competition Commission recommended the following framework for determining the price of multi-operator travelcards. The framework is designed to reflect the way passengers will evaluate whether a ticket offers value for money: i.e. does it offer them a reason to buy the multi-operator ticket, rather than simply buying individual ones?

\[
\text{Price of MTC} = \text{Average or median fare} \times \text{Estimated [typical] ticket usage} \times \text{Passenger discount for purchasing a multi-journey ticket.}
\]
2.39 This framework is not intended to be applied as a mechanistic formula but to be used as a way of facilitating decisions about an appropriate level of pricing. It provides a logical and pragmatic framework within which schemes can use relevant local evidence to set prices of multi-operator tickets that are both attractive to passengers and fair to participating operators. It also means that the scheme can then be transparent about how prices are set. It is therefore applicable both to new schemes and existing ones, and can be used by LTAs in reviewing current pricing of an established MTC scheme.

2.40 Read further guidance on how to apply this framework in practice (Annex B).

**Following competition law in setting prices for MTCs**

2.41 In setting prices, the key principles of competition law to follow are the exemption criteria under the Competition Act 1998 and corresponding European provisions. This can be distilled into four key points:

1. Efficiency gains – the agreement between bus operators (i.e. the multi-operator ticketing scheme) must contribute to improving availability [and quality] of services or promoting economic progress.

2. Fair share for consumers – consumers (i.e. passengers) must gain a ‘fair share’ of the benefits generated by the scheme. In practice, this means that multi-operator tickets should not be priced at a fixed percentage above the price of the travelcard(s) issued by one or a group of participating operators: according to Office of Fair Trading guidance, this would not be deemed to provide a fair share for customers.\(^4\)

3. Indispensability of the restrictions – the agreement must not impose restrictions which are not indispensable to achieving the benefits.

4. No elimination of competition – pricing must not eliminate competition between operators in respect of a substantial part of the services in question. In practice, one key point is that when considering pricing, LTAs or anyone else involved in scheme administration should ensure that operators do not disclose commercially sensitive information to their competitors unless it is directly related and indispensable to the effective setting of prices.

2.42 Where it is directly related and indispensable to the effective operation of the scheme for competitively sensitive information to be used to determine the price of a multi-operator ticket (e.g. to establish average usage, or to estimate ‘weights’ for a weighted average price – see Annex B on applying the Competition Commission’s framework for more details), this information should be collated by the LTA or an independent party and should not be shared in a disaggregated form between

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\(^4\) See paragraph 3.14 of the OFT’s *Public Transport Ticketing Schemes Block Exemption Review: Proposal to recommend that the duration of the Block Exemption is extended*, July 2010, OFT1255.
operators. Furthermore, discussions about the pricing of a multi-operator ticket should not be used to exchange information about operators’ pricing intentions for their own ticketing products.

2.43 See Section 3 for more detailed guidance on adhering to competition law.

Reviewing prices

2.44 While this framework is based on individual operators’ single fares, there should be no need to update the price of a multi-operator ticket every time an operator in an area changes some or all of its fares. Instead decisions about pricing of MTCs should be taken periodically by the scheme management board in accordance with the scheme agreement, as part of a review process that also looks at other aspects of ticketing terms and conditions and reimbursement rules. The schedule for reviews should be part of the overall scheme agreement but will typically be every six months, or annually.

Reimbursement and revenue sharing

2.45 As well as deciding on pricing, it is important to set out at an early stage how MTC revenues will be shared between operators. This can be a key factor in whether operators agree to participate.

2.46 The simplest option is for revenue to lie where it falls – i.e. with the operator selling the ticket. However, this approach does not account for off-bus sales. Other mechanisms include sharing revenue based on registered mileage, passenger journeys, or passenger mileage.

2.47 Clearly, such options depend on the capabilities of ticketing systems to capture this data: operators will need to provide details on the number of multi-operator tickets sold (which must be treated confidentially by the LTA) and on individual journeys. Smart ticketing systems are far better equipped to provide this data than paper-based ones.

2.48 As well as these practical considerations, there may also be issues around whether some operators benefit, or are penalised, disproportionately because of the routes or journeys they provide. One further alternative therefore is a hybrid scheme, where part of the revenue is retained by the ticket ‘seller’ and part redistributed.

2.49 Because of these different issues, it is important that you discuss reimbursement processes fully with all participating operators, and adopt a reimbursement methodology that is fair and transparent. It should be noted that whichever revenue distribution scheme is adopted, it should not result in an incentive for operators to set their own fares higher than they would have been set in the absence of the MTC, or significantly reduce the incentive for each of the operators to compete for passengers.
Smart or paper-based?

2.50 As the previous section has indicated, smart ticketing systems can be very helpful in facilitating fair revenue distribution from multi-operator ticket sales. However, that is just one of several reasons why Government is firmly committed to encouraging use of smart technologies. In addition:

- the same data used to calculate re-imbursement is also essential to performance management and can inform wider bus service design and development; and
- smart ticketing is more convenient for passengers – allowing greater flexibility in terms of purchasing tickets and (potentially) accelerating boarding times.

2.51 Therefore, although multi-operator tickets can be based simply on paper tickets, we strongly recommend that, when designing a multi-operator ticketing scheme, you should consider adopting smart technology.

Understanding the smart ticketing infrastructure

2.52 In a smart ticketing scheme, the ‘ticket’ is read electronically by a smart reader, which is able to tell whether it is valid for travel or not. The reader then records the information about the ticket and sends the transaction record to a back office computer which processes information about journeys made in the smart scheme. Therefore, for smart ticketing to work, five constituent parts need to be in place:

- smartcards (or other smart media such as mobile phones with ‘near field communications’ (NFC) capability);
- smart readers and sale terminals;
- back office systems;
- ticket products that can be loaded electronically onto smart media; and
- the agreed business rules that set out the roles and responsibilities of all parties.

2.53 In other words, smart ticketing is not just about technology. The introduction of smart ticketing is an enabler for offering more tailored customer offerings, taking advantage of the increased customer insights available to encourage greater use of public transport. To capture these full benefits, it is important to review ticketing products and rules before introducing smart technology: simply transferring existing products to a smart platform can prove counter-productive by increasing operator costs without offering passenger or operator benefits.
2.54 Most LTAs have already had some experience of and involvement in ITSO ticketing because, since April 2010, it has been a statutory requirement that all concessionary travel passes are ITSO-compliant smartcards. ITSO is an open specification designed for transport smart ticketing.

2.55 To help fulfil our goal of enabling the majority of public transport journeys to be undertaken using smart ticketing technology by December 2014, the Government has, since April 2010, incentivised the introduction of ITSO hardware by providing an additional 8% in Bus Service Operators Grant (BSOG) for buses that are equipped with operational ITSO equipment. The majority of commercially operated buses outside London now have ITSO smart ticketing equipment on board.

2.56 In addition, we are now rolling out a smart ticketing managed service. This will enable bus operators to fit their buses with smart ticketing equipment which we anticipate will be both ITSO and EMV certified via a service contract which also covers maintenance and back office support – simplifying the process. The aim is to complete roll out of this offer by 2014/15. EMV certification means that contactless credit or debit cards can be used as a payment mechanism. Bus passengers in London already benefit from this capability.

2.57 ITSO is the most commonly used approach. EMV may also have potential in the future given what London is doing. LTAs should be aware that proprietary schemes are unlikely to be suitable. Non-smart barcode ticketing also exists but tends to be accepted only by some operators. We expect that in due course mobiles will be able to support ITSO and EMV ticketing.

Scheme administration and governance

2.58 As with any commercial partnership, a multi-operator ticketing scheme requires effective, robust and transparent governance. The exact nature of governance arrangements will depend on the scheme structure, but most schemes will have:

- a management board/committee, comprising representatives from the LTA, operators and – potentially – passenger groups;
- a scheme administrator, appointed by the board – often, though not necessarily, the LTA; and
- clear rules on voting procedures.

2.59 Whatever governance arrangements are put in place, they should be formally documented in the scheme agreement.
The scheme management committee

2.60 The scheme management committee is the main decision-making body for the multi-operator ticketing scheme. It will typically be responsible for:

- determining ticket pricing for MTCs (or maximum pricing under a quality partnership scheme under the Transport Act 2000);
- determining re-imbursement arrangements for MTCs;
- determining sales arrangements (on-bus, web, off-bus etc);
- overseeing marketing of the scheme and, where appropriate, individual products; and
- monitoring progress.

2.61 The scheme management committee should always include representation from the LTA, as well as from operators. You may also want to include a passenger representative. It may be appropriate to introduce a working group structure, with specific sub-groups responsible for specific issues. However, for day-to-day management of the scheme, the scheme management committee will typically appoint a scheme administrator.

2.62 In some areas, where there is already a strong partnership between the LTA and bus operators underpinned by a Memorandum of Understanding, it may be suitable to simply add the management of the multi-operator scheme to the duties of the partnership board.

Tip: Getting grassroots support through district council engagement

In many areas it makes sense to involve district councils as part of the management structure. Although they have no statutory role in transport planning, district councils have access to local publicity and work closely with business, tourist and in some cases education establishments. This can assist in the wider marketing of the scheme and help gain grassroots input and support.

The scheme administrator

2.63 The scheme administrator is typically responsible for day-to-day operation and administration of the scheme, such as:

- gathering and storing information about ticket sales;
- calculating market share;
- redistributing revenue; and
- contacting new operators.

2.64 Given these responsibilities, and in particular the fact that it will receive commercially sensitive information from different operators, the scheme administrator should be independent from the operators of the scheme. The LTA or industry partner may be suitable candidates to fulfil this role.
Scheme administrators may be authorised to deduct legitimate expenses from the revenues of the scheme, before redistribution between members.

Voting rights and procedures

2.65 To support decision-making, clear voting procedures for the scheme management committee will be required in both statutory and voluntary schemes. The Competition Commission report suggested some practical governance arrangements that ensure ‘all stakeholders’ interests can be taken into account, without any individual stakeholder having a disproportionate level of influence. In practice, this means that:

- LTAs should be voting members of the scheme governing body;
- voting rights should generally align to some measure of market share (for example total passenger miles, or data collected through smart ticketing); but
- no operator should have more than 49% of the vote at the governing body.

2.66 There are some hypothetical examples of Voting Right structures at paragraph 12 of Appendix 15.2 of the Competition Commission's report.

2.67 Clearly, where consensus is not reached in a voluntary scheme, an operator has the right to leave the scheme.

Joining and leaving the scheme

2.68 Under competition law, any multi-operator ticketing scheme has to be constructed so that it does not discriminate against any one operator to the benefit of others. This means that any voluntary scheme has to be open to any operator that wants to join, at their request and on the condition that they agree to the scheme rules. The only exception is where there is an objective, transparent and non-discriminatory reason for the exclusion, although in practice this may be a high threshold to meet. New operators entering an area must also be able to join the scheme, again on agreement with the scheme rules. To formalise such agreement, operators would normally be expected to sign a Deed of Adherence.

Leaving a scheme

2.69 In a voluntary scheme, operators must be allowed to withdraw from the scheme at their own request, subject to reasonable notice so that customers can be informed and finances settled. The procedure for leaving the scheme should be defined in the scheme agreement or Memorandum of Understanding.

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5 Competition Commission (2011) Local bus services market investigation Appendix 15.2 paragraphs 2-17
2.70 In a statutory scheme, operators can only leave if they cease to operate bus services in the area, or if they become insolvent.

Terminating a scheme

2.71 A voluntary scheme can be terminated by its operators, as long as all partners agree to the termination.

2.72 A statutory scheme can only be terminated following formal consultation as set out in the Transport Act 2000 (sections 135–36).

Engaging stakeholders

2.73 Stakeholder engagement is an integral and essential part of introducing a multi-operator ticketing scheme. You need to engage with a range of stakeholders, in particular operators and passenger groups, at the earliest possible stage to understand what they would want from a scheme and what their concerns would be.

2.74 Other key stakeholders at different stages may include local authorities, property developers, rail and tram operators, schools and colleges, and major employers.

2.75 Engagement can be both through formal consultation and working groups, and less formal structures such as open meetings.

2.76 However, as well as this ongoing process of engagement, there are certain specific points in the process where further engagement is required – most obviously once a draft scheme has been drawn up.

2.77 Typically a draft scheme will cover all the issues that would be part of the scheme agreement. That means, even at this stage, it should set out most or all of the following aspects:

- scheme boundary options;
- ticket type options – day, season, adult, child, on-bus, off bus, zones etc;
- operators and services included;
- services to be excluded (night buses, express routes etc);
- pricing formula options – method and triggers for updating in accordance with scheme governance;
- reimbursement methodology;
- data provision by operators (usage and revenue) – form and regularity;
- proposed voting mechanism;
- auditing arrangements;
- procedures for excluding operators who default on scheme conditions; and
- off-bus ticket sales methods and accountability.
2.78 At this point, it is considered best practice to hold a formal meeting to which all operators are invited – including those who may have already expressed a reluctance to participate. In addition, consider offering separate one-to-one meetings with each operator, in case there are issues they wish to discuss on a confidential basis.

2.79 Based on the feedback from these meetings, you can then revise the draft scheme, focusing on the preferred options, and continue to engage with operators until their agreement is secured.

Completing a Scheme of Agreement

2.80 Any multi-operator ticket scheme, whether set up on a voluntary or statutory basis, will require an appropriate Scheme of Agreement – a formal document defining the scope of the scheme and procedures to which operators must adhere in selling and accepting the tickets.

2.81 The Scheme of Agreement will be based on the draft schemes which have been discussed and reviewed with stakeholders, and cover the issues set out in this section:

1. Ticket details:
   a. Area of validity;
   b. Ticket types;
   c. Excluded services;

2. Governance and voting;

3. Admission of new operators and conditions for leaving the scheme;

4. Scheme administration:
   a. Exchange of information;
   b. Costs and expenses of the scheme;
   c. Any market share calculation (used for voting or distribution);

5. Pricing and revenue distribution.

2.82 The exact details will vary according to the way your multi-operator ticketing scheme is set up. In general, though, your Scheme of Agreement should reflect the principles set out in Appendix 15.2 (‘Design of an Effective Travelcard Scheme’) of the Competition Commission report.
3. Encouraging competition in bus services

3.1 Contrary to some expectations, multi-operator ticketing is very much permitted under competition law. In fact, as stated earlier, provided they have been carefully designed and implemented, multi-operator schemes are recognised as a potential way to increase competition, by encouraging bus operators to offer more attractive and higher-quality services and lower fares to passengers and reducing barriers to market entry. However, there are some aspects of competition law which you should be aware of, to ensure your scheme is compliant and does not have the unintended consequence of stifling competition or harming passenger interests.

3.2 Complying with competition law is not as daunting as it may first seem. Many multi-operator ticketing schemes fall under the Public Transport Ticketing Schemes (PTTS) Block Exemption – a specific provision within UK competition law to facilitate multi-operator ticketing.

3.3 If your scheme does not fall under the PTTS Block Exemption your scheme may still benefit from an individual exemption – as discussed later in this section.

While this section provides an overview of applicable competition law, it is recommended that you seek professional legal advice when setting up a multi-operator ticketing scheme.

The PTTS block exemption

3.4 Because some multi-operator schemes necessarily require different operators to get together to agree the terms of the tickets offered under those schemes – including for example prices for MTCs – a block exemption was introduced to make it easier for operators and LTAs to introduce multi-operator tickets. This block exemption means that the following types of tickets will, in most cases, be permitted under UK competition law. However, as already noted in Section 2 above, under the block exemption, operators are allowed to discuss and agree prices for only one type of ticket, the MTC:

- **multi-operator travelcards (MTC)**, which entitle ticket holders to make three or more journeys on three or more different operators' services operating on three or more different routes, provided those routes and services are not substantially the same. Bus zonal tickets and travelcards are likely to be eligible for this exemption;
• **through tickets**, which entitle ticket holders to make a particular journey using two or more services run by different operators, where those operators do not compete with one another over a substantial part of the route covered by the ticket in question;

• **multi-operator individual tickets (MIT)**, where two or more different operators provide services which can be used to make a particular journey, and ticket holders can choose whichever service they like to make part or all of that journey;

• **short distance add-ons**, which allow passengers to purchase a multi-operator travelcard as an extension to a ticket on an individual local route; and

• **long distance add-ons**, which allow passengers to purchase a single-operator local service ticket, a through ticket, or a multi-operator travelcard as an extension to a ticket on an individual long distance route.

### 3.5 Provided there is a written agreement setting out how these tickets can be used and, in respect of MTCs, how prices are set – essentially, a Scheme of Agreement as discussed in paragraphs 2.10–2.85 above – and certain specific conditions are met (see below), these types of multi-operator tickets will be covered by the block exemption.

### Conditions

#### 3.6

There are a number of conditions in the PTTS Block Exemption – some of which apply to all types of scheme, and others which apply only to specific ticket types. For a detailed description of the conditions, see the OFT guidance [Public transport ticketing schemes Block Exemption](#). This guidance was reviewed in 2010 and has been extended until 29 February 2016.

#### 3.7

If your scheme breaches any of the conditions of the block exemption with respect to a particular ticket, the scheme is no longer exempt as regards that ticket. However, if for example, an agreement covered an MTC and a MIT and the MIT arrangement breached the block exemption, the MIT arrangement would not benefit from the block exemption but the MTC would continue to benefit from the block exemption provided it still met all the conditions in the block exemption. An agreement that falls outside the block exemption may still benefit from an individual exemption as set out below. If it does not, the scheme may face OFT investigation, and if it is deemed to be in breach of competition law, businesses could face enforcement action.

### How competition law applies to schemes that do not benefit from the block exemption

#### 3.8

Agreements that do not benefit from the block exemption are subject to the normal application of competition law.
3.9 In general, the provision most likely to apply to UK multi-operator ticketing schemes will be Chapter I of the Competition Act, which prohibits agreements between undertakings – in this case, bus operators – which:

‘(a) may affect trade within the United Kingdom, and
(b) have as their object or effect the prevention, restriction or distortion of competition within the United Kingdom.’

*Competition Act 1998 Section 2 (1)*

3.10 This prohibition on anti-competitive agreements is often referred to as the Chapter I prohibition. It is particularly important to have regard to this provision in determining the price of a non-MTC multi-operator ticketing product and ensuring that price-fixing between operators is avoided.

**Other ticketing schemes**

3.11 Even if your scheme does not fall under the block exemption, it may still be exempt from the Chapter I prohibition, as long it satisfies the four conditions set out in section 9(1) of the Competition Act and described in paragraphs 2.33–2.50 above. These are summarised as:

- efficiency gains;
- fair share for consumers;
- indispensability of the restrictions; and
- no elimination of competition.

3.12 Schemes that meet these requirements will benefit from individual exemption from the Chapter I prohibition. It is the responsibility of the scheme members (i.e. the LTA and operators) to satisfy themselves that the requirements have been met. If the OFT investigates particular arrangements, the onus of proof will be on the scheme members to prove that the exemption criteria are met.

3.13 With appropriate scheme design, following the steps discussed in Section 2 of this guidance, and particular attention to pricing and processes for joining and leaving the scheme, it is likely that a multi-operator ticketing scheme will be able to comply with the requirements of the Block Exemption and this approach is recommended wherever possible; if this is not possible it is important to ensure that the section 9 test is met.

3.14 If your agreement does not fall within the conditions of the block exemption but does satisfy the conditions in section 9(1) of the Competition Act 1998, the agreement is valid and enforceable, for as long as the four conditions are met. You do not need to get any specific authorisation for this.

More detailed guidance on competition is available on the OFT website.
1. Will your scheme offer any of the following ticket types:
   - multi-operator travelcards;
   - through tickets;
   - multi-operator individual tickets;
   - short distance add-ons; and/or
   - long distance add-ons?

   Yes
   
   Your scheme is probably eligible for the PTTS Block Exemption. Provided you can satisfy the relevant conditions, you will be compliant with competition law.

   No
   
   Consider getting professional legal advice to help you understand whether or not you meet this criterion.

   Not sure
   
   Re-read earlier in this chapter above for a full definition of these ticket types.

2. Does your proposed scheme provide efficiency gains – by improving availability or quality of services or promoting economic progress?

   Yes
   
   If your proposed scheme does not improve availability or quality of services or promote economic progress, then it will not fulfil competition law requirements. More importantly, it will offer little benefit to operators, passengers or other stakeholders. We suggest you reconsider your scheme’s goals. Go to paragraphs 2.11–2.15 of this guidance for more details.

   No
   
   If your proposed scheme does not protect against elimination of competition, then it will not fulfil competition law requirements. You may want to consider a statutory scheme which would protect against this. Go to paragraphs 2.16–2.19 of this guidance for more details.

   Not sure
   
   Consider getting professional legal advice to help you understand whether or not you meet this criterion.

3. Does your proposed scheme provide a fair share for consumers – ensuring they will benefit from the new offer?

   Yes
   
   No

   Q4

   Not sure
   
   Consider getting professional legal advice to help you understand whether or not you meet this criterion.
4. Does your proposed scheme contain only restrictions that are indispensable to achieving the scheme benefits? In other words, is it the case that the scheme benefits could only be realised if the current restrictions were included?

- **Yes**
  - If your proposed restrictions are not indispensable in order to deliver the proposed benefits then the proposed scheme will not fulfil competition law requirements. We suggest you reconsider your scheme’s governance and rules. Go to paragraphs 2.61–2.62 of this guidance for more details.

- **No**
  - Consider getting professional legal advice to help you understand whether or not you meet this criterion.

5. Does your proposed scheme protect against elimination of competition? In other words, does it ensure that the scheme’s provisions do not result in the elimination of any competitors?

- **Yes**
  - If your proposed scheme does not protect against elimination of competition, then it will not fulfil competition law requirements. You may want to consider a statutory scheme which would protect against this. Go to paragraphs 2.16–2.19 of this guidance for more details.

- **No**
  - Consider getting professional legal advice to help you understand whether or not you meet this criterion.

6. Do you have a written agreement documenting how your scheme will operate?

- **Yes**
  - Where the exemption criteria are met, the agreement is not prohibited, no prior decision to that effect being required. Such an agreement is valid and enforceable from the moment the conditions in section 9(1) are satisfied and for as long as that remains the case. If the OFT investigates particular arrangements the onus of proof will be on the scheme members to prove that the exemption criteria are met.

- **No**
  - We suggest you produce a written agreement. Go to paragraphs 2.83–2.85 of this guidance for more details.
4. Setting up a multi-operator ticketing scheme

4.1 Once the plan for your multi-operator ticketing scheme is in place, there are still a number of important activities involved in taking your scheme to market. The most important of these are:

- creating awareness;
- setting up retail arrangements;
- training staff; and
- testing the service.

Creating awareness

4.2 As with any change to public transport services and ticketing, it is crucial that passengers and potential passengers understand what the new multi-operator ticketing scheme is and what the benefits of it will be. This will require a consistent marketing and information campaign, starting before the new scheme is launched and continuing for some time after launch.

4.3 The campaign will involve not only LTAs but also operators and other interested parties (local authorities, employers, schools and colleges, voluntary organisations, etc). It should look to use a broad range of marketing channels including on-vehicle/stop information, local press, radio, websites and social media to ensure all customer segments are reached, and that potential customers are reached, as well as those who already use your services. Opportunities to link to established tourism and public event marketing should also be explored.

4.4 At the heart of the campaign, there needs to be a simple and consistent explanation of the product(s) on offer, what they will cost, how they are used and where and how they can be purchased. It is also necessary to highlight any restrictions and qualifications of use before products are bought and used.

Creating awareness amongst existing passengers

4.5 For existing users, the campaign needs to both reassure them that their service won’t be affected, and present the benefits.
4.6 The obvious place to start is on buses and at bus stops, stations and ticket outlets. Activities would typically include advertising and information leaflets, explaining how the system will work. Such materials can be produced under the scheme brand, or co-branded with operator’s own materials.

4.7 Online information will also be important – particularly for smart ticket systems, showing how tickets can be bought. You may also want to consider podcasts or YouTube videos to demonstrate how easy it is to obtain a smartcard, to top it up and to make more complex journeys easily by using it.

4.8 If operators have a database of existing customers, you may be able to use this to send a direct mailing – either printed or electronic. However, care should be taken to make sure commercially sensitive information is not exchanged between operators, as this could be in breach of competition law. The best solution may be to agree content centrally and allow operators to send it to their own customer databases.

Creating awareness amongst those who don’t use buses

4.9 To attract interest from and create awareness amongst those who don’t use buses regularly, you need to promote the service more broadly. External bus advertising, commercial advertising and roadshows at popular shopping destinations have all proved effective, as well as working with local media and prospective partners (employers, colleges, etc).

4.10 Again, online information is important, particularly to provide the more in-depth explanation of how the system will work.

The role of branding

4.11 Most successful schemes have ensured that the multi-operator product has a strong, identifiable brand identity that distinguishes it from individual operator tickets and can be used across awareness campaigns. A recent trend has been towards names with a local flavour, such as Walrus in Liverpool, or AvonRider. The identity may be used to describe the platform on which the product sits (e.g. the smartcard) or the product(s).

Developing a marketing/awareness-raising strategy

4.12 To ensure clarity, alignment with the overall scheme aims and minimise conflict between operators, it is best to develop an agreed marketing strategy that all participants in the scheme understand. Such a strategy would include:

- developing the brand identity;
- developing consistent, on-brand marketing;
- raising awareness of ease of purchase and ease of use (for both existing users and non-users);
• raising awareness of new opportunities for complete journeys (for both existing users and non-users);
• using of digital channels (email and social media) to reach new customers; and
• agreeing the role and responsibilities of resellers (sales outlets etc).

Tip: Demonstrating the benefits

One of the biggest advantages of multi-operator tickets is the ability to make complex journeys using interchange points between services (and operators). For both existing users and non-users, consider developing marketing material based around example journeys to show how much more convenient (and, where applicable, how much cheaper) the journey would be with a multi-operator ticket.

Retail channels

4.13 To maximise take-up of your scheme, you should offer a variety of retail channels for passengers to buy and, where appropriate, top up their multi-operator tickets. In general, the more channels there are, the better the penetration of target markets will be achieved. Typical channels to consider are:
• face-to-face – whether on board, at a dedicated outlet or through other retail outlets (such as local shops where payment can be made through PayPoint);
• online – customers apply online, the smartcard is posted out to them, and then subsequent top-ups are paid for online and fulfilled by automatic process when the card is presented to an on-bus reader;
• on-street – via dedicated top-up units; and
• on vehicles – using portable hand-held units.

4.14 An early decision needs to be made about the level of activity which will take place on the bus. For urban services, with a high frequency, the strategy may be to minimise transactions: this would therefore suggest designing a smart ticketing system which requires no interaction from the driver. In other settings, passengers may prefer to buy and top up multi-operator tickets from their driver on the bus. The decision made about activity levels will then influence not only the technology required on the bus, but also the range of additional retail outlets required.

4.15 In its report, the Competition Commission recommended that multi-operator tickets should generally be made available through the same sales channels as the single-operator multi-journey tickets. So multi-operator day tickets should generally be made available for purchase on-bus, and as a guiding principle, if an operator sells weekly or monthly tickets on-bus, it should also sell the equivalent multi-operator tickets on-bus.
4.16 Individual operators are also expected not to discriminate against multi-operator tickets in their marketing. That means that wherever they publish information on single-operator tickets, in print or on their websites, operators should also refer to multi-operator tickets.

4.17 In addition, it may be worth considering a separate budget for marketing multi-operator tickets. The Competition Commission explains why a separate budget is often good practice in Appendix 15.2 of its report (paragraphs 36 to 40).

**Reward and discount schemes**

4.18 It is common for any smart-based multi-journey or period ticketing product to offer a discount, compared to buying individual tickets, to encourage take-up. For example, you could offer 12 journeys for the price of 10.

**Tip: Ensure discounts reward repeat travel**

You may choose to launch a product at a promotional price to stimulate interest. However, you should also consider offers that encourage repeat use – i.e. discounts on larger number of journeys, or that become valid once passengers have completed a certain number of journeys.

4.19 In addition to individual product discounts, it is now relatively common practice to offer reward or loyalty schemes for public transport users. These are easy to set up, at no cost to participating operators or local authorities: in their simplest form, for example, a cafe could offer a discount on a cup of coffee when a customer shows their multi-operator ticket. There could be no transaction at all between operator(s) and the commercial enterprise: alternatively, businesses could pay to advertise on the scheme website, at bus stops or in scheme literature.

4.20 The attraction for businesses is that they can win new custom and gain a competitive advantage: for customers, meanwhile, it’s an additional benefit – added value – at no extra cost.

4.21 If you’re using a smart ticketing system, there are opportunities to gather extra data about which offers customers take up, helping demonstrate return on investment in a reward scheme. However, data protection legislation must be taken into account. For the same reason, caution is advised with regard to allowing commercial partners access to individual/personal data about multi-operator ticket holders.

**Training staff**

4.22 Multi-operator schemes must incorporate staff training. Anyone likely to come into contact with passengers – drivers, contact centre staff, travel shops, retail outlets, revenue inspection staff – should receive training and have a detailed understanding of the scheme and its associated
products so that they can inform passengers about the scheme and help them make use of it. Such a programme can influence passenger awareness and satisfaction.

4.23 This training needs to be ongoing to maintain the consistency of message as both staff change and schemes evolve.

4.24 It is also important to consider aftercare, such as processes for handling queries, complaints and refunds, so that the entire experience is more convenient for passengers.

Testing the service

4.25 Before you launch a multi-operator ticketing service, it is important to test it fully. This includes:

- testing any new technology, e.g. smartcard readers;
- testing processes, such as the online ticket purchase process, data collection and reimbursement; and
- testing the actual experience of using the product.

4.26 One practical way of doing this is starting with a trial scheme using a simple, narrowly defined ticketing product such as a one-day single zone all-operator paper ticket, issued on-bus. This will test out many of the possible issues involved, including user experience and understanding of the system, data collection and reimbursement, efficacy of boarding, etc. The results of this trial can then provide a platform on which to develop other more sophisticated products (season tickets, carnets etc).

4.27 See the pre-launch checklist in Annex A for a full list of potential aspects for testing.

Maintaining high levels of operator engagement

4.28 Throughout this setting-up period, any pilot schemes and in the first few weeks after the scheme goes live, it is important to maintain high levels of engagement with all operators. This not only enables you to gather feedback and share learning/experiences, but it can also help identify any issues before they escalate. Some LTAs have adopted a policy of weekly conference calls with operators over this initial period.
5. Enhancing a multi-operator ticketing scheme

5.1 Once you have established a multi-operator ticketing scheme, it is important to keep it under review to identify potential improvements for passengers and operators alike and to ensure it is meeting your stated goals.

Reviewing performance regularly

5.2 Performance data – such as usage of multi-operator tickets – will be gathered regularly to underpin reimbursement of operators. This same data should be used to help track scheme performance, in conjunction with wider data from operators about ticket sales, where this is available. Potential questions to ask as part of performance reviews are:

- How have sales of multi-operator tickets developed over time and how do they compare to sales of similar individual operator tickets?
- Are some routes proving more popular than others? Is this as expected?
- Are some ticket types proving more popular than others? Is this as expected?
- Are operator revenues from multi-operator tickets as expected – or are some operators falling short?
- Are some ticket outlets proving more popular than others?
- What customer feedback has been received?

5.3 By examining questions such as these, you can gain a good insight into how the scheme is performing and where potential improvements could be made – such as increasing promotion of the scheme as a whole, or of particular ticket types or outlets.

Conducting full scheme reviews

5.4 As well as regular performance reviews as part of ongoing scheme administration, it is also good practice to conduct full scheme reviews on a regular basis. One essential part of a full scheme review is a pricing review, looking at all MTC prices in the light of sales data, single operator ticket prices and other economic data. Because pricing reviews need to be conducted regularly – such as every six months or annually – this can set the timetable for the scheme review.
5.5 As well as looking at sales data, such reviews could also include passenger surveys, one-to-one meetings with operators, and actively seeking feedback from other stakeholders that were involved in developing the scheme.

Expanding the scheme

5.6 Once a scheme is up and running, and proving its value, there are various ways you may be able to expand it to improve the passenger offer still further. These include:

- involving more operators – if you are running a voluntary scheme in which some operators have initially declined to participate, you may want to invite them again once the scheme is established and delivering tangible benefits to existing members. You may also want to invite rail or tram operators to join the scheme;

- expanding geographical reach – one of the most obvious ways to expand a scheme is to cover a broader area. This could involve simply covering more of your own LTA area, or partnering with neighbouring LTAs;

- increasing ticket types – once passengers are familiar with the scheme, you may be able to add more advanced ticket options that provide better value for them but also incentivise further usage of bus services; and

- adding further retail channels.

5.7 Remember, though, that changes to statutory schemes can only be made following formal consultation.

As further best practice emerges, we will continually update this section with further ideas for extending your multi-operator ticketing scheme.
6. Case studies

6.1 As stated earlier, multi-operator ticketing schemes have been successfully running in several areas of the UK for a number of years. Here are some examples.

Buzzcard, Northampton

6.2 Introduced in 2006, Northampton’s Buzzcard is one of a suite of complementary products for multi-trip travel in the town. Valid on all bus services, run by eight different operators, the Buzzcard scheme has proved to be very popular. Users have asked for the scheme to be extended to school pupils and to the surrounding villages.

Network One, Tyne and Wear

6.3 Network One is multi-modal, multi-operator ticketing scheme in Tyne and Wear. It has been in operation since 1988 and today, just over 10% of passenger journeys in the area, across all modes of public transport, are made using a Network One ticket. Daily tickets can be bought at Metro stations and on buses, whilst period tickets can be bought at 15 retail ticket outlets as well as online.

6.4 Currently, Nexus – the Tyne and Wear Passenger Transport Executive – is considering extending the geographical scope of the scheme and looking at the viability of bus-only multi-operator tickets.

TravelMaster and CityWide, South Yorkshire

6.5 South Yorkshire’s multi-operator ticket, the TravelMaster, was launched in 1989. It now consists of a comprehensive range of pre-paid products, from day to annual tickets, which have been developed over two decades. Valid on the bus, tram and train networks in the area, the tickets make it easy for passengers to use all different modes of transport.

6.6 In October 2012, the Sheffield Bus Partnership was set up, establishing even greater cooperation between operators. This has led to a 14% price reduction for CityWide day tickets and the introduction of CityWide weekly and four-weekly tickets. This has helped to resolve one of the most important drawbacks of the TravelMaster: in some cases multi-operator tickets had been as much as 40% more expensive than an equivalent single-operator ticket.
6.7 A second important development is the introduction of on-bus purchasing of weekly tickets on large parts of the network, which is seen by South Yorkshire Passenger Transport Executive (who run the scheme) as a key customer benefit.

**nBus and Swiftcard, West Midlands**

6.8 Passengers in the West Midlands benefit from two multi-operator ticketing offers:

- the nBus ticket, which entitles passengers to unlimited travel in a period of between one day and 52 weeks. It can be paid for by direct debit at a discount, and combined with metro and rail travel for an integrated journey;

- Swiftcard, a multi-operator e-purse system launched in October 2012. Eight operators have enrolled in the scheme, each of which has introduced a flat fare to facilitate its introduction. Swiftcard holders can travel on any participating operator’s buses without needing to purchase a new paper ticket for each service.

6.9 To enable this, over 2400 buses (90%+ of all buses in the area) have been equipped with smart ticketing infrastructure, using DfT funding of £2.2m. Centro, the Passenger Transport Executive for the West Midlands, has shared the results of this progress with other transport authorities. It has set up a framework contract for the procurement of blank media which sixteen other authorities have been able to use, demonstrating excellent cooperative working between PTEs and local authorities to deliver multi-operator smart ticketing.
7. Further information

Background and context

7.1 Throughout this guidance, we have referred to the Competition Commission’s report into the Local Bus Service Market. This is a comprehensive study of local services in England that uses a number of examples to help reach its conclusions and remedies – which include making greater use of multi-operator ticketing. View the full report.

7.2 The Government published a full response to the Competition Commission’s investigation. Read the response.

7.3 To understand DfT’s overall policy direction for bus services in England, see A Green Light for Better Buses.

7.4 For more information on the Public Transport Ticketing Schemes Block Exemption and the recent review of the exemption, visit the Office of Fair Trading website.

Other sources of guidance

7.5 Further sources of information and guidance around improving bus services, building partnerships with local operators and existing multi-operator schemes, visit the following sites:

- Association of Local Bus Company Managers (ALBUM) – www.album-bus.co.uk
- Association of Transport Coordinating Officers (ATCO) – www.atco.org.uk
- Campaign for Better Transport (CBT) – www.bettertransport.org.uk
- Confederation for Passenger Transport UK (CPT) – www.cpt-uk.org
- Passenger Transport Executive Group (PTEG) – www.pteg.net
Annex A: Pre-launch and go-live checklists for a multi-operator ticketing scheme

A.1 The full checklists (pre-launch and go-live) were drawn up by Go-Ahead and Stagecoach in support of the Oxford SmartZone multi-operator ticketing scheme. They set out some of the issues taken into account when setting up the Oxford scheme.

A.2 The DfT is grateful to Go-Ahead and Stagecoach for allowing us to reprint these shortened versions.

### Pre-launch checklist

<table>
<thead>
<tr>
<th>Preparatory activities</th>
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<tbody>
<tr>
<td>1. Agree geographic area of the joint ITSO ticketing scheme, e.g. using boundary points for each fare stage and structuring the zone so that other future operators could join.</td>
</tr>
<tr>
<td>2. Agree product set, including customer types and any add-on products that may be offered to customers. Ensure the product set is clearly defined as early as possible.</td>
</tr>
<tr>
<td>3. Agree basic product features and functionality (e.g. hanging start dates, validity periods, ability to top up etc).</td>
</tr>
<tr>
<td>4. Agree retail channels and customer propositions for availability of online top-ups (e.g. time availability for online purchases, where the product can be loaded etc).</td>
</tr>
<tr>
<td>5. Agree ITSO Version and migration paths to be in place for the launch of the scheme.</td>
</tr>
<tr>
<td>6. Agree scheme rules and terms and conditions. Consider a formal Operating Agreement, which is likely to require legal input.</td>
</tr>
<tr>
<td>7. Agree reimbursement rules and auditing arrangements. Consider setting up a reimbursement spreadsheet.</td>
</tr>
<tr>
<td>8. Agree the joint product catalogue and product definitions. A standard set of products and ITSO embodiments could underpin interoperability for any other parties wishing to join the scheme.</td>
</tr>
<tr>
<td>9. Agree realistic implementation plan timescales and meetings schedule.</td>
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<tr>
<td>10. Agree marketing and branding strategy.</td>
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<tr>
<th>Pre-testing activities</th>
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<tbody>
<tr>
<td>11. Agree product embodiments/key rollover/key expiry strategy.</td>
</tr>
<tr>
<td>12. All participating companies complete ITSO Form 4A and submit it to ITSO Limited (ensuring that all other ITSO members with whom there is an agreement with to use the new IPEs are listed on the form).</td>
</tr>
<tr>
<td>13. Distribute the product catalogue and other associated documentation to suppliers for their review.</td>
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<tr>
<td>14</td>
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<td>15</td>
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<td>16</td>
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<td>17</td>
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**Testing activities – staging environment**

| 18  | Test card production. Generate a complete overall test plan. |
| 19  | Suppliers deliver new software releases for initial testing in the Staging environment. Carry out initial regression testing. |
| 20  | Test new multi-operator products/functionality internally and among operators. |
| 21  | Exchange cards with preloaded multi-operator products. |
| 22  | Test new multi-operator products’ functionality and interoperability with other scheme supplier(s), including HOPS-to-HOPS communication for both journey records and action/hot listing. Note: This requires considerable time and effort. |
| 23  | Resolve issues. |
| 24  | Re-test the full system, including regression testing. |
| 25  | Sign off the Staging environment. Consider using a formal sign-off checklist and QA-style audit process. |

**Testing activities – live environment**

| 26  | Finalise Live ISAM profile and load it into HOPS (repeat activity 14 in Live environment). |
| 27  | Suppliers deliver new software releases for initial testing in the Live environment. Carry out initial regression testing. (Repeat activity 19 in Live environment.) |
| 28  | Test new multi-operator products/functionality internally (repeat activity 20 in Live environment). |
| 29  | Exchange cards with preloaded multi-operator products (repeat activity 21 in Live environment). |
| 30  | Test new multi-operator products’ functionality and interoperability with other scheme supplier(s) (repeat activity 22 in Live environment). |
| 31  | Release Class 3 messages for all Live ISAMs. |

**Live transition period**

| 32  | Provide customer data extract for existing customers requiring migration to the new multi-operator product. |
| 33  | Switch over retail channels to 'shadow' multi-operator ticketing. |
| 34  | Migrate legacy customers to multi-operator ticketing. |
| 35  | Implement training (drivers, customer services etc.) |

**Preparation for live launch**

| 36  | Carry out full Live testing (on buses) reciprocally with other operators. |
| 37  | Enable Live fare set on all operators’ vehicles. |
| 38  | Upload into retail channels the final prices and product names for launch. |
| 39  | Formal launch of multi-operator ticketing scheme. |
# Go-live checklist

<table>
<thead>
<tr>
<th><strong>Operations</strong></th>
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<tbody>
<tr>
<td>1</td>
<td>Check that products are being downloaded to buses (e.g. purchase products via the portal and CMS on test cards, wait 48 hours before trying to collect the products on a number of buses).</td>
</tr>
<tr>
<td>2</td>
<td>Check that transactions are being sent back to the HOPS.</td>
</tr>
<tr>
<td>3</td>
<td>Check that files from CCS are being imported into EP Morris.</td>
</tr>
<tr>
<td>4</td>
<td>Monitor transactions on the HOPS.</td>
</tr>
<tr>
<td>5</td>
<td>Obtain driver feedback (e.g. check with drivers on issues/performance out on the road; set up driver form/forum to receive feedback).</td>
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<tr>
<td>6</td>
<td>Monitor CCS for error messages.</td>
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<thead>
<tr>
<th><strong>Web portal</strong></th>
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<tbody>
<tr>
<td>7</td>
<td>Test transactions through live web portal (e.g. purchase products and carry out top-ups to ensure the payment service is working correctly).</td>
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<thead>
<tr>
<th><strong>Process documentation</strong></th>
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<tbody>
<tr>
<td>8</td>
<td>Ensure a suitable process is in place in travel shop for dealing with: queue management, processing of new cards, customer concerns and general enquiries.</td>
</tr>
<tr>
<td>9</td>
<td>Create 'how to' guides for: Basic troubleshooting for multi-operator scheme; Checks to perform if a customer card isn’t working; How to re-issue a card; How to check the HOPS; etc.</td>
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<tr>
<th><strong>Reporting</strong></th>
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<tr>
<td>10</td>
<td>Request daily extracts from the HOPS for multi-operator ticket sales and journeys.</td>
</tr>
<tr>
<td>11</td>
<td>Check that the reporting and audit mechanism is in place with scheme referee.</td>
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<tr>
<th><strong>Business continuity</strong></th>
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<tbody>
<tr>
<td>12</td>
<td>Ensure regular back-ups are in place for CCS.</td>
</tr>
<tr>
<td>13</td>
<td>Look into having a standby CCS in place in case of any issues with the live CCS to enable this to be swapped out quickly.</td>
</tr>
<tr>
<td>14</td>
<td>Ensure spare ETMs are cycled regularly with live machines to collect all action lists on a regular basis.</td>
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<tr>
<th><strong>Communication</strong></th>
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<tbody>
<tr>
<td>15</td>
<td>Hold regular conference calls with the scheme operators for several weeks after go-live to ensure any issues are swiftly identified, discussed and resolved.</td>
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</table>
Annex B: How to apply the Competition Commission’s pricing framework

B.1 In its report, the Competition Commission set out a recommended framework for setting the prices of MTCs. This framework is summarised as:

<table>
<thead>
<tr>
<th>Price of multi-operator ticket =</th>
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<tbody>
<tr>
<td>Average or median fare (x) Estimated [typical] ticket usage (x) Passenger discount for purchasing a multi-journey ticket.</td>
</tr>
</tbody>
</table>

B.2 Below, we set out further guidance on how apply this framework in practice. Remember that this is not a mechanistic formula, but rather a way of facilitating decisions about an appropriate level of pricing.

Identifying the average or median fare

B.3 The first component of the pricing framework is to identify the average or median fare payable for a single trip. There are three broad approaches that can be taken to estimating the average. The choice between these is likely to be determined by factors such as data availability and the variability of single fares within the area covered by the scheme.

1. Unweighted mean value

B.4 This is the simple average of the single fares available for travel within the area. For example, if three single fares are offered in an area, priced at £1, £1.10 and £1.50, the unweighted mean value would be £1.20 = (£1 + £1.10 + £1.50) / 3.

B.5 This is probably the simplest approach to implement and only requires information about single fares to be collected and analysed, so may well be sufficient for relatively simple and/or small schemes for which there is limited variation in prices between different journeys. However, there are two possible risks of this approach:

- the mean value can be distorted by atypical ticket types that are rarely used; and
individual operators can seek to manipulate the price of the multi-
journey ticket by setting an extremely high or an extremely low single
fare (e.g. on an individual route).

B.6 These risks can be reduced by excluding the highest and lowest fares –
or certain classes of ‘atypical’ fares (such as short-term promotions)
from the calculation.

2. Median fare

B.7 The median is the mid-point of values in a distribution. So, if for
example, three single fares are offered in an area, priced at £1, £1.10
and £1.50, the median value would be £1.10. Again, this only requires
information about single fares to be collected and analysed. The median
is not distorted by extreme values and is hence less vulnerable to
manipulation than an unweighted mean.

3. Weighted average

B.8 This is worked out by combining the simple average with an indicator of
frequency of use, such as number of journeys made on each fare, or
passenger or vehicle miles travelled. So using the three single fares
priced at £1, £1.10 and £1.50 as an example, a weighted average would
work as follows:

a. 1,000 journeys a year are made using £1 fares;
b. 2,000 journeys a year are made using £1.10 fares;
c. 500 journeys a year are made using £1.50 fares;
d. The weighted average in this scenario would be calculated as
follows:

\[
\text{TOTAL TICKET SALES} = (\£1 \times 1000) + (\£1.10 \times 2000) + (\£1.50 \times 500) = \£3950
\]
\[
(1000 + 2000 + 500) = 3500
\]

The weighted average would therefore be £1.13 (rounded up to nearest
penny).

B.9 To use a weighted average, you will generally require more information
about fares and usage than if you are using an unweighted mean or
median fare. However, if the necessary information is readily available
(for example, if operators in an area have ticketing machines that
enabled such calculations to be made) and the additional analysis is
cost-effective, then this can provide a more accurate estimate of the
typical single fare.

B.10 Remember that the exchange of competitively sensitive information
between competing operators (e.g. about pricing intentions) is likely to
raise competition concerns. To avoid this, it is recommended that the
LTA or an independent third party is responsible for estimating a suitable
average fare, based on information provided to it by operators. The LTA
or independent third party should not share this information among
operators in a non-aggregated form. LTAs have existing powers to collect information about fares and numbers of passenger journeys under transport legislation, which may help facilitate this exercise.⁶

Estimating the typical usage of multi-journey tickets

B.11 The second component of the framework for determining pricing is an estimate of the average number of journeys made on each multi-operator ticket, within the period of the ticket. This gives an indication of the number of trips that a typical customer would expect to make using the ticket.

B.12 For new schemes, a starting point for estimating usage could be an estimate of the average usage of single-operator multi-journey tickets within the area. For existing schemes, evidence on the usage of both single and multi-operator tickets may be used.⁷

B.13 Usage can be measured empirically using surveys or, if available, operators’ data on the usage of their own multi-journey tickets. In some cases, data on ticket usage may be available from smart ticketing systems.

Learning from existing schemes

Evidence from other existing schemes may provide an initial indication of possible usage.

- For the six operating areas where the Competition Commission collected information on day ticket usage, single operator day tickets were used on average between 2.4 and 3.7 times.
- For the five operating company areas where the Competition Commission collected information on weekly ticket usage, single operator weekly tickets were used on average between 11.5 and 16 times.⁸

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⁶ In relation to England and Wales, the relevant power is set out in section 143 of the Transport Act 2000. In relation to Scotland, the relevant power is set out in section 43 of the Transport (Scotland) Act 2001.

⁷ This evidence needs to be interpreted with care, however. Usage of a single operator ticket, might in some circumstances underestimate the likely extent of usage of a multi-operator ticket, if passengers are expected to make greater use of a multi-operator ticket (e.g. because it offers a wider range of possible journeys). Conversely, if an existing multi-operator ticket is priced at a very high premium to other ticketing products, then it may overstate the potential usage of a more fairly priced multi-operator ticket, as it would only be attractive to those passengers who make very heavy use of the local bus network.

⁸ See paragraph 5.72 of the CC report.
Setting an appropriate discount

B.14 The third component of the framework for determining pricing is the discount offered to customers for purchasing a multi-journey ticket instead of the repeat purchase of single fares. This is likely to be the main area for discussion among members of the Scheme’s governance board when setting the price for multi-journey tickets.

B.15 Some form of discount is likely to be necessary in order for passengers to be willing to commit to buy a multi-journey ticket. The following factors may be relevant to determining an appropriate discount:

- The discounts offered on single operator multi-journey tickets offered in the area. These give an indication of what discounts are perceived by operators as necessary to encourage passenger uptake of multi-journey tickets, while still being commercially viable.
- The costs of administering and running the scheme, in particular the recovery of any central administration and marketing costs.
- The need to ensure that the pricing is commercially viable for participating operators (i.e. that it would allow operators’ costs to be covered and allow a reasonable rate of return). We would expect that operators would emphasise this factor in discussions about a suitable discount.
- The additional benefits offered to customers by a multi-operator ticket over single operators’ multi-journey tickets and / or the repeat purchase of single tickets. For example, one approach that has been put forward would be to include a ‘passenger amenity factor’ in the pricing framework to allow for such additional benefits. In its report, the Competition Commission considered that care should be taken in relation to this factor, in order to ensure that general arguments about additional benefits were not used by operators to secure a particular premium (or ‘headroom’) above the price of their own multi-journey tickets. Unless there is compelling and area-specific evidence that these additional benefits are large, the Competition Commission’s view was that any weighting given to consumer utility should be kept to a minimum.9
- Other factors such as the wider economic situation (e.g. price index, earnings, unemployment) and the price of the multi-operator ticket relative to other travel cards available in the area. However, care should be taken to avoid creating a formal link between the price of a multi-operator travel card and the price of any particular single-operator multi-journey ticket, as this could cause problems with competition law compliance, for example if it resulted in revenue sharing arrangements that created incentives for the operator in question to set their prices higher or reduced incentives for operators to compete for passengers. See Section 3.

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9 See paragraph 65 of Appendix 15.2 of the CC’s report.