GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY

REPORT FOR RESOLUTION / INFORMATION

COMMITTEE:	**CAPITAL PROJECTS COMMITTEE**
DATE:	**18 SEPTEMBER 2009**
SUBJECT:	**DFT CONSULTATION ON STRATEGY FOR SMART AND INTEGRATED TICKETING**
REPORT OF:	**CLERK OF THE AUTHORITY**

PURPOSE OF REPORT

To inform members of the Capital Projects Committee of the recent publication by the Department for Transport on Developing a Strategy for Smart and Integrated Ticketing, and to delegate authority to sign off a final response on behalf of the GMITA.

RECOMMENDATIONS

Members are recommended to:

1. Note and comment as appropriate on the Executive Summary,

2. Delegate authority for approving the consultation response to the Clerk of the Authority and the Interim Chief Executive of GMPTE, in consultation with the Chair and Vice Chair of the Authority, Chair of the Capital Projects Committee and the Leader of the Opposition;

BACKGROUND DOCUMENTS

Developing a Strategy for Smart and Integrated Ticketing, Consultation Paper, DfT, August 2009.

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1. Introduction

1.1 The Department for Transport (DfT) published a consultation paper on developing a Strategy for Smart and Integrated Ticketing in August.

1.2 The Executive summary is appended to this report.

2. Consultation

2.1 The Department is seeking views on the consultation draft by the 28 October, and this report recommends that authority be delegated to allow officers sufficient time to submit a full and considered response to this consultation.

3. Recommendations

3.1 A full set of recommendations can be found on the front page of this report.

Executive Summary

Prologue - A Vision of the Future

1. Our vision for public transport in England is of universal coverage of smart ticketing infrastructure, supported by integrated and innovative ticket products which can be purchased easily and quickly, leading to a significantly improved travelling experience for the passenger.

2. As new technology becomes more established, tickets will be loaded onto mobile phones instead of smartcards, allowing people to buy their ticket over the air, check timetables and real time travel information and view their stored tickets all on their phone. Low value cash fares could be paid simply by tapping a bank card on a reader with no need to buy any ticket in advance. More traditional smart ticketing products for things such as reservations and season tickets will be purchased on-line and downloaded before travel.

3. Local integration is key to our vision, with city-wide, possibly regional, multi-modal smart ticketing schemes supporting integrated transport networks. Local authorities will work with operators to provide integrated tickets including innovative products such as pre-pay with capping in place to ensure best value. Innovative pricing to reward travel outside of the peak will also help to manage increasing demand.

4. ITSO will be the standard for smart ticketing in England and the UK, ensuring that the local schemes are interoperable with each other. This will facilitate seamless multi-legged journeys.

5. Competitively priced single operator ticketing will remain an important part of the public transport offer (though increasingly offered as smart tickets) and there will also be an ongoing need to cater for those without bank accounts.

6. Smart ticketing can also link public transport with wider service delivery. Local authorities will increasingly offer multi-function 'citizens cards' as proof of entitlement to benefits and services. These will allow for targeted and innovative offers, such as free travel to activities for certain groups or 'credits' which allow the person rather, than the authority, to choose their own benefits.

7. E-money transport products could be valid for use in shops in stations and also for cycle hire schemes, parking, taxis and possibly even for car clubs. Reward points could be issued for choosing modes of transport with lower carbon footprints, while operators will be able to run their own loyalty schemes and increasingly tailor their ticketing offer to individual customers' needs.

8. A recent study[1] commissioned by the Department for Transport suggested that, using conservative estimates, integrated smart ticketing with widespread take-up could deliver net benefits of over £2bn per year, with benefits to passengers, operators, and the wider public.

The consultation

9. This consultation paper is not intended to present a complete strategy for comment. Instead, it is intended to set out what we believe are the key issues, stimulate debate and invite comments on our analysis to inform the development of a final Integrated and Smart Ticketing Strategy for England.

10. The consultation is intended primarily for transport operators, local authorities, passenger groups and smartcard stakeholders although we welcome comments from any interested party. It is intended to allow stakeholders who perhaps have not yet considered these issues to engage with them and comment, as well as to prove stimulating to those who are already well versed in the issues raised here.

Why is a strategy important?

11. Some journeys will always be made by private cars, for others public transport is the obvious choice. However, there are a number of journeys for which both are a realistic option and a choice must be made. The Government believes that as well as fare levels, the nature and form of the tickets offered to the travelling public, and the ease with which they can be obtained, can have a fundamental influence on people's choice of transport mode. Smart and integrated ticketing can make public transport more attractive and so encourage modal shift. In London, Oyster has consistently enjoyed approval ratings of around 98% amongst passengers, an extremely high figure.

12. Such a modal shift can help to deliver all five of the Department for Transport's strategic goals:

- to support national economic competitiveness and growth,
- to reduce transport's emissions of carbon dioxide,
- to contribute to better safety and security,

[1] A summary of this report by Detica can be found at Annex C of this consultation.

- to promote greater equality of opportunity for all citizens,
- to improve quality of life for transport users and non-transport users.

13. This is why the Government wants to promote the spread of smart and integrated ticketing and wants to fully understand what barriers may currently be preventing its more rapid adoption. Government is also keen to establish to what extent intervention is required to remedy a degree of market failure that may have been evident to date.

14. The scope of this consultation, and the final strategy, is ticketing on public transport in England, excluding aviation, although potential overlaps with wider service delivery in both the private and public sector will be considered. The consultation does not consider fares in detail; nor does it cover the Devolved Administrations, as transport is a devolved policy area.

15. Neither a significant increase in regulation, nor a wholly centrally funded rollout of smart ticketing infrastructure are anticipated to form part of the final strategy.

Integrated and Smart Ticketing

16. Integrated ticketing and smart ticketing are two separate concepts. Smart ticketing does not automatically bring integrated ticketing and there are already some very good integrated tickets which are not smart.

17. For the purposes of the strategy, *integrated* ticketing means tickets that are valid on either more than one operator's services, or on more than one mode of transport.

18. *Smart* ticketing is where tickets are stored electronically on a micro-chip, usually embedded in a smartcard (but possibly in other forms of smart media), and their validity is checked by placing them next to a smart reader.

19. There is a Government sponsored national specification for smart ticketing called ITSO which is designed to make different schemes technically compatible with each other, facilitating seamless journeys. The specification is maintained by ITSO Ltd, an independent member controlled organisation.

The benefits of Integrated and Smart ticketing.

20. Integrated and smart ticketing can improve the public transport offer to the traveling public and provide clear benefits to both the public sector and transport operators.

21. *Integrated* ticket products give passengers more flexibility and simplicity, making them more likely to use public transport. Local and central government can benefit from this as modal shift towards public transport can reduce congestion and the carbon footprint of journeys. Increased passenger numbers and increased revenue can in turn provide a commercial benefit to operators.

22. *Smart* ticketing can offer passengers increased speed, convenience, "cashlessness", the flexibility of stored value products and security against theft and loss. For the public sector, it can offer greatly improved data for transport planning purposes and can help join up service delivery in other areas.

23. For operators, there are quantifiable benefits in speeding up boarding times, reducing fraud and removing cash from the system. Further benefits can be derived from better data, allowing a better use of existing resources and better understanding of customers as well as new commercial opportunities.

24. While integrated ticketing and smart ticketing both have considerable benefits when considered separately, when combined to offer integrated smart ticketing the benefits can significantly increase. For example, a single smartcard pre-pay scheme valid across a transport network is a better offer to the passenger than a number of operators having their own schemes and so can encourage a greater degree of modal shift.

25. The benefits of smart ticketing can be realised whilst protecting public privacy and adhering to all data protection legislation.

Emerging New Technologies

26. Smart ticketing is now a relatively established technology around the world but there are other technologies which are likely to affect the future of ticketing.

27. Contactless bank cards (known as EMV) could have a major impact on transport. These allow purchases of less than £10 to be made by tapping a bank card against a reader. As many transport journeys are less than £10, this could be a quicker alternative to paying with cash.

28. Near Field Communications (NFC) allows a mobile phone to emulate a smartcard. This has the potential to revolutionise ticketing, with the same device used to look up timetables, check ticket availability, buy the ticket and receive real time travel updates.

29. More familiar may be technologies such as print at home tickets and mobile phone text or barcode tickets that are already in use by several operators.

30. Not all of these will be applicable all of the time, but between them they can complement or enhance smart ticketing, further improving the offer to the passenger.

Current Arrangements

31. The most important mode of public transport on local networks is the bus. Bus tickets are largely unregulated, with operators able to set their own validity and fares, though local authorities do have some powers and there are competition laws preventing, amongst other things, collusion between operators. In some areas trams and trains can also be important parts of local networks.

32. National public transport networks are based largely round rail and coaches. Rail tickets are already well integrated and many passengers do not even realise they have multi-operator tickets. Coaches are deregulated and private companies are responsible for ticket products.

33. London has different regulatory arrangements. Most public transport is administered by Transport for London and London has a well developed highly integrated smart ticketing scheme, known as Oyster.

34. Outside of London, smart ticketing is not widespread. There are schemes in operation, but the majority of public transport still operates on paper tickets. There are some examples of good local integrated tickets but they are far from universal.

Analysis of Current Arrangements

35. Current ticketing arrangements shape the passenger's experience of public transport. Although there are examples of good practice, there are issues about the complexity of ticket validity, the need for prior planning, difficulties in collecting tickets, slow boarding times with cash and a lack of flexibility for part-time workers.

36. But if the benefits of smart and integrated ticketing are so compelling why is not already widespread? Our analysis suggests that for smart ticketing there are some key issues here, clustered around themes such as the alignment and timing of the costs and benefits, the uncertainty associated with new and evolving technology, and the need for clear leadership and

cooperation between several parties.

37. Integrated tickets are not more widespread largely because, although there is nothing preventing their adoption per se, their creation requires commercial co-operation between transport operators who must also compete. They therefore need convincing that the commercial risks of participation are outweighed by the potential gains.

What has Government done so far?

38. Government has been committed to the development of smart and integrated ticketing for a number of years. In essence its strategy has been to support ITSO to provide an interoperable smartcard specification whist simultaneously encouraging the rollout of the necessary infrastructure.

39. To encourage smart ticketing, the Government has taken the following actions:

- The creation and sponsorship of ITSO to provide a single specification for smart ticketing;
- A commercial review of ITSO to ensure that the organisation is best placed to support widespread smart ticketing;
- Included ITSO smart ticketing obligations in all recently let rail franchises;
- Specified that all of the new England-wide concessionary bus passes must be ITSO smartcards and have established ITSO Services Ltd (ISL) to assist "non-smart" local authorities.

40. Similarly, the Government has done a considerable amount done to encourage integrated ticketing and provided local authorities and operators with the tools necessary to create integrated ticketing products:

- The Transport Act 2000 provided local authorities with the power to introduce ticketing schemes;
- The Transport Act 2000 also introduced Quality Partnerships and Quality Contracts, which have since been made simpler by the Local Transport Act 2008, which also allows for multi-lateral Voluntary Partnership Agreements;

- Public Transport Ticketing Schemes Block Exemption (often referred to simply as the Block Exemption)[2] from Chapter 1 of the Competition Act 1998 to allow for multi-operator ticketing products;

- Franchise Agreements include requirements that Train Operating Companies must offer integrated tickets on the rail network and remain part of any local schemes;

- The Government has also been involved in the EU relaxation of e-money issuer Regulations. This will make it easier for schemes to develop e-money products and pre-pay offers;

- Integrated information. Transport Direct was launched in 2003 to provide a single point of access to door-to-door travel information by any mode.

What more needs to be done?

41. The actions that the Government has already taken form a strong platform on which to build a strategy. The tools are already in place with which integrated tickets can be created and we believe that the spread of smart ticketing will encourage cooperation and the development of new integrated products. There is evidence that the rate of adoption of smart ticketing is already increasing as a result of Government actions to date.

42. Moving forward, the emerging strategy is for Government to:

1. Set a clear vision of future ticketing and provide strategic leadership;

2. Support ITSO to ensure a high quality national specification which adapts to accommodate new and future technology developments;

3. Address market failure to provide smart ticketing infrastructure by providing incentives to bus operators and including smart ticketing requirements in all future rail franchises;

4. Encourage local authorities to use existing tools to develop integrated ticketing schemes and operators to develop commercial smart products;

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[2] Public Transport Ticketing Schemes Block Exemption Order 2001 (SI 2001 No 319) as amended

5. Work with TfL to make the London Oyster Estate compatible with ITSO.

43. The Government has already made a number of existing policy commitments to encourage smart ticketing and these will form the basis of delivering the strategy. As well as key workstreams on rail franchises and reforming Bus Service Operator Grant (BSOG) to incorporate a smartcard incentive, other commitments include:

- A short term increase to the Department's involvement in ITSO, both in terms of resources and strategic input;
- The intention to work with the Train Operating Companies (TOCs) towards implementing Oyster Pay As You Go on overland services in London;
- For London Councils to issue all London concessionary (Freedom) passes as dual ITSO / Oyster smartcards from 2010.

44. The successful delivery of these policies, when taken with the actions to date, may already be sufficient to deliver the vision. However we are keen to hear stakeholder views on what the real barriers are to more smart and integrated ticketing and what more needs to be done, by all stakeholders, to deliver the vision.

45. There are also potential additional workstreams that could add value. These include national framework agreements for smart ticketing infrastructure, evaluation of whether a national pre-pay product is desirable, facilitating the sharing of best practice, greater engagement with new and emerging technologies, a one-off competition for integrated smart ticketing projects, advice for scheme operators on privacy issues, and further development of existing economic modelling.

46. The Department cannot deliver integrated smart ticketing by itself. Local authorities, operators, suppliers and ITSO are all important partners and have an important role to play in delivering the vision and these roles are considered in the consultation document.