

**PUBLIC TRANSPORT TICKETING
SCHEMES BLOCK EXEMPTION**

Impact Assessment

MARCH 2016

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Title: DB144 Public Transport Ticketing Schemes Block Exemption IA No: BISCCP 006 Lead department or agency: Department for Business, Innovation and Skills Other departments or agencies: Competition and Markets Authority (CMA)	Impact Assessment (IA)		
	Date: 19/02/2016		
	Stage: Final validation		
	Source of intervention: Domestic		
	Type of measure: Secondary Legislation		
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Summary: Intervention and Options	RPC Opinion: GREEN
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as Two-Out?
£0m	£0m	£0m	Yes
			Unquantified OUT

What is the problem under consideration? Why is government intervention necessary?

Integrated ticketing schemes enable passengers to purchase a single ticket for journeys that may involve more than one transport operator. In order to provide these schemes, transport operators may have to enter into agreements with each other to share information and revenue. These agreements may breach Chapter 1 of the Competition Act (1998) which prohibits agreements and practices between firms that have the effect of restricting or distorting competition. As a result, transport operators may be deterred from developing these ticketing schemes. Currently these schemes are covered by a block exemption which expires on 29 February 2016. The intervention under consideration is the renewal of the block exemption.

What are the policy objectives and the intended effects?


To encourage investment by transport operators in ticketing schemes which increase the convenience of public transport options for passengers, encourage greater take-up of public transport to reduce congestion and pollution, and improve security against fraud. The intended effect of the block exemption is to give legal certainty to transport operators that they can enter in to agreements to provide ticketing schemes for passengers without the risk of breaching the Competition Act 1998, whilst maintaining conditions about the type of schemes permitted under the exemption so as to protect competition.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Baseline option: renew the block exemption. This is the baseline in terms of assessing costs and benefits of potential changes as it reflects the status quo of the exemption being in place.
2. Allow the block exemption to lapse. This would mean that in order to be exempt from prohibition any ticketing scheme would need to satisfy the four conditions set out in section 9(1) of the Competition Act (summarised as: efficiency gains, fair share for consumers, indispensability of the restrictions and no elimination of competition). Transport operators would need to satisfy themselves that their proposed scheme would be exempt from prohibition without the coverage of a block exemption.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 07/2025					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 24 March 2016

Summary: Analysis & Evidence

Policy Option 1

Description: Renew the block exemption

FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2016	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

The main affected groups are transport operators and passengers. The recommendation is to extend the block exemption so this reflects business as usual and does not impose additional costs compared to the status quo. However, this avoids the potential increase in legal costs to firms from allowing the exemption to lapse.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Renewing the block exemption represents business as usual and so there will be no additional benefits. However, transport operators gain legal certainty when entering in to agreements for integrated ticketing schemes compared to not extending the block exemption. The development of integrated ticketing schemes may make public transport more attractive relative to private transport and lead to reductions in road congestion, air and noise pollution. While this won't change relative to the status quo, there is an effect compared to not extending the block exemption.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

The main risk is that allowing firms to share information will be harmful to competition. However, the block exemption has been in operation for over 10 years, has been reviewed by the OFT in 2003, 2005 and 2010, and again by the CMA in 2015. Extending the block exemption for 10 further years creates risk that technological changes could create unanticipated issues for competition before 2026. However, the CMA will review the block exemption following a trigger from industry or a public authority.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	Zero net cost

Impact Assessment

Background and problem under consideration

1. Public transport ticketing schemes are written agreements between transport operators that allow passengers to purchase tickets that are valid on the services of all participating operators. Without these schemes, passengers travelling on a journey that involves the services of more than one operator would have to buy separate tickets from each operator. These schemes therefore increase convenience for passengers. Examples include multi-operator travel cards, through tickets, short and long-distance add-ons. The London Oyster card is a useful illustrative example of the type of scheme being described here, although the ticketing system in London is covered under a separate arrangement.
2. Depending on the scheme in question, the agreements involved with ticketing schemes may involve transport operators carrying out activities such as sharing information on commercial matters including costs, fixing a common ticket price, sharing revenue, agreeing to divide routes between participants or other activities that can be detrimental to competition. This may constitute a restriction of competition under the Chapter 1 prohibition of the Competition Act 1998 which prohibits agreements, concerted practices and decisions of associated firms that would have as their object or effect, the prevention or distortion of competition within the United Kingdom, or any part of it.
3. To allow for the possibility that some agreements between firms may lead to benefits that outweigh the negative impact on competition, the Competition Act 1998 allows for an agreement to be exempt from the prohibitions as long as it satisfies the four conditions set out in section 9(1) of the Competition Act 1998, which can be summarised as:
 - I. The agreement must contribute to improving production or distribution or promote technical economic progress;
 - II. Consumers must receive a fair share of the benefits generated by the restrictive agreement;
 - III. The agreement must not impose restrictions that are not indispensable to achieving the benefits;
 - IV. The agreement must not lead to the possibility that the parties involved could eliminate competition in respect of a substantial part of the products in question.
4. It is the responsibility of the parties to the agreement to satisfy themselves that the requirements have been met, and in the event of the Competition and Markets Authority (CMA) investigating an agreement, the onus of proof falls on the parties to the agreement to prove that the exemption criteria are met.
5. In 2001, the then Director General of Fair Trading (subsequently Office of Fair Trading and now part of the CMA) concluded that agreements between transport operators on certain types of integrated ticketing schemes were likely to satisfy the criteria for exemption. The Secretary of State was recommended to make a block exemption order for such agreements, providing greater legal certainty for transport operators to

incentivise them to develop these schemes and avoid the need for large numbers of overall beneficial agreements to be notified unnecessarily to the OFT under its notification system.

6. A block exemption was introduced in March 2001 and subsequently amended most recently in February 2011. This covers ticketing schemes that provide multi-operator travel cards, multi-operator individual tickets, through tickets and short and long distance add-on tickets for local travel on buses, trains, trams and domestic ferry services. The block exemption provides legal security to transport operators that ticketing agreements will be exempt from the prohibitions providing they satisfy certain criteria defined in the exemption.
7. The block exemption expires on 29 February 2016. After expiration transport operators would have to satisfy themselves that any agreements they entered into relating to ticketing schemes would be exempt from prohibition by satisfying the conditions set out in section 9(1) as described above, and will not have the automatic legal coverage of the block exemption.
8. Ahead of its expiration, the CMA consulted on whether the block exemption should be renewed¹. In December 2015 the CMA published a report and recommendations to the Secretary of State²: these were to renew the block exemption for ten years, simplify the definition of multi-operator travel cards and make sufficient changes to allow for the introduction of smart formats and products. The rationale behind the lengthening of the review period to ten years is to lighten the burden on business and government from the review process, and to provide more legal certainty. However, the CMA acknowledges that given the rate of change of technology, it is possible that new ticketing formats or products may emerge during the period of block exemption that have unanticipated impact on competition or operator incentives. In this case it would be open for the CMA to launch a review of the block exemption ahead of its expiry. The likely trigger for this would come from industry or public authorities explaining why the block exemption needed reviewing.

Policy objective

9. Integrated ticketing schemes increase the convenience of using public transport for passengers, making it easier for people to travel around and acting as an incentive for individuals to use public rather than private transport. However, concerns over agreements involved in these schemes being in breach of competition legislation may deter transport operators from developing integrated ticketing.
10. The purpose of the block exemption is to facilitate the development and provision of integrated ticketing schemes by transport operators by providing them with legal certainty, subject to conditions designed to maintain competition and protect the interests of passengers.

¹ <https://www.gov.uk/cma-cases/public-transport-ticketing-schemes-block-exemption-statutory-review>

² https://assets.digital.cabinet-office.gov.uk/media/56695090ed915d0362000006/Public_transport_ticketing_schemes_block_exemption_review_-_final_report.pdf

Rationale for intervention

11. Government intervenes directly in public transport markets where there are market failures such as natural monopoly (eg in building transport infrastructure) or externalities (eg encouraging individuals to switch from private to public transport is associated with lower levels of pollution and congestion). Many aspects of public transport provision are delivered through private providers using a shared infrastructure (for instance a road or rail network), as it would not be efficient for each transport company to create a separate road or rail.
12. Public transport providers compete with each other for passengers and also compete with private transport. The lower pollution and congestion externalities associated with public transport mean there may be welfare improvements for society where there is substitution from private to public transport.
13. Where there are multiple transport providers active in a market there is the potential to disadvantage public transport relative than private transport due to the inconvenience involved for consumers having to buy different tickets from each operator on routes where multiple providers are involved. Providing integrated tickets lowers the inconvenience associated with travelling on public transport and so makes public transport more attractive relative to private transport than it would be in the absence of integrated tickets. Integrated tickets also identify the consumers that need to use more than one service and so may have a greater propensity to switch to private transport: allowing operators to offer differentiated prices, lowering their mark-up and pricing closer to marginal cost for the consumer group that may have a greater propensity to switch.
14. However, there is a co-ordination failure associated with providing integrated tickets when the market involves multiple providers as the mechanisms for charging and distributing income require co-operation between firms. Preventing firms from co-operating will inhibit the development of integrated ticketing, but allowing firms to co-operate introduces the risk of firms engaging in anti-competitive behaviour. The intervention is therefore designed to facilitate co-operation required to develop products that increase convenience for passengers and improve the attractiveness of public transport relative to private transport, whilst providing clear definitions of the type of product covered under these co-operative agreements to prevent them being used to abuse competition.
15. A 2011 Competition Commission investigation of the local bus services market concluded that “effective multi-ticketing schemes are likely to reduce barriers to entry and expansion and thus stimulate competition among bus operators”³.

Alternatives to regulation

16. Given the policy objective of promoting integrated ticketing schemes and the co-ordination failures described above the potential interventions would either be for government to act as co-ordinating agent or to allow firms to share commercial information and risk

³ Competition Commission (2011) “Local bus services market investigation: A report on the supply of local bus services in the UK (excluding Northern Ireland and London)”, December 2011 http://webarchive.nationalarchives.gov.uk/+http://www.competition-commission.org.uk/inquiries/ref2010/localbus/pdf/00_sections_1_15.pdf

threatening competition. The CMA consultation concluded that the need for co-operation between firms remains unchanged compared to previous reviews⁴.

17. The likely expense and difficulty of government acting as co-ordinating agent makes this option unfeasible and so regulation is the most sensible way to allow the private market to provide the solution whilst allowing government to ensure this is done in a way that does not threaten the competitiveness of the wider transport market. The CMA considered a suggestion made during the consultation to replace the block exemption with a template agreement which laid out some behaviours that were not acceptable (certain price fixing or anticompetitive behaviour etc) and allow the market to develop its own products accordingly. However, the CMA did not believe that a template approach would offer advantages compared to the block exemption as it risked either failing to protect competition if it were not detailed enough, or restricting innovation if it tried to compensate by being more detailed⁵.

Options under consideration

- a) *Option 1: renew the block exemption.* This is the baseline in terms of assessing costs and benefits of potential changes as it reflects the status quo of the exemption being in place.
 - b) *Option 2: Allow the block exemption to lapse.* This would mean that in order to be exempt from prohibition any ticketing scheme would need to satisfy the four conditions set out in section 9(1) of the Competition Act (summarised as: efficiency gains, fair share for consumers, indispensability of the restrictions and no elimination of competition). Transport operators would need to satisfy themselves that their proposed scheme would be exempt from prohibition without the coverage of a block exemption.
18. The CMA undertook a statutory review of the block exemption ahead of its expiry and in December 2015 published its recommendation to renew the block exemption for a ten-year period until 28 February 2026. The CMA review made two further recommendations for updating the block exemption: simplifying the definition of multi-operator travel cards (MTCs) and allowing the exemption to cover the introduction of smart formats and products.

Preferred option

19. This is Option 1: renew the exemption, accepting the recommended updates to the exemption. As the updates to the legislation do not impose additional costs, the option recommended is costless relative to the baseline. Option 2: allow the block exemption to lapse would carry the risk of imposing costs on businesses. These costs are discussed below.

Change to the review period

20. The CMA's recommendation is for the block exemption to be renewed for a ten year period rather than following the 2010 recommendation of five years before review. The

⁴ Competition and Markets Authority (2015) "Public transport ticketing schemes block exemption review: final report and recommendations to the Secretary of State, December 2015"

⁵ CMA(2015)

rationale is to lighten the burden on business and government from the review process and to provide extended legal certainty. Given the potential for unanticipated competition issues to arise as a result of technological developments, if required the CMA will undertake a review before the expiration of the exemption.

Costs and benefits of options under consideration

Option 1: Renewing the block exemption

21. This represents the status quo and so does not impose any additional costs nor lead to any benefits compared to what happens now. As this block exemption has existed since 2001, renewing the exemption should not impose a familiarisation or additional legal burden on transport operators.

Updates to the block exemption

22. Updating the exemption represents a deviation from the status quo to the extent that updates to the block exemption impose costs or lead to any benefits. Changes to the exemption present the risk of familiarisation costs. However, in this case the recommended changes are relatively small and should not cause negative effects or require familiarisation. The changes do not introduce additional reporting requirements or burdens of compliance. The changes are being introduced in response to suggestions from transport operators to make the legislation work more clearly.

Simplifying the definition of multi-operator travel cards (MTCs)

23. This was motivated by concern raised to the CMA during the consultation that the existing definition was overly restrictive. The original motivation of the definition was to distinguish these schemes from the other ticketing schemes covered under the exemption (multi-operator individual ticket (MIT) and through ticket (TT)) because MTCs benefit from a dispensation to fix prices and the others do not, and so a more defined definition was used to avoid firms trying to pass off MIT or TT schemes as MTCs in order to fix prices. The concern raised by transport operators in the consultation was that existing provisions, such as “three or more journeys on three or more specified local public transport services operating on three or more routes” were too restrictive in the context of new ticketing technologies and the potential to offer a wider range of multi-operator ticketing. The CMA view was that the existing definition risked preventing some beneficial MTC schemes from being created and that the definition could be simplified without risking negative impact on competition. The simplified definition does not impose any extra burdens of compliance or reporting requirements.

Allowing the exemption to cover the introduction of smart formats and products

24. The CMA consultation identified a number of benefits associated with the introduction of smart products and smart tickets, including the potential for improving the accuracy of revenue allocation and removing the need for passenger surveys which could reduce administrative costs for firms. It recommended making more references to smart formats and products in the guidance document and explicitly clarifying that the ticket definition includes all forms of smart tickets. Again this does not impose additional costs to operators.

Option 2: Allowing the block exemption to lapse

25. There is no apparent argument that allowing the block exemption to lapse would assist the development of integrated ticketing or have other benefits to the economy and there has been no representation to argue for its removal.

Additional costs incurred

26. If the exemption is allowed to lapse, then transport operators would need to satisfy themselves that any agreements they enter into for the purposes of integrated ticketing would be exempt from prohibition under the existing conditions of section 9(1) of the Competition Act 1998. They are likely to incur additional legal costs. This will have the following possible implications for the development of integrated ticketing:
27. Transport operators may continue to operate schemes but with increased legal costs. If they assess the potential private benefits that they can capture through proceeding with a ticketing scheme are still greater than the increased level of costs, they will continue to invest in ticketing schemes. They will earn reduced profits or pass the extra legal costs on to consumers. In the CMA consultation, many respondents commented specifically that the cost of setting up schemes could be significant, with commencement representing a substantial commitment⁶. An estimate from pteg (representing six English Passenger Transport Executives (PTEs) in England which serve more than 11 million people in northern England and the midlands) on bus transport suggested that if all bus passengers were to switch to pre-paid tickets then bus operating costs could fall by 3% due to reduced boarding times reducing journey times⁷. We do not have a more general estimate for the extent of cost savings available to firms through introducing integrated ticket schemes. However, the greater the potential cost savings to firms, the more likely they would be to invest in them regardless of the presence or absence of the block exemption.
28. Transport operators may stop investing in ticketing schemes, if they assess that the increased legal costs will make ticketing schemes unprofitable. As ticketing schemes bring externality benefits to society that are not captured by the transport operators, any reduction in the amount of ticketing schemes that are will be created relative to the baseline of the amount that would have been created had the exemption remained in place, represents a cost to society of the foregone externality benefits.
29. The CMA consultation reported that transport operators appear to be risk-averse in regard to the need to ensure competition law compliance (ie they are unlikely to be satisfied with self-assessing whether the section 9(1) conditions for individual exemption are met). Also many respondents indicated that if a scheme was not covered by block exemption the risk of being considered a breach of competition law was delivered too great compared to the potential benefits of delivering a multi-operator scheme⁸. This suggests that firms may be more likely to choose to stop ticketing schemes.
30. This suggests that allowing the exemption to expire will likely lead to a reduction in the overall level of investment in and development of ticketing schemes, with only the ones with higher expected profits continuing to go ahead.

⁶ CMA (2015)

⁷ PTEG (2010) BSOG Devolution – Funding More Effective and Sustainable Bus Networks, Internal Report.

⁸ CMA (2015)

Additional benefits foregone

31. Potential benefits associated with the exemption include:
- a) Reduced congestion and pollution if there is an increase in substitution from private to public transport as a result of the intervention.
 - b) Reduced operating costs due to reduced boarding times through greater use of pre-paid integrated tickets.
32. In addition the CMA consultation document set out a number of potential benefits for passengers associated with maintaining the block exemption:
- a) Better quality bus services and improved transport networks
 - b) Flexibility of choice for consumers on specific routes
 - c) Increased geographical coverage of services for passengers by linking routes of operators
 - d) Increased patronage on public transport
33. These benefits are due to increased development of integrated ticketing options. The optimum solution in terms of best development of integrated ticket options will involve keeping the block exemption in place.

Quantifying the costs and benefits associated with allowing the exemption to lapse

34. The costs and benefits described above are difficult to quantify given the data that is available. Given that the recommended option is to maintain business as usual it does not seem proportionate at this point to attempt a more thorough attempt to quantify the impact of removing the exemption. Below is a suggested approach that demonstrates the current limitations of available data.
35. It is difficult to see potential benefits associated with allowing the block exemption to lapse, unless the block exemption led to adverse effects on competition. The CMA concluded that it did not.
36. A starting point for analysis would be to estimate the extent to which allowing the block exemption to lapse would change behaviour i.e. would stop transport operators from pursuing integrated ticketing. This could be done through a survey of transport operators that could:
- a) gather information on the likely increase in legal costs incurred
 - b) estimate the extent to which they would continue to pursue integrated ticketing whilst absorbing extra costs
 - c) estimate the extent to which they would consider the costs too high and stop pursuing integrated ticketing

- d) estimate the extent to which reducing integrated ticketing would change passengers' behaviour.
37. From this an estimate could be made of the overall change in the level of integrating ticket available relative to the baseline option of continuing with the block exemption. The increased costs absorbed by operators continuing to pursue integrated ticketing would form the first part of the estimate of the overall policy cost.
 38. The second part of the cost would be the foregone benefits from the reduction in integrated ticketing that would happen if this led to an overall reduction in use of public transport. We note that the responses to the CMA consultation appeared to indicate that the likely response from firms would be to stop pursuing integrated ticketing rather than continue and absorb additional leading costs. So in the absence of a bespoke survey of transport operators we should assume that this would be the main route of impact.
 39. We would need to obtain an estimate for the response of passengers to a reduction of integrated ticketing: this could involve continuing to use public transport but with less convenient ticketing options, substituting for private transport or not travelling. This would best be done through inferring the revealed preference of passengers' behaviour through analysis of data relating to journeys in different forms of transport under the availability of different transport options including integrated ticketing. However, it does not appear that a rich enough data set would be available to do this robustly. It could be done more roughly through a stated preference survey of transport operators or/and passengers.
 40. We do not have data to show the share of total public transport ticketing that is made up of products that make use of the block exemption. However, estimates from pteg suggest that in the areas covered by their PTEs around 160 million public transport trips are made which make use of ticketing products covered by the block exemption. This equates to over 12 per cent of the overall public transport market in terms of journeys made. When free concessionary trips made by elderly and disabled people are excluded, the share of local multi-operator products is around 16 per cent⁹.
 41. DfT statistics for 2014/15¹⁰ report passenger revenue for rail (£8,803m), bus (£6,442m), light rail and trams (£307.6m England only) leading to total passenger revenue from these sources as around £15.5bn. Making the rough assumptions that a) the 12 per cent estimate from pteg could be extrapolated across the country, b) the share of journeys is equal to the share of revenue, a general estimate for the value of revenue from journeys making use of ticketing products covered by the block exemption would be around £1.9bn.
 42. To estimate the potential benefits foregone we would need to estimate the extent to which users would substitute away from public transport for instance because of the extra inconvenience associated with having to buy multiple tickets. There is survey evidence to suggest that multi-operator ticketing schemes have a positive effect on demand. 65% of

⁹ PTEG (2015) Consultation response: Public Transport Ticketing Schemes Block Exemption Review (CMA), September 2015 http://www.urbantransportgroup.org/system/files/general-docs/pteg%20response_CMA%20tk%20block%20exemption.pdf

¹⁰ Department for Transport statistics: Rail finance (RAI03); passenger revenue at 2014/15 prices on light rail and trams by system; operating revenue on local bus services by metropolitan area status and country: Great Britain, annual operating cost on local bus services by metropolitan area status and country: Great Britain outside London

UK citizens responding to a Eurobarometer survey said that they would consider using public transport more frequently if it were possible to buy a single ticket covering all transport modes (45% “yes definitely” and 20% “yes maybe”)¹¹. This is simple stated preference evidence and does not allow us to determine the elasticity of demand with respect to the availability of multi-operator tickets.

43. For illustrative purposes, a reduction of 5% in the public transport journeys that currently make use of the block exemption would lead to a loss of around £95m in foregone revenue to firms and a reduction of 10% would lead to a loss of around £185m.
44. This does not consider any second order effects, such as changes in prices and potential mark ups that would be associated with passengers who continued to make the same journeys despite not being able to use integrated tickets. Given the incomplete coverage of the total transport market in the above estimate this is a very rough and imprecise figure.
45. There would also be additional non-monetised costs incurred where there was substitution away from public towards private transport, due to increased congestion and pollution.
46. There will also be some benefits from the changes to the block exemption, i.e. the references to smart formats and products and the explicit clarification that the ticket definition includes all forms of smart tickets. These add clarity to the exemption reducing the need for firms to take legal advice about whether the existing wording covers new innovations. The exact value of these benefits is hard to quantify but is likely to be relatively small. We have not attempted to value these.

Business impact

47. There no impacts under better regulation business impact rules. This is because under the better regulation rules the preferred option is the baseline option. This is to avoid the benefits to business of the Block Exemption being counted more than once.

Small and Micro Business Assessment

48. Excluding smaller businesses from the exemption would disadvantage them relative to larger businesses who could benefit from the legal certainty that the exemption offers. The consultation considered the impact of multi-operator ticketing schemes on smaller transport operators particularly in the context of barriers to market entry. The development of these ticketing schemes is generally positive for smaller operators as it enables their customers to buy tickets that are valid across multiple operators’ routes. As smaller operators are more likely to have smaller geographical areas of coverage, their passengers are more likely to be involved in journeys that involve the use of more than one operator’s services. The risk for smaller operators comes if the development of smart ticketing involves investment costs which were prohibitively high and prevented them from participating in multi-operator ticketing schemes. However, the CMA were satisfied following the consultation that there is no reason to believe that smart ticketing is raising

¹¹ Flash Eurobarometer 312: Future of Transport, January 2015.

barriers to entry significantly and that the industry is looking for ways in which smaller operators can be helped to meet the costs. The consultation also recognised that the certainty of accurate revenue reimbursement through 100% smart MTCs encouraged smaller operators to participate. For smaller operators to be able to fully benefit from multi-operator ticketing they need to be able to join in schemes with larger operators and so the exemption should apply equally to firms of all size. Extending the exemption does not impose costs on small and micro businesses relative to the status quo.



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BIS/16/219 Public Transport Ticketing Block Exemption Impact Assessment