ONE-TICKET: THE TRIUMPHS, PERILS AND PITFALLS OF THE DEVELOPMENT OF A MULTI-MODAL TICKETING SCHEME

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1. EXECUTIVE SUMMARY

ONE-TICKET is an integrated public transport ticket scheme for South East Scotland, which has been developed over the last 8 years. It now has some 1,274 users.

The initial (voluntary) SESTRAN partnership of 9 local authorities was set up in 1998. The ONE-TICKET scheme was developed from concept to reality by a wider partnership involving SESTRAN and all the major public transport operators in the area. Initial finance was provided by the Scottish Executive, but later support was provided by the main operators and the local authorities. A jointly owned company, ONE-TICKET Ltd, is the manager of the scheme – which is now broadly commercial in its operation.

This development of the scheme has not been an easy or fast process, it has not been 100% successful in all its steps or overall objectives, but it has been achieved with pragmatism and considerable 'learning' en-route. The areas which have had to be tackled include: pricing, inclusion of rail, zoning, marketing, agents, tickets, legal questions, company structure, finance, surveys, staffing, trade-marks, service delivery, etc..

There is now however an integrated ticketing scheme in place which covers bus and rail, a major stepping stone in providing scope for future development. A public transport network now exists across South East Scotland, instead of a set of routes. A foundation has been established for the development of new integrated public transport schemes across the area offering strong alternatives to the private car.

2. BACKGROUND

Local government reorganisation in Scotland in April 1996 introduced, for transport purposes, 32 unitary Councils in place of 12 Regional Councils. This caused major problems in the planning and development of transport at regional levels.

To overcome this, in 1998/9 nine local authorities in the south east of Scotland agreed to establish a voluntary partnership 'to identify, develop, implement and monitor matters of mutual transport interest'. It was initially named the 'South East Scotland Transport Partnership', but subsequently became known as SESTRAN. The populations of the constituent authorities in 2001 were:

Local Authority Area	Total Population (2001 Census)	%
Clackmannanshire	48,077	3.17
East Lothian	90,088	5.95
City of Edinburgh	448,824	29.64
Falkirk	145,191	9.59
Fife	349,429	23.08
Midlothian	80,941	5.35
Scottish Borders	106,764	7.05
Stirling	86,212	5.69
West Lothian	158,714	10.48
Total	1,514,240	100.00

SESTRAN in mid 1998 adopted certain overall policy principles which included among other things:

- Reduce dependence on the private car and minimise the need for travel especially by car for regional journeys within South East Scotland.
- Maximise public transport provision and achieve public transport integration and intermodality.

It explored this in meetings with the main public transport operators in the area, at which a Travelticket scheme was identified as an early objective.

This was in line with the Scottish Office White Paper of July 1998 which stated within its Action Plan a commitment that '*We shall work with transport operators and user groups to develop better through-ticketing to ensure the most attractive system and maximum flexibility for public transport users.*'

The public transport network within the SESTRAN area is dominated by FirstGroup (whole area except Fife), Lothian Buses (Edinburgh / Midlothian / west of East Lothian), Stagecoach (Fife) and ScotRail. There are in addition some 50 smaller bus companies and also other franchised rail services provided from England along the East Coast and West Coast mainlines.

Following the Transport (Scotland) Act 2005 a new statutory regional transport partnership was established for South East Scotland; this was once again named SEStran but now it no longer includes the area of Stirling Council.

3. PROJECT DEVELOPMENT

Following an application by East Lothian Council, on behalf of a partnership between (voluntary) SESTRAN and the major public transport operators, The Scottish Office in March 1999 approved a capital consent under its 'Public Transport Fund' to establish a Travelticket scheme. This was for £300,000 to be spent over 3 years (1999/2000 – 2001/2002). These were later increased to £320,000 over four years (to the end of March 2003).

Since March 1999 the scheme has developed as follows:

- March 1999 – May 2001: Review of existing schemes elsewhere, development of proposals, dealing with requirements of Competition Act 1998 / OFT 'Guideline', registration of company and putting initial phase in place;
- May 2001 – May 2002: Operation of initial (Phase 1) area covering bus and rail services in East Lothian and travel into Edinburgh (including dealing with the effects of a bus 'war' between partners in the scheme);
- May 2002 – September 2002: Extension of the area (Phase 2A) to cover Midlothian (including additional rail coverage in Edinburgh);
- September 2002 – March 2003: Extension (Phase 2B) to cover the whole of the (voluntary) SESTRAN area for buses (rail restricted to that covered in Phase 2A);
- April 2003 – May 2007: Ongoing development of the scheme (Phase 3) with administration handled by **tie** ltd on behalf of the company, with (diminishing) financial support provided by local authorities and major bus operators; and
- May 2007 – Present: Extension of the scheme (Phase 4) to cover all rail services in the area.

While the area of the scheme has been broadly restricted to the original (voluntary) SESTRAN area and some neighbouring towns / corridor areas there is nothing to actually stop expansion of the scheme if other local authorities and local transport operators wished this to occur.

4. ORGANISATION

Overall supervision of the project has been undertaken by a group representing all the SESTRAN local authorities, participating public transport operators and Scottish Office / Executive. Between 1999 and 2003 this met at broadly monthly intervals, but since that time this has met only on an ad-hoc basis as required.

Between 1999 and 2003 the project was managed in a day-to-day basis by a Project Manager appointed by East Lothian Council.

From April 2001 a company, SESTRAN Traveltickets Ltd, which subsequently changed its name to ONE-TICKET Ltd, has had legal responsibility for the scheme. The company has two classes of shareholder (public bodies 'A' and operators 'ordinary') of which there are now 19. There are defined Directors (representative Directors appointed in recognition of certain values/types of shareholding and market share plus up to two independent appointed Directors) which now number 9. Since its formation the company, through its Board of Directors (meeting quarterly) and annual meeting of all shareholders, has made all substantive decisions relating to the scheme. However a 'chinese wall' is maintained within the company so that Directors from bus/rail companies do not have access to any more details of reimbursement claims and payments than their individual bus/rail companies would have.

Day-to-day administration of the scheme on behalf of the company was undertaken by the Project Manager with consultancy support between April 2001 and March 2003. In April 2003 this was 'outsourced' by the company to Transport Initiatives Edinburgh Ltd (**tie** ltd). The administrator is represented on the company board by an appointed 'independent' Executive Director.

5. MARKETING

5.1 The 'Marketing Mix'

While an 'Integrated Multi-Modal Ticket' is intended to obtain in transportation terms a modal split change from the car to public transport; it cannot achieve this unless it is recognised as a consumer product and is marketed accordingly.

The ONE-TICKET approach to the marketing mix may be reviewed under the 'four Ps' suggested by Prof. E. Jerome McCarthy:

- Product – specification of service and how it relates to end-user's needs and wants;
- Pricing – the setting of the product price (in its broadest terms);
- Promotion – the advertising, sales promotion, publicity, branding etc. to promote the product, brand or company; and
- Placement – how the product gets to the customer(s).

5.2 Product

An 'Integrated Multi-Modal Ticket' in itself cannot provide a complete service – it only contributes towards making public transport more palatable to the user. However the Ticket, if properly marketed as a product in itself, can make a positive contribution to the total public transport product in its competition with the car.

In developing ONE-TICKET as a specific product the aim has always been to provide a simple easily-understood concept which would de-mystify the use of public transport particularly for the existing non-user. The title '*ONE-TICKET*' was the first public evidence of this approach.

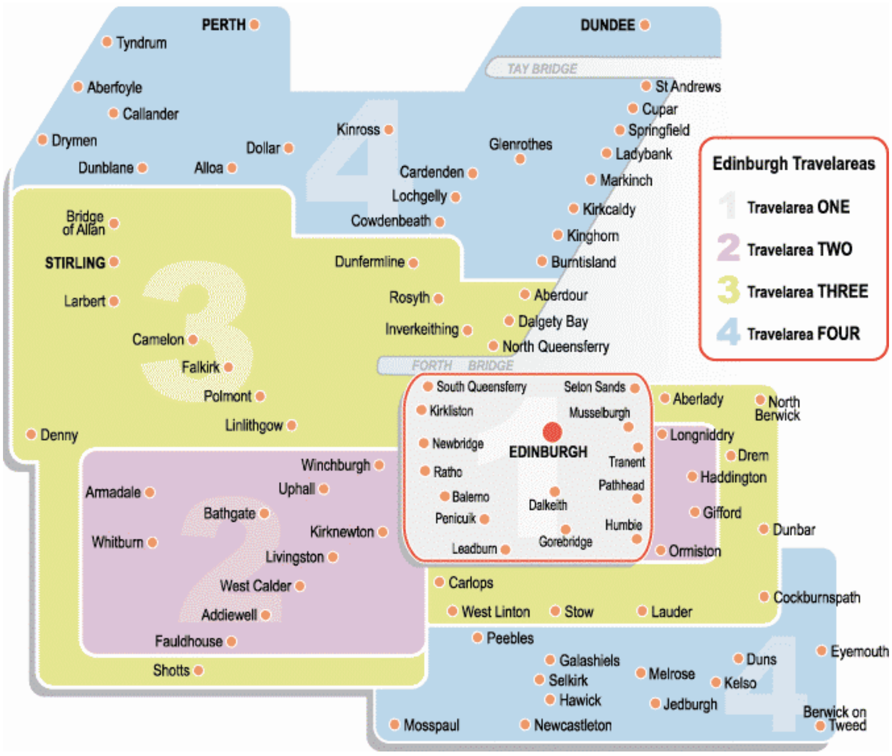
A basic principle in the scheme has been a partnership approach and this has meant that, while there is an objective that all relevant public transport services are included, there is no basis of compulsion to achieve this. Therefore operators generally have to make a commercial decision to join the scheme, although operators of supported services are usually required to join in terms of their contract with the local authorities. This has led to some smaller operators accepting ONE-TICKETs but, due to their perception of the bureaucracy involved in relation to the moneys likely to be received, making no claim for reimbursement. Most major bus operators, and all rail operators, in the area now accept ONE-TICKET.

The kernel of an integrated ticketing scheme must be the ability to use the public transport network in an area to make any journey the user wishes to with at most only one initial payment (which should be as simple as possible). However the fare paid must be competitive with other transport modes and therefore the area defined must be commensurate with the length of journey to be undertaken: no-one will want to pay for the potential of travelling 100km if they only want to travel 5km. The ONE-TICKET products must therefore have some means of defining differing sizes of areas (zones) for potential travel which can be separately priced.

Prior to the start of the scheme it was proposed to adopt a set of interlocking zones (≈75) across the area with simplistic pricing based on a ‘boarding’ charge and standard ‘add-on’ values for single/multiple zones as are found in most PTE schemes. However the size of the area and the extent of variation in existing bus fare structures meant that this was quickly found to be impractical.

Instead, after a few false starts, a set of fairly coarse Edinburgh Bus Travelareas were established as broadly concentric circles focussed on Edinburgh (Figure 1) which allow bus travel within the numbered area and all lower numbered areas. These are relatively easy to describe and promote.

FIGURE 1 – ONE-TICKET EDINBURGH 'TRAVELAREAS'

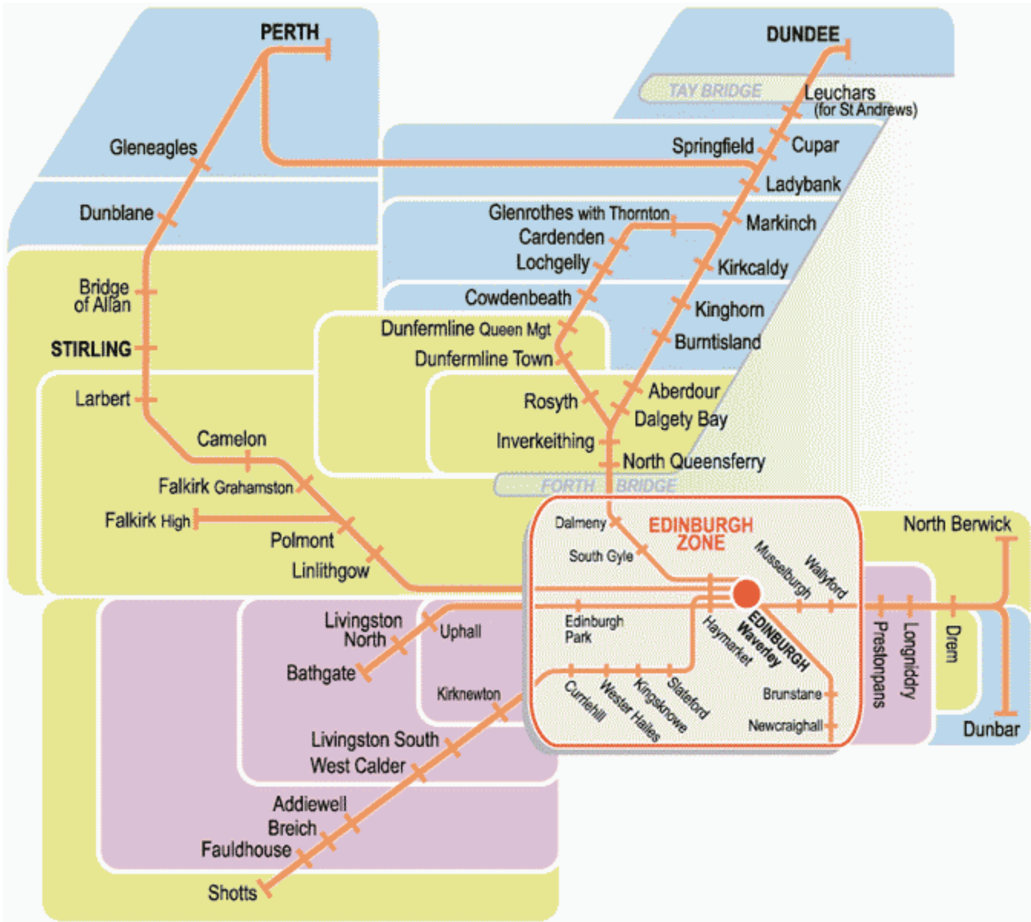


Local bus Travelareas have also been established for Clackmannanshire/Falkirk/Stirling, Fife, Scottish Borders and West Lothian.

The cost of rail travel is normally higher than that for bus travel and indeed rail fare structures do not often accord with those for buses. Integrated Multi-Modal Ticketing schemes normally therefore offer Rail+Bus travel which is higher priced than that for Bus-only.

Initially when only rail in East Lothian and Edinburgh was included the rail zoning was based pragmatically on the Edinburgh Bus Travelareas. However with the roll-out of the scheme to cover the whole rail network in the area it was found that the Edinburgh Bus Travelareas did not accord with rail fare structures or travel patterns. Therefore a change of approach was made with a separate zoning pattern with Rail+Bus ONE-TICKETs offering a trunk rail journey between each station and Edinburgh together with local bus travel in the vicinity of each rail terminal (a 'dumb-bell' arrangement rather similar to 'PlusBus'). The rail network covered is shown in Figure 2.

FIGURE 2 – ONE-TICKET RAIL+BUS NETWORK



Having established zonal patterns for the products, there is now the question of how the products should be targeted: adults, young people, students, unemployed, etc.. Initially both adult and young person tickets were made available but the take-up of the latter was very low and now only adult tickets are offered.

Finally there is the question of the period of validity: single journeys, day, week, 4-week / month, annual, etc.. It was decided at the start of the scheme that single journeys would not be catered for and this has not been attempted. However a range of day (not Bus+Rail), week, 4-week (month for Rail+Bus) and annual tickets are available for all zonal patterns.

So ONE-TICKET is an 'adult' product defined by modal usage, operator acceptance, zones of availability and periods of validity.

5.3 Pricing

An 'Integrated Multi-Modal Ticket' is designed to provide a better travel offer than a comparable single operator ticket. In general terms it is therefore accepted in the UK that such a ticket will be offered at a premium in comparison with the single operator ticket. In parts of Europe, where different financial conditions apply, the ‘Integrated Multi-Modal Ticket’ has sometimes been marketed as a ‘green’ product and heavily subsidised by local authorities to make it the low-priced market leader – but this is not possible under deregulated UK conditions.

The pricing of ONE-TICKET has been somewhat pragmatic from the start to try and balance competing demands of making it attractive to users, to respect established single operator ticket pricing and to ensure that enough income is produced to make it, in a realistic timescale, a commercial proposition.

At the start of the scheme in 2001 the premium averaged about 74%, but this spiralled with operator fare reductions in the ‘bus war’ of autumn 2001 to 99%. Since that time the premium has gradually reduced and at present the premium on Bus-only fares in relation to single operator bus fares is in the region of 20% to 50%, with Rail+Bus tickets generally priced with a premium of some 20% to 30% above the equivalent rail-only prices.

5.4 Promotion
It is obvious that people will not buy a product unless they know it exists and is of use to them. In the initial application to the Scottish Office for funding a significant proportion of the moneys requested were for promotion, but the funding that was approved was significantly less (£300,000 rather than £515,000) and an initial decision was made to take the scheme forward with considerably reduced promotion. This, among other factors, was reflected in a very low level of sales at the start of the scheme.

However promotion has been undertaken in ‘bursts’ over the life of the scheme, focussed particularly on periods of change. Since 2003 promotion has been handled as part of the commercial imperative of the company, funded from within the company. However the company has received ‘support’ in kind for these activities in terms of ‘free’ use of bus shelter advertising panels and bus interior cove panels together with the inclusion of ‘free’ advertising ‘spots’ in bus timetables / travelmaps / etc..

Over the years there have been a number of promotional elements used for ONE-TICKET, including:
- press releases;
- leaflets;
- website;
- bus interior vinyls;
- bus shelter posters;
- bus timetable ‘spots’;
- local radio advertising;
- local newspaper advertising;
- local newspaper ‘competition’;
- agent posters; and
- direct mailing.

It has not been possible to identify the most effective elements within this mix, however a key point in the ‘take-off’ of the ONE-TICKET brand in public recognition came in 2004 with the blanket coverage of posters in most of the bus shelters in Edinburgh City Centre.

5.5 Placement

If you cannot find any easy way to buy a ticket you will not bother – and the whole concept of an ‘Integrated Multi-Modal Ticket’ is undermined. However it is always a problem to set up a new distribution network for a new product.

Initially ONE-TICKETs were sold by post from the company, at certain local authority and public transport offices and through individual local agents. By 2003 there were 80 outlets. From 2004 there was move away from individual ad-hoc agents to the use of specialist multiple agents. ONE-TICKETs are now sold as follows:

- Annual Bus-only from ONE-TICKET company by website/telephone/post;
- Day/Week/Month Bus-only from PayPoint (650 outlets in local shops in the area) and ONE-TICKET company by website/telephone/post; and
- Rail+Bus from staffed railway stations (60 railway stations in total in the area).

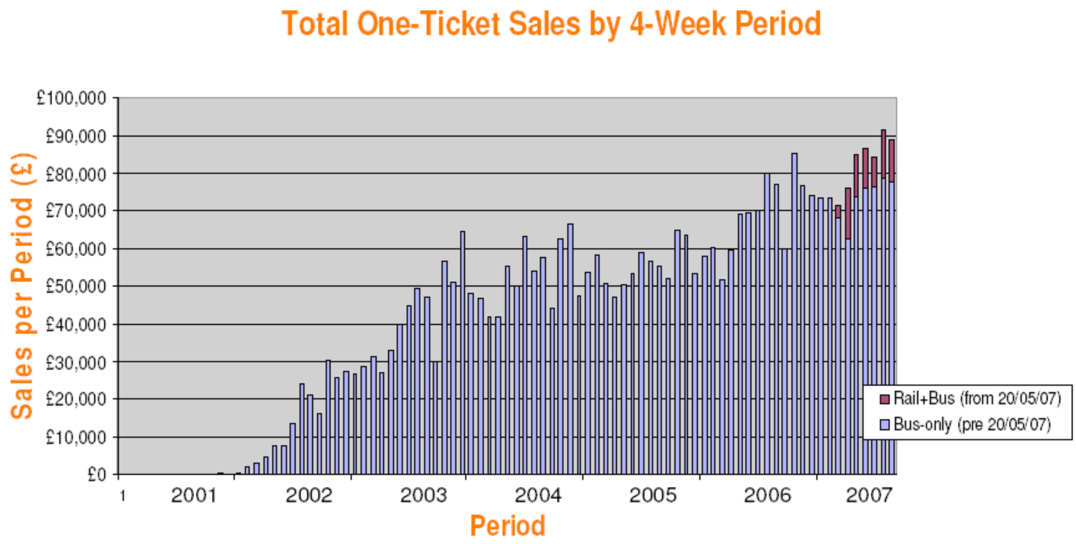
The ONE-TICKET company also sells annual Bus-only tickets at a slight discount on public prices to the staff of employers who provide interest-free loans for ticket purchase.

6. FINANCE

6.1 Overall

The total income from ticket sales has grown considerably since 2001. This now produces a turnover of over £1m per year. However this is of course considerably less than the income from longer established schemes in PTE (and former PTE) areas. The growth may be seen in Figure 3.

FIGURE 3 – TOTAL ONE-TICKET SALES BY 4-WEEK PERIODS



The income received by the company from ticket sales is split between the ticket selling agents, the company to cover its administration costs, with the remainder divided between the bus and rail operators actually carrying the passengers.

In the period to 2003 the costs of the scheme were supported by the grant from the Scottish Office/Executive. From 2003 a decreasing operating subsidy was provided by the local authorities and the major public transport operators. There now is no ongoing subsidy and the scheme is therefore 'commercial', however there is support 'in kind' from both public transport operators and local authorities particularly in relation to promotion.

6.2 Agents

Initially the individual agents fees for selling tickets was set at 8% of the face price of the tickets. However this was reduced considerably by the use of specialist multiple agents, with the overall agent costs now only amounting to some 2-4% of total gross ticket sales.

The present proportion of ONE-TICKET sales by value by the various channels available are as follows:

- ONE-TICKET company by post / telephone - 11%;
- ONE-TICKET company via website – 4%;
- PayPoint – 75%; and
- Rail Stations 10%.

6.3 Company Administration

The company costs for administering the scheme are set on an annual basis by the Directors after advice from the administering agents. These costs cover all costs associated with the scheme including promotion, administering reimbursement, updating, etc.. Inevitably with a low turnover the administrative costs are a relatively high proportion, but the proportion will reduce with turnover as economies of scale apply. In the initial period the administrative costs were partially subsidised by the Scottish Office support and some 12% of ticket prices was taken for this purpose. At present the company takes only 10% to cover administrative costs.

6.4 Reimbursement

At present there are eight bus operators who seek reimbursement and three train operators. The distribution of the relevant moneys between these operators is an area which is strongly guided by the OFT under the Competition Act 1998.

When the scheme was originally conceived it was assumed that reimbursement would follow the conventional 'fares foregone' approach used in most of the then existing travelcard schemes. The Competition Act 1998 Block Exemption for Ticketing Schemes published in February 2001[1] changed that!

From the start of the scheme therefore an alternative approach was adopted for the Bus-only scheme using the standard 'fares foregone' data but modifying it in terms of 'fare/distance' relationships developed from the relevant faretables. Thus the average 'fares foregone' is changed into the average 'distance travelled'. Reimbursement is allocated in terms of the proportion of total passenger distance travelled. The reimbursement process is handled on a spreadsheet and at present operators are normally reimbursed within 4 weeks of the end of each 4 week accounting period.

As, noted above, with any seemingly 'bureaucratic' process a number of smaller supported operators do not believe that it is worth their time and effort to deal with it, but are required by their 'supporting' Council to accept One-Tickets. Agreement has now been reached with a number (18) of such operators to accept ONE-TICKETs with no reimbursement (or shareholding in the Company), but they may change to shareholding / reimbursement in the future.

Reimbursement for the Rail+Bus scheme cannot be quite as simple as for the Bus-only scheme since rail operators do not maintain the same usage data as bus operators. Sample Travel Diaries by ONE-TICKET users will therefore be utilised to identify the necessary information on operators utilised, average journey distance and journeys per day to allow reimbursement on a 'distance travelled' basis. The reimbursement process is once again handled on a spreadsheet, with operators reimbursed on a similar timescale to that on the Bus-only scheme.

At the start of the scheme in 2001 there was an initial 'settling' period, while ONE-TICKET usage was becoming established, when pre-agreed market proportions were adopted for reimbursement purposes. A similar approach has since been adopted for the introduction of the full Rail+Bus scheme.

It is believed that these reimbursement processes meet the requirements of the 'Block Exemption'[1]and OFT 'Guideline'[3].

7. RESULTS

In the financial year ending March 2007 there were 20,116 ONE-TICKETs sold. The growth in tickets sold is shown in Figure 4.

FIGURE 4 – GROWTH IN SALES OF ONE-TICKETS

	Tickets Sold in Year (Units):				
Year Ended March	Day Tickets	Week Tickets	4-Weekly Tickets	Annual Tickets	TOTAL
2002 (*)	51	8	4	0	**63**
2003	1,094	333	2,435	106	**3,968**
2004	2,475	1,846	7,279	181	**11,781**
2005	5,306	2,848	8,515	201	**16,870**
2006	4,309	2,499	9,111	225	**16,144**
2007	4,298	5,106	10,477	235	**20,116**

(*) May 2001 – March 2002

As may be seen, the most popular period of ticket is that for 4-weekly, which has shown sustained growth.

The usage of ONE-TICKETs is still relatively small for an area with a population of 1.5m, and it is unlikely that it has effected any discernible modal split change. An early User Review of the scheme in 2003 suggested that most users were drawn from existing public transport patrons and it is unlikely that this has changed much since.

No recent customer surveys have been undertaken, but the growing use of the scheme suggests a level of positive satisfaction among users.

The scheme is now broadly commercial, although there is support in ‘kind’ from both public transport operators and local authorities in the area in relation to certain promotion opportunities.

8. WHERE NEXT?

The ONE-TICKET scheme now provides an attractive offering for existing and potential users of public transport in the South East of Scotland. However it has considerable potential to grow further, which might include:

- The use of Smartcards (which might be combined with other functionalities such as credit/debit cards, leisure cards, etc..) as in the ‘Oyster Card’ in London or indeed on Lothian Buses;
- The inclusion of additional modes such as the Edinburgh Tram, the proposed Forth hovercraft or Citylink/Megabus;
- The extension of the area of coverage further into TACTRAN or NESTRAN areas;
- The combining of areas with the SPT Zonecard;
- New functionality to offer shared rail and bus Travelareas in addition to the existing ‘dumb-bell’ Rail+Bus offering;

- Offering ‘young person’, ‘student’, or other specific user tickets in addition to that for ‘adults’;
- A considerable growth in promotion to attempt to establish the brand even more strongly; or
- A simplification of the ticket sales network.

However before any such developments can be taken forward they must be seen to be commercially realistic, be acceptable to all the partners in the scheme and meet the requirements of the Competition Act 1998 – relatively tough requirements.

9. CONCLUSION

The development of the ONE-TICKET scheme has dealt with many areas: pricing, inclusion of rail, zoning, marketing, agents, tickets, legal questions, company structure, finance, surveys, staffing, trade-marks, service delivery, etc..

There is however now an integrated ticketing scheme in place which covers bus and rail, a major stepping stone in providing scope for future development. A public transport network now exists across South East Scotland, instead of a set of routes. A foundation has been established for the development of new integrated public transport schemes across the area offering strong alternatives to the private car.

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[1] UK Government (02.2001), *Statutory Instrument 2001 No.319 –The Competition Act 1998 (Public Transport Ticketing Schemes Block Exemption) Order 2001*, HMSO, London. *[now: (as amended by 2005 No.3347)]*

[2] UK Office of Fair Trading (03.2001), *OFT 439 - Public Transport Ticketing Scheme Block Exemption – Draft Guideline for Consultation*, OFT, London.

[3] UK Office of Fair Trading (11.2006), *OFT 439 - Public Transport Ticketing Schemes Block Exemption – Understanding Competition Law’*, OFT, London.