Committee report

SPT

Scottish Government Consultation on Smart Ticketing - SPT response

Committee   Strategy and Programmes

Date of meeting 24 November 2017   **Date of report** 24 October 2017

Report by Assistant Chief Executive (Operations)

1. Object of report

To recommend approval of the proposed SPT response to the Scottish Government consultation[1] on the Future of Smart Ticketing in Scotland. SPT's draft response is attached at Appendix 1 and the closing date for the consultation is 5 December 2017.

2. Background

SPT is a partner in the highly successful Nevis Technologies[2] transport smartcard, with over 180,000 cards issued and around £14 million of transactions handled to date. The product is currently used on the Subway, Abellio ScotRail, McGills Buses and Lothian Buses. The Scottish Government believes smart ticketing offers a range of benefits for users, transport operators and society in general, including greater choice, less cash handling and promoting modal shift to public transport, and the consultation is seeking views on their proposed framework for nation-wide multi-modal smart ticketing.

3. Outline of proposals

The draft response is attached at Appendix 1. The key points of SPT's draft response are noted below:

- SPT welcomes Transport Scotland's commitment to ensuring regional multi-modal smartcard schemes are "fully supported". The Nevis Technologies proposition is the most commercially successful transport smartcard in Scotland with 180,000 smartcards issued to date.

- SPT support that ITSO is mandated to be the minimum standard for smartcard, and believe interoperability should be focused on the needs of the passenger and be provided by the market i.e. the operator. The priority should be to ensure there are 'safe, secure and convenient' systems.

- SPT believes there is no need to 'limit' which modes smartcard could be available for. SPT's preferred option can be used on any mode, for any purpose, and is already delivered. It is a safe, secure, transferable, flexible, interoperable (ITSO compliant) product which is ready to be utilised in a variety of different ways.

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[1] The consultation paper can be accessed at: https://www.transport.gov.scot/consultations/
[2] https://www.rambus.com/partners/transport-partners/nevis-technologies/

- Smartcards, if developed and delivered effectively should be commercially attractive enough to make business sense for an operator to sign up to them.
- SPT believes current legislative provisions in relation to ticketing ('arrangements' and 'schemes') from the Transport (Scotland) Act 2001 are broadly sufficient to enable widespread adoption of smartcard in Scotland.

4. Conclusions

This consultation provides another opportunity for SPT to influence the future of transport in Scotland. Officers will continue to liaise with the Scottish Government and other partners in regard to smartcard ticketing and will update the Committee as progress is made.

5. Committee action

The Committee is recommended to approve the proposed SPT response attached at Appendix 1.

6. Consequences

Policy consequences	*In line with the RTS.*
Legal consequences	*None at present.*
Financial consequences	*None at present.*
Personnel consequences	*None at present.*
Equalities consequences	*The outcomes of each of the consultations could have an impact on a range of equalities groups.*
Risk consequences	*None at present.*

Name	**Eric Stewart**	**Name**	**Gordon Maclennan**
Title	**Assistant Chief Executive (Operations)**	**Title**	**Chief Executive**

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Smart ticketing consultation

SPT response – DRAFT

Note: Text in italics is from Transport Scotland consultation document

Key issues on the future of smart ticketing in Scotland

"Availability of smart ticketing schemes in Scotland"

"What is it?
In addition to individual smart ticketing schemes currently offered by individual transport operators (e.g. Stagecoach Megarider, SPT Bramble product for Glasgow subway or Lothian Buses Ridacard), our intention is to ensure that there is a consistent smart payment option (epurse) available across all of Scotland and on all main public transport modes, and to ensure that regional multi-modal schemes are fully supported."

"What does it mean for me?
It would mean that, when fully delivered, at least one smart ticketing or payment option was available for passengers – and would remain available - across all of the main public transport modes in Scotland."

"What will it cost or save?
It is not intended that Scottish Government should interfere in or influence fares setting, so it will remain a decision (as now) for transport operators about how to price the various smart tickets and products on offer. In terms of the smart infrastructure, most of the elements required are already in place, and it is not envisaged that costs will be routinely passed on, directly or indirectly, to passengers. Transport Scotland will incur a modest cost – estimated at £100,000 per annum – in supporting the national epurse."

"What is the justification for claimed costs/savings?
For the epurse, it is anticipated that this new national smart product will prove popular with passengers, as it has in many other countries."

"Question 1
Do you think our intention to have a consistent smart payment option available across Scotland and on all main public transport modes would promote use of public transport in Scotland?"

SPT response: No.

Please explain your answer.

SPT response:

Smart ticketing on its own will not deliver the required results; it must be part of a package of measures (including, specifically, reliability) which the outcomes of this and the other TS consultations underway will hopefully go a long way to deliver.

From the passenger's point of view, the most important aspect is to have a 'safe, secure and convenient' smart payment option available, rather than merely 'consistent'. Indeed, this would also be the same for operators.

The majority of public transport users travel with a single operator. Scottish Transport Statistics (Feb 2016) report three per cent of trips are multi-modal and we believe many of these regular commuters will use existing multi-modal/multi-operator season products such as ZoneCard in the west of Scotland and OneTicket in Edinburgh. Only a very small number of passengers would gain any benefit from a 'consistent' payment option across all operators.

Nevis Technologies (SPTs Joint Venture with Rambus), is already meeting that need to provide passengers and operators with what they expect i.e. a safe, secure and convenient payment option (an epurse) which has been in operation since 2013 and transacted £14million. This model embraces all the emerging smart technologies – smart, mobile, barcodes, QR codes and others - to specifically meet what the market expects and demands.

Scheme ownership is irrelevant to the user and we would welcome the opportunity to have Transport Scotland engage with the provider of SPTs preferred supplier option in a collaborative approach which could be of benefit to all.

We welcome Transport Scotland's commitment to ensuring regional multi-modal schemes are "fully supported", and presume that this implies additional funding will be made available in future.

We note the suggestion that a national smart payment product is expected to be popular based on experience elsewhere. One of the examples cited in the consultation document is the Leap Card in Ireland; it is worth highlighting that this product benefits from fare capping which undoubtedly plays a key factor in its popularity. The competitive and fragmented nature of the current west of Scotland transport market makes fare capping a challenge.

"Transport modes and services to be included in national and regional smart ticketing schemes

What is it?
As well as the obvious transport modes such as bus and rail, there are a number other transport offerings that could conceivably be included in such smart ticketing schemes. Our intention is that, for now, our smart ticketing plans should be limited to local bus services in Scotland, scheduled rail journeys entirely within Scotland, foot passengers on scheduled ferry services entirely within Scotland, the Glasgow subway and the Edinburgh tram. Other things such as air services, taxis, coach tours and heritage rail/tram/bus services, as well as peripheral offerings like car hire and cycle hire, and cars and freight vehicles on ferries, are proposed - for now – to be outside of scope.

What does it mean for me?
By focusing on a manageable number of services and modes, we believe that we will increase the likelihood that our plans can be delivered within a reasonable timescale.

What will it cost or save?
By focusing on modes that mostly have existing smart infrastructure, additional costs will be kept to a minimum.

What is the justification for claimed costs/savings?
As well as avoiding spending extra money on widening the scope of smart ticketing, it should also ensure a faster route to delivery.

Question 2
Do you agree that the scope of smart ticketing should – for now –be limited to the modes and services outlined above?"

SPT response: No.

"Please explain your answer."

SPT response:

Given the significance and extent of their passenger base, it makes sense that those leading in this field will be bus and rail operators. They are driven by commercial imperatives, and that is why they are actively pursuing smart ticketing options.

With the advent of new technology providers such as Uber and initiatives such as Mobility as a Service, these types of solutions will be commercially driven to integrate with mainstream transport providers. The market will drive itself and therefore there would appear little need or demand for central government intervention.

The proposed approach outlined is inconsistent, as it includes ferry services, while acknowledging in the consultation document that "we are still at a very early stage of trialling ITSO ticketing for ferries."

If the approach described by Transport Scotland is taken forward, the definition of 'local bus' should be confirmed to include all timetabled bus services; ideally this should be aligned with the extents of coverage for concessionary bus travel.

A deliberately 'limited' approach would restrict the potential benefits to operators and customers. An expanded approach offers greater opportunities to deliver the wider objectives of SPT, Transport Scotland and others. A 'limited' approach would put at risk the opportunities for smart ticketing platforms to integrate with emerging transport developments such as Mobility as a Service.

As Transport Scotland is aware, SPTs preferred supplier option has from inception ensured that their product is a safe, secure, transferable, flexible, interoperable (ITSO compliant) product which is ready to be utilised in a variety of different ways.

SPT support that ITSO is mandated to be the minimum standard for smartcard, and believe interoperability should be focused on the needs of the passenger and be provided by the market i.e. the operator. The priority should be to ensure there are 'safe, secure and convenient' systems, such as are utilised on the Subway, ScotRail, Lothian Buses and McGills Buses.

"Scheme Compliance

What is it?
In addition to the provision of a national epurse that is accepted by bus, rail, ferry, tram and subway operators across Scotland, we also envisage a number of regional multi operator, multi modal smart ticketing schemes, based on Scotland's main city regions. These regional schemes could be based on existing regional ticketing legislation provision within The Transport (Scotland) Act 2001. There are a number of considerations ranging from defining the requirements to take part in national or regional smart ticketing schemes, monitoring and controlling compliance, through to whether and how to apply sanctions for noncompliance by operators – and, indeed, what these sanctions might look like.

What does it mean for me?
We think that the simpler and more consistent we can make these arrangements the more likely prospective passengers are likely to have confidence in the new schemes. Similarly, from an operator perspective, it will be clearer what is expected of them.

What will it cost or save?
In terms of the smart infrastructure, most of the elements required are already in place, and it is not envisaged that costs will be routinely passed on, directly or indirectly, to passengers. Transport Scotland will incur a modest cost – estimated at £100,000 per annum – in supporting the epurse.

What is the justification for claimed costs/savings?
For the epurse, it is anticipated that this new national smart product will prove popular with passengers, as it has in many other countries.

Question 3 – epurse

a) Are you in favour of a clearly defined national epurse scheme?"

SPT response: No.

"Please explain your answer."

SPT response:

As Transport Scotland is aware, there is already SPTs preferred supplier option in place, which has attracted over 180,000 users since its launch on the Subway in 2013, and which could be rolled out relatively simply nationwide.

As the cost of many journeys on national rail exceeds the recognised limits for epurse transactions there are other appropriate solutions to deal with higher value fares. We understand that since this consultation started the national epurse is not being pursued; SPT's preferred supplier option may prove to be an attractive alternative.

Our experience to date suggests that development of a new national scheme would require a substantial time and funding commitment by operators in the development stages.

"b) Should all relevant bus, rail, ferry, tram and subway operators be expected to participate in a national epurse scheme?"

SPT response: No.

"Please explain your answer."

SPT response:

The commercial market is already providing solutions. It is inconsistent in a deregulated market place, predicated on commercial free will, that the Government mandates ticketing solutions that are far better delivered commercially in response to customer demands. Simply focusing on the ticketing element could be considered as interfering with the market; in reality, wider, more collaborative interventions are what the market needs, and would be more appropriate and measurable.

We would expect operators to participate, and indeed as part of any Partnership/Alliance agreement there may be a case for all participants being compelled to do so, where appropriate.

If an epurse is designed and delivered in the appropriate way – ITSO compliant, with a robust HOPS, Business Rules etc – then it will be attractive to operators who will sign up voluntarily, as has been the case with SPTs preferred supplier option. As more operators sign up, the 'domino effect' obtains and makes business sense for others to join.

"c) Should participation in a national epurse scheme be monitored and controlled?"

SPT response: No

Without question, any epurse scheme dealing with customers' money needs to be robustly monitored and controlled as is mandated by the Financial Conduct Authority (FCA) where any scheme is handling financial transactions on behalf of two or more parties: the passenger and commercial operator(s).

Participating operators and scheme providers have Service Level Agreements and regulatory oversight to ensure their schemes are monitored and controlled effectively.

"d) Should sanctions be imposed for non-compliance in a national epurse scheme?"

SPT response: No.

"Please explain your answer."

The public transport industry is predicated on it being delivered on a commercial basis. Passenger growth and future prosperity is based on robust, flexible, attractive, competitively priced ticketing solutions which must have one overriding principle – that customers' money is secure and guaranteed.

If non-compliance with an epurse scheme is meant in the sense of an operator actively choosing not to participate in the scheme, that is a wholly separate issue (and may indeed be better addressed through other means e.g. the Service Improvement Partnerships or franchises being proposed in the separate TS consultation on bus). .

"Question 4

a) Are you in favour of a clearly defined multi-modal, multi operator regional smart ticketing scheme?"

SPT response: Yes.

"Please explain your answer."

SPT response:

SPTs involvement in multi-modal, multi-operator regional transport ticketing is well documented and stretches back over 30 years with Zonecard.

SPTs preferred supplier option was designed to be multi-operator and multi-modal and is making good and consistent progress in that regard as covered in answers to other questions in this section. SPT and partners will continue to promote our preferred supplier option as the smartcard product of choice for passengers and operators in Scotland, building on its success to date. For example, SPT's preferred supplier option is also delivering the multi-operator 'Smartzone' schemes for Glasgow and Edinburgh.

"b) Should all relevant bus, rail, ferry, tram and subway operators be expected to participate in a multimodal, multi operator regional smart ticketing scheme?"

SPT response: Yes.

"Please explain your answer."

SPT response:

SPT is firmly of the view that the best way of getting operators to participate in a regional smart ticketing scheme is to make it commercially attractive and viable,

and attractive to passengers. This has been at the heart of SPT and partners plans for development of our preferred supplier option and it is obvious that this has been a key factor in its success.

Similarly SPT administers the ZoneCard regional multi-modal multi-operator ticket on behalf of bus, rail, Subway and ferry operators. ZoneCard is a voluntary ticketing arrangement and operates successfully on the basis of being a commercially appealing proposition to operators and an attractive ticket option for customers.

"c) Should participation in a multimodal, multi operator regional smart ticketing scheme be monitored and controlled?"

SPT response: No

Without question, any epurse scheme dealing with customers' money needs to be robustly monitored and controlled as is mandated by the Financial Conduct Authority (FCA) where any scheme is handling financial transactions on behalf of two or more parties: the passenger and commercial operator(s).

Participating operators and scheme providers have Service Level Agreements and regulatory oversight to ensure their schemes are monitored and controlled effectively.

"d) Should sanctions be imposed for non-compliance in a multi-modal, multi operator regional smart ticketing scheme?"

SPT response: Yes.

"Please explain your answer."

SPT response:

Our response to this question should be read in conjunction with our response to Q3d, relating to the different meanings of 'non-compliance'.

If, however, the term 'scheme' is meant in the sense of a Scheme – as opposed to an Arrangement - under the Transport (Scotland) Act 2001, then any operator who did not comply with or participate in the Scheme would be breaking the terms of bus service registration and the Traffic Commissioner would deal with them in the appropriate way.

"Legislation vs voluntary participation or other means of ensuring participation in smart ticketing schemes

What is it?
New legislation would, on the face of it, be a clear cut and attractive means of specifying what is expected of operators in respect of participation in the national epurse and regional smart ticketing schemes, and ensuring they have available the appropriate smart ticketing infrastructure. However, for example, a combination of encouraging voluntary participation, making – for bus – provision of appropriate

ticketing equipment a condition of their service registration, or a requirement of the Bus Service Operator Grant might be considered an effective alternative.

What does it mean for me?
We think that the simpler and more consistent we can make these arrangements the more likely prospective passengers are likely to have confidence in the new schemes. Similarly, from an operator perspective, it will be clearer what is expected of them.

What will it cost or save?
For those operators – typically a few smaller bus operators and the Scottish ferry industry - who have still to invest in smart ticketing equipment there will be some costs. A new bus smart enabled ticket machine might cost £3,000.

What is the justification for claimed costs/savings?
Most operators have already invested in, or have plans to invest in, appropriate ticketing equipment, so the cost of achieving full infrastructure provision across Scotland is already largely addressed.

Question 5

Are you in favour of new legislation that requires transport operators to participate in national and regional smart ticketing schemes?"

SPT response: No.

"Please explain your answer."

SPT response:

In addition to this being driven by compelling passenger demand and a commercial case, SPT believes that current legislative provision from the Transport (Scotland) Act 2001 (in relation to ticketing 'schemes' and 'arrangements') is sufficient to enable the widespread adoption of smartcard in Scotland. In addition, these legal provisions used properly and proportionately, in tandem with voluntary participation, and consideration of making commitments to smartcard and related infrastructure provision a condition of, for example, as suggested, service registration or Bus Service Operators Grant (BSOG), will enable growth in smartcard adoption.

"Governance of smart ticketing in Scotland

What is it?
A recurring theme in this consultation document is that to deliver interoperable smart ticketing requires a common and proven infrastructure to be in place. Currently that is ITSO, the interoperable smartcard standard in the UK. However, alternative technologies are at various stages of being available and proven. At some point in the future the more progressive transport operators will wish to adopt one or more of these alternatives, while their passengers may increasingly expect to see greater use of, for example, mobile phones and contactless bank cards.

Transport operators have already invested significantly in smart ticketing infrastructure and, understandably, any shift to a newer technology – a further outlay for operators – needs to be carefully planned for, to ensure that systems remain fully interoperable and consistent with passenger expectations. It therefore seems important that public transport operators should play some role in decision making, or at least advising, moving forward, probably working in partnership with Scottish Ministers and other public bodies. The best way of approaching governance of both smart ticketing infrastructure and national and regional smart ticketing schemes is therefore a key consideration.

What does it mean for me?
From a passenger perspective an orderly and planned migration to newer technologies, as these emerge, will ensure that all of the benefits of smart ticketing and payment are retained, and remain easy to use and understand. From an operator perspective, investment decisions can be planned for and, collectively, a migration to newer technology platforms can be implemented in such a way that passengers are both able to benefit from technology advances and remain confident and informed about the integrity of the smart offering. It seems essential that governance arrangements are in place to oversee all of this, and that these arrangements are effective as well as – as far as possible – establishing, representing and implementing the consensus view of transport operators in Scotland, regardless of mode or size.

What will it cost or save?
It is not envisaged that governance arrangements will place any burden on costs for either the passenger, the public purse or for operators.

What is the justification for claimed costs/savings?
No costs to consider.

Question 6

To ensure delivery of a consistent approach to meet the expectations of passengers now and in the future, should we establish a single governance group so that the technology implemented across Scotland for smart ticketing schemes is controlled?"

SPT response: No.

"Please explain your answer."

SPT response:

SPT believes that ITSO provides a sufficient standard, guidance and governance over such issues, and note that Transport Scotland is already represented on the ITSO board.

For information and noting, while strong and robust governance is essential, our experience to date suggests that governance activities can require a substantial time commitment from operators.

"Should such a governance group be established formally and supported by legislation? Should such a governance group have a role in advising on development, implementation or administration of smart ticketing schemes?"

SPT response: No.

"Please explain your answer."

As per previous answer.

"Are there any other areas that a governance group should have a role in?"

SPT response: No.

"Please explain your answer."

As per previous answer.

"Are there any other issues you wish to raise which are not covered above?

The Scottish Government welcomes any further comments and suggestions on smart ticketing schemes or governance, and how these might be improved or made more sustainable.

Question 7
Do you have any other comments about any of the issues raised in this consultation?"

SPT response: No.

"If so, please use the box below to provide details.

My comments:"

The consultation document Glossary includes "EMV" meaning contactless bank card payment. This should be listed as "Contactless EMV".

Section E47 of the consultation document describes the Smart Ticketing Challenge Fund (STCF). For completeness this section should be clear that the STCF only offered 40% funding towards ticketing equipment.

Section E63 of the consultation document describes the future interoperability between Subway and ScotRail smartcards. This is in fact already in place.