

DONCASTER SCHEDULE 10 PART 2 COMPETITION TEST

Network Review & Ticketing (January 2016)

This competition test has been applied to the Bus Devolution Deal Network Review and Ticketing change process associated with delivering the following Sheffield City Region Devolution Deal objectives:

- A bus network that is co-ordinated, efficient and integrated
- A simplified single ticket range, attractively priced

Network Review Process

The Devolution Deal - Network Review process is shown in the Table below.

Devolution Deal - Network Review Process	
Ref	Task
001	Establish a schedule for network review, split approximately by local authority area
002	Through Partnership working, engage with operators, LA's and other key partners
003	Inform the Competition and Markets Authority of process and intentions
004	SYPTTE review services within the designated geographical area and produce a Model Network
005	All partners independently review and provide comment on the Model Network
006	The Model Network is amended as appropriate and signed off by all parties
007	Each operator generates own preferred future network based around the Model Network and provides to SYPTTE (only)
008	SYPTTE to overlay each operator's proposal onto the Model Network
009	SYPTTE to consider the commonality of the Model Network
010	Single operator offer - assumed to be the service that will operate
011	Multiple operator offer - SYPTTE to facilitate a joint or coordinated service
012	No operator offer - SYPTTE to negotiate with operators or fund
013	Member consultation pre-public consultation
014	Respond to Member feedback and make amendments as appropriate
015	Full and robust public consultation
016	Consider and adjust Network following public consultation
017	Approvals process through to ratification at Transport Committee
018	Registration and implementation
Note:	<i>For the avoidance of doubt nothing in the above process precludes or attempts to preclude any operator inside or outside this process registering</i>

a new or revised service or de-registering a service anywhere in the area of the Model Network.

The Network Review was carried out by the following collaborative group, each having sought independent legal advice:

- **Arriva Yorkshire Limited**
- **Doncaster Metropolitan Borough Council**
- **First South Yorkshire Limited**
- **Lincolnshire Road Car Company Limited** trading as **Stagecoach East Midlands**
- **South Yorkshire Passenger Transport Executive**
- **Yorkshire Traction Company Limited** trading as **Stagecoach Yorkshire**

For the purposes of this report, the term 'Agreement' refers to the agreed network as proposed by the participants named above. This is outwith any formal Partnership arrangement which is currently being proposed, and which will be subject to a formal competition test in due course.

Ticketing

In parallel with the network review, discussions regarding the revised ticket products have been held with Operators and TravelMaster.

Whilst not formally covered in the Agreement and outwith any control of the PTE this assessment also considers the competition aspects of the ticketing proposals which are being introduced in accordance with the exemption from the Competition Act 1998 Chapter 1 prohibition (Competition Act 1998 (Public Transport Ticketing Schemes Block Exemption) order 2001 (as amended)).

Application of competition law

In accordance with the OFT's "Guidance on the application of competition law to certain aspects of the bus market following the Local Transport Act 2008 OFT 452", the effects of any Voluntary Partnership Agreement (VPA) on competition must satisfy the stages of the Competition Test as set out in Part 2 of Schedule 10 of the 2000 Transport Act (as amended by the 2008 Local Transport Act). Consideration of the Schedule 10 test is set out below in respect of the Doncaster-wide VPA. Whilst similar approaches may be extended into other parts of South Yorkshire these will be subject to their own Competition Test which will need to consider any incremental effect.

STAGE 1

Does the Agreement and the Qualifying Agreements have as its/their object or effect, the appreciable prevention, restriction or distortion of competition in the area of the authority?

Network

The Agreement and associated Qualifying Agreements (QA's) do have an effect on competition, primarily for those who are party to this Agreement themselves; the restrictions, which support network stability and access are controlled by the following:

- Co-ordination of timetable through Qualifying Agreements;
- Notification procedures to Network changes;
- Extended de-registration periods;
- Consultation requirements
- Redeployment of saved resource

Ticketing

The principles and objectives of the Ticketing Review are to provide a simplified, attractively priced commercial fare structure ticketing offer that makes ticketing understandable to customers and easier to use. The primary change resulting from the process will be to reduce the prices of multi-operator tickets, thus reducing the premium paid by customers whose travel needs require the use of more than one operator's services.

There is no proposal to reduce the ability of operators to offer single-operator prepaid tickets but there will be minor changes to the detail of certain single-operator tickets in terms of duration (e.g. 28-day rather than calendar month) and/or geographical area covered.

The variations to the Network and the associated QAs have been assessed and do have as their object or effect the prevention, restriction or distortion of competition and therefore parts 2, 3 and 4 apply.

As such the OFT says Stages 2, 3 and 4 of the test must therefore be met.

STAGE 2

Does the Process contribute to the attainment of one or more of the bus improvement objectives?

Network

Objectives

This Agreement will (as defined in para 17 (9) of Schedule 10 of the Transport Act 2000) seek to :

- secure improvements in local services of benefit to users of local services; and
- reduce or limit traffic congestion, noise or air pollution.

How?

The Network Review process aims to deliver a network that:

- is co-ordinated, for better delivery of limited resource;
- is efficient, more sustainable to both Operators and the taxpayer;
- is integrated, providing better access to other services;
- supports economic growth and helps reduce worklessness;
- has improved performance (reliability & punctuality);
- minimises congestion and pollution by avoiding excess duplication;
- allows buses to be reinvested to improve access or reduce fares; and
- encourages modal shift to support patronage growth.

Ticketing

The Ticketing Review process will deliver a core ticketing range that:

- reduces the price premium paid by customers who need to use more than one operator's services

It is considered that Stage 2 is satisfied.

STAGE 3

Does the Agreement (And Qualifying Agreements) impose on the undertakings concerned restrictions which are not indispensable to the attainment of the bus improvement objectives?

Network

1. The design of the network directly relates to the bus improvement objectives and it is considered that the restrictions imposed under the Agreement are

indispensable to attainment of the bus improvement objectives.

2. The process for reviewing and delivering the Model Network was developed with Partners and The Confederation of Passenger Transport UK (CPT). The process was shared with the Competition and Markets Authority (CMA) and the DfT for comment.
3. No questions or doubts have been raised about the linkage between the restrictions and the objectives.

Ticketing

The ticketing proposals require operators to offer:

- products of standardised durations (i.e. 28-day rather than calendar month)
- products covering standardised geographic areas (i.e. coinciding with local authority boundaries).

There is no restriction on operators also providing single-operator products that cover other durations or areas.

As the differing duration and area characteristics are known to be a significant contributor to customer confusion, their removal is indispensable to the attainment of this bus improvement objective.

It is considered that Stage 3 is satisfied.

STAGE 4

Does the Process afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the services in question?

Network Review

The Network Review process was shared with the Competition and Markets Authority who did not have any fundamental objections of principle to the approach to network planning which builds on the business practice of conducting network

reviews and uses partnership mechanisms already in place under existing legislation.

Importantly the process continues to provide a competitive environment where Operators have the opportunity to register interest in operating routes, and sharing routes through Qualifying Agreement where this is an overlap in interest.

However, SYPTE were asked to consider the following potential competition risks:

- That the process does not lead to an increase in geographic market segregation (or a retreat to 'core territories') compared to the current market position, as this would reduce the effectiveness of potential and actual competition.
- To ensure that there is scope for the network to evolve, for new entry to take place and for existing operators to propose new services.

Geographic market segregation already exists to some extent between the two largest operators, and the Network Review process has not made this worse.

SYPTE have continued to engage with all registered local bus service providers in South Yorkshire to support the aims and objectives of Sheffield City Region Devolution Deal, and to seek further involvement in future Bus Partnership's.

Ticketing

The primary effect of the agreement in relation to ticketing is to reduce the price premium on multi-operator tickets. This will increase the proportion of customers taking up such tickets. These customers will be able to travel on any operators' services. As such, competition between operators in terms of service quality will be increased as they seek to these passengers and the share of revenue pool that their journeys represent.

Therefore the Agreement is considered not to impact on competition

CONCLUSION

IT IS THEREFORE CONCLUDED THAT THE COMPETITION TEST IS SATISFIED. ON THIS BASIS THE AGREEMENT COMPRISES AN 'EXEMPT' AGREEMENT UNDER PARAGRAPH 22(1) OF SCHEDULE 10 TO THE TRANSPORT ACT 2000.