Opinion: EANCB validation
Origin: domestic
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Regulatory Policy Committee

Public Transport Ticketing Schemes Block Exemption

Department for Business, Innovation and Skills

RPC rating: validated

Description of proposal

Integrated ticketing schemes enable passengers to purchase a single ticket for journeys that involve more than one transport operator. In order to operate these schemes, transport operators may need to share information which would, without an exemption, breach the provisions of the Competition Act that prohibit agreements and concerted practices (including the exchange of competitively sensitive information) between firms.

Integrated ticketing schemes are currently covered by a block exemption from these provisions, which expires on 29 February 2016. This exemption does not place any obligations on transport operators and is purely permissive. The Department proposes to renew the block exemption for 10 years, with a few minor legal clarifications.

Impacts of proposal

The Department only assesses changes relative to renewing the exemption. These are assessed as a new proposal. This in line with the Better Regulation Framework Manual's methodology for the renewal of time-limited measures lasting longer than 12 months, and the RPC's treatment of previous cases.

Nevertheless, the Department has provided an indicative scale of the benefits of renewing the exemption. The Department states that 12% of journeys on public transport are made on integrated ticketing schemes, at a value of approximately £1.9 billion a year. There is strong evidence to suggest that if such ticketing schemes were removed then demand for public transport would decrease. The Department does not have detailed information on what the reduction in the number of integrated ticket sales would be. However, if integrated tickets sales fell by 5% then this would result in a cost to business of approximately £95 million a year in lost revenue. There would also be costs from increased congestion and pollution, as a result of substitution towards private transport. None of these benefits or costs will score for the business impact target.

The legal clarifications to the exemption involve simplifying the definition of multi-operator travel cards and formally stating that the exemption covers the introduction of smart products. The Department states that neither of these changes is likely to have large effects, although a small number of scheme operators may benefit from reduced legal costs. The Department has not monetised these benefits.

The Department expects familiarisation with this measure to be minimal, as scheme operators are aware of the existing exemption and the Department has already publicised that the exemption will be extended.

The RPC validates the estimated equivalent annual net cost to business (EANCB) as zero for reporting purposes. This will be a qualifying regulatory provision that will be reported under the business impact target.

Quality of submission

The Impact Assessment currently states that the proposal is Zero Net Cost. This should be amended to indicate that the proposal is an unquantified net OUT. This is because it is expected to reduce the legal costs of some scheme operators, relative to the baseline of renewing the exemption with no changes, but these benefits have not been monetised. The EANCB will be recorded as zero for reporting purposes.

The Department has not fully monetised the expected costs and benefits of the proposal. However, it has demonstrated adequately that the elements that would score for the business impact target are likely to be very small and has provided indicative estimates of the other benefits of the proposal. This appears proportionate.

The Department states that the measure is expected to be beneficial for business and so it does not plan to exempt small and micro businesses. It states that smaller transport operators are more likely to be involved in integrated ticketing schemes, as the geographical areas they operate in are usually smaller. Therefore, small and micro businesses are expected to benefit from the proposal more than larger businesses.

Following a review in 2015, the Competition and Markets Authority (CMA) has recommended that the block exemption be extended for ten years. The CMA does not believe that this will damage competition; however, it is open to conducting another review in the future if industry groups or public authorities challenge this.

Departmental assessment

Classification	Qualifying regulatory provision (ZNC)
Equivalent annual net cost to business (EANCB)	£0 million (not quantified)
Business net present value	£0 million (not quantified)

RPC assessment

Classification	Qualifying regulatory provision (unquantified OUT)
EANCB – RPC validated[1]	£0.0 million (net benefits not quantified)
Small and micro business assessment	Not required (deregulatory)

Michael Gibbons CBE, Chairman

[1] For reporting purposes, the RPC validates EANCB figures to the nearest £100,000.