

REGENERATION, COMMUNITY AND CULTURE OVERVIEW & SCRUTINY COMMITTEE

10 APRIL 2014

SMART TICKETING UPDATE

Report from: Robin Cooper, Director of Regeneration, Community & Culture

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Summary

An up-date report following a response to Briefing Note 2014/03 from Cllr Craig Mackinlay regarding compatibility with Transport for London's Oyster ticketing system

1. Budget and Policy Framework

- 1.1 The Kent & Medway Smart Ticketing Project has a budget of £12,000 for 2013/14, £22,000 for 2014/15 and a proposed budget of £30,000 for 2015/16 and future years. This has been funded from existing sources and has not resulted in any 'new' money.
- 1.2 Consistent with one of the key Council Plan Commitments, '*We will secure a reliable and efficient local transport network to support regeneration, economic competitiveness and growth*'. The scheme also contributes to the Local Transport Plan objective to improve public transport.

2. Background

- 2.1 Medway Council and Kent County Council are working in partnership to promote joint transport smart cards beginning with a pilot in the Maidstone area in May this year of a transport e-purse to the national specification known as Stored-Travel Rights (STR). This will also include all Arriva services between Medway and Maidstone, i.e., services 101 and 155.
- 2.2 A smart ticketing system will not only reduce waiting times at bus stops, with obvious benefits to traffic and service reliability, the reduction in the use of cash is likely to encourage bus usage as it removes the need for passengers to have the correct money which can be a deterrent to travel.
- 2.3 The first phase involves working with Arriva to allow the STR to purchase ordinary paper tickets and then move towards the purchase of smart products. The second phase will offer auto top-up and other enhanced

retailing options and the third a Medway/Kent wide multi-operator scheme.

- 2.4 Whilst this will be similar to the London Oyster card, it will be more flexible as it will enable additional applications to be added, eg, contactless payments, car park charging, cycle hire (eg Brompton Docks), etc. Transport For London is now moving away from Oyster as they view it as quite limited in its application compared with the new emerging technology so there is little point in any Authority now implementing a scheme which mirrors Oyster.

3. Options

- 3.1 There are obvious benefits in terms of cost sharing, compatibility and wider coverage by working jointly with Kent County Council, benefits that would be lost if Medway Council were to pursue its own scheme. Similar partnership working, for example, the joint procurement of the current real time passenger information system and hardware has worked well and there is no reason to believe that this venture will not be just as successful. Working with a larger Authority also gives the Council access to a wider skills and knowledge base.
- 3.2 Whilst the rest of mainland UK has been deregulated (since October 1986 as a result of the 1985 Transport Act), London remains a regulated environment. Outside London bus companies set their own fares and commercial routes, not the local authorities, and therefore have more commercial freedom. This inevitably means that the local authorities have very limited powers and therefore rely on the co-operation and agreement of those commercial companies to participate in initiatives such as this.

4. Advice and Analysis

- 4.1 The question has been asked as to why Medway Council is not adopting the 'Oyster' ticketing system. There are a number of reasons why that is not an attractive proposition.
- 4.2 Oyster is an extremely expensive system, funded through a £1.7billion Private Finance Initiative project. There was a report to the London Assembly (now in the public domain) which shows that it costs 14p per pound to collect the revenue in London. For example, Translink in Northern Ireland costs no more than 8p per pound for their own proprietary smart card scheme in a comparable regulated environment, London being different to the rest of the deregulated UK. Commercial Operators outside London, including Arriva, would find this burden unaffordable and would probably refuse to accept these terms were they to take the revenue risk, which they do not in London. There, operators are paid a management contract fee by Transport for London (TfL) who take the revenue risk.
- 4.3 TfL have had to spend further considerable sums opening up the proprietary hardware ticket-equipment system provided by Cubic to enable a wider scope as part of project Electra. The rest of the UK, however, is deregulated where Oyster flat fares are not appropriate as the commercial operators outside London set their own fares, not the local Authorities, so having different regulatory systems further complicates matters.

- 4.4 The other key impediment is that London is unusual in **not** adopting the national DfT specification for smart cards which is ITSO (the Integrated Transport Smartcard Organisation) www.itso.org.uk . Kent County Council and Medway Council have adopted this as part of their Smart card joint project in order to be compatible with the rest of the country and with their local Operators with whom they have to partner to deliver anything. Suffice to say all are adopting ITSO for national concessions giving the platform for full interoperability and compatibility, so it is London that needs to come into line with the national ITSO standard.
- 4.5 London is in the process of upgrading to accept ITSO cards from outside London, so the technical platform will eventually be compatible. However, whether joined up ticketing is provided from outside London would be a separate issue of commercial agreement but Oyster will continue to be accepted 'as an island'. The additional acceptance of contactless bank cards is also being added.
- 4.6 Rail Franchise renewals across the whole country mandate ITSO ticketing (not Oyster) as the national way forward. ITSO has also been adopted in Scotland and Wales.

5. **Risk Management**

- 5.1 None identified. Any risk is mitigated, anyway, through partnering with a larger Authority.

6. **Consultation**

- 6.1 The implementation of a Smart ticketing project, in partnership with Kent County Council was endorsed by the LTP Cabinet Advisory Group on 29 October 2012 and reported to Overview & Scrutiny on 12 December 2013. An up-date report was presented to Regeneration, Community and Culture's Divisional Management Team on 20 February 2014.

7. **Financial implications**

- 7.1 The Project has a budget of £12,000 for 2013/14, £22,000 for 2014/15 and a proposed budget of £30,000 for 2015/16 and future years. This has been funded from existing sources and has not resulted in any 'new' money.

8. **Legal implications**

- 8.1 There are no direct legal implications resulting from this report. However, if the Council were to enter into any commercial agreements with other authorities and parties this may be subject to separate legal agreements.

9. **Recommendations**

- 9.1 The Committee note that for the reasons set out in the report, it would not be appropriate for the Council to adopt an 'Oyster' type smart ticketing scheme and it is recommended to the Director of Regeneration, Community and Culture under his delegated powers that:

- a) an 'Oyster' type smart ticketing scheme is **not** adopted in Medway for the reasons stated' and
- b) once the Kent and Medway smart ticketing scheme has been successfully implemented and Transport for London has moved to an ITSO compatible system, an approach will be made to TfL to see whether they would be willing to extend their commercial agreement to include Kent and Medway.

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Background papers

Minutes of LTP Cabinet Advisory Group, 29 October 2012

Report to Overview & Scrutiny Committee, 12 December 2013

Report to Regeneration, Community and Culture's Divisional Management Team, 20 February 2013