

Concessionary fares for older and disabled people: local authority guidance for 2007-08 (this does not cover London)

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1. Introduction

- 1.1 The Transport Act 2000 introduced a national minimum standard for local authority concessionary travel schemes for elderly and disabled people. The Travel Concessions (Eligibility) Act 2002 extended this to men who are aged 60 and over.
- 1.2 Since 1 April 2006, travel concession authorities¹ have been required to provide their residents who are 60 and over, or disabled², with at least free off-peak local bus travel. There should be no charge for the pass. The improved concession was implemented under the Travel Concessions (Extension of Entitlement) (England) Order 2005. Authorities can continue to offer more generous schemes under their Transport Act 1985 powers.
- 1.3 The statutory minimum entitlement is funded through Formula Grant. An extra £350m of grant was added for 2006-07 to cover the additional costs of moving from half to free local off-peak travel. As previously announced, as part of the two year Local Government Settlement, an extra £367.5m will be made available for 2007-08.
- 1.4 The 2006 Budget announced that the statutory minimum is to be extended to off-peak local bus travel anywhere in England from April 2008. The details of how the national concession will be implemented are still being considered in consultation with the Concessionary Fares Working Group (CFWG)³. Guidance on the national concession will be issued in 2007, although the Department will provide local authorities with regular updates in the interim.
- 1.5 This guidance covers 2007-08 only. There are no major changes from the interim guidance issued for 2006-07. The CFWG have been consulted on this guidance.
- 1.6 The material in the annexes is of equal importance to the main text. It does not seek to be a definitive interpretation of the law, which is ultimately a matter for the Courts. The guidance recognises that there are many different schemes in place and seeks to address the common elements. It applies only to England (outside London).
- 1.7 The guidance sets out
 - the statutory minimum requirement in terms of eligibility and pass validity;
 - the ability to offer discretionary arrangements;
 - the legislative arrangements regarding reimbursement;
 - advice on communications; and

¹ A travel concession authority in England is the district or unitary authority in shire areas. In metropolitan areas, it is the Passenger Transport Executive (PTE), although the metropolitan districts may also be involved in its administration. All 'travel concession authorities' are subsequently referred to as 'authorities' in this guidance.

² Disabled people included in this are defined by section 146 of the Transport Act 2000

³ The Concessionary Fares Working Group includes representatives from the Local Government Association, the Association of Transport Co-ordinating Officers, pteg (which represents the seven PTEs), local authorities outside London (all tiers), London Councils, and the Confederation of Passenger Transport (representing bus operators).

- approaches to reimbursing bus operators.
- 1.8 Travel concession authorities may also want to refer to “Concessionary Fares Schemes: Explanatory Notes on the Provisions of the Transport Act 1985” which contains information about establishing schemes, reimbursement and participation notices. A copy can be found at <http://www.dft.gov.uk/buses/concessionaryfares>.
- 1.9 If you have any comments, suggestions or questions please contact us at concessionaryfares@dft.gsi.gov.uk.

2. Legislative arrangements regarding reimbursement

- 2.1 If an authority only intends to implement the mandatory free travel concession, the provisions of sections 149 and 150 of the Transport Act 2000 alone apply to determine how operators are to be reimbursed (see table below).
- 2.2 There are deadlines and notice requirements that apply to the concessionary fare process and which differ according to the statutory provisions which apply. In particular, the 1985 Act requires the service of a participation notice upon an operator who does not wish to participate in a scheme made under that act ("a s93 Scheme") on a voluntary basis. This procedure is unnecessary under the 2000 Act since operators have a direct obligation to give passholders the basic statutory benefit.
- 2.3 The deadlines in the 2000 Act and in the Travel Concession Scheme Regulations 1986 (the “TCSR”), which set out the arrangements that apply to 1985 Act schemes are summarised in the table below. The 2000 Act process is a statutory one that all authorities must follow. There is more freedom for local authorities to determine the features of s93 schemes, and how operators can participate in them, although there are some statutory requirements also (e.g. who can be eligible under the scheme, provisions under the TCSR about reimbursement etc.)
- 2.4 Authorities proposing to vary an existing s93 scheme must do so in accordance with its terms. If authorities are proposing to vary the terms or reimbursement arrangements of a scheme in which operators are obliged to participate because of a participation notice (served under section 97 of the 1985 Act), there is also an option in section 97(6) of the 1985 Act for the authority to allow the operators to choose whether to participate in the varied scheme. This is done by serving a Variation Notice on such operators 28 days before the commencement of the variation. Operators then have until such commencement to indicate they are unwilling to participate. This method can be adopted if an authority which has served a Participation Notice on operators in respect of a s93 Scheme wishes to change the scheme, or the reimbursement arrangements under it but is prepared to allow operators to opt out of participation (although they will still be obliged to offer the mandatory concession under the 2000 Act). (This is shown as “Route A” below.)

- 2.5 Where authorities do wish to ensure varied s93 Scheme is observed, then notice of any variation of the scheme must be published first, in accordance with section 95 of the 1985 Act and any terms of the scheme (NB This is not the same as service of a Variation Notice). A participation notice served by 4th March will protect the local concession from 1st April onwards. (This is shown as "Route B" below.)
- 2.6 In both Route A and B below, the 2000 Act notice requirements must be followed when there is a change to reimbursement arrangements for the mandatory requirement.

Assumes a variation will be introduced 1 April 2007 (though discretionary enhancements can be varied at any time and agreements may cover 2006-07 and 2007-08)					
Final dates for action by local authorities	By 1 December 2006	By 3 February 2007	By 4 March 2007	By 1 April 2007	By 29 April 2007
Transport Act 2000					
Mandatory process for statutory minimum	Publish reimbursement proposals (Transport Act 2000, section 150 (1))		Determine final reimbursement arrangements (Transport Act 2000, section 149 (2))		Last date for operator to appeal to Secretary of State (Transport Act 2000 section 150(4)); operator must give prior notice to the authority (section 150(5))
Transport Act 1985					
Route A Process to implement additional features at same time as the mandatory arrangements, giving the operator the option to decline to participate in some elements.		Route A Operator to have received notice of proposed changes (which include both new mandatory concessions and other concessions) ("Variation Notice") Operator has 28 days to notify acceptance or	Route A Participation Notice in respect of any elements which the authority wishes to enforce to have been received by operator who declines to accept the changes. Participation Notice comes into force not earlier than the date	Route A Participation Notice takes effect	

		<p>non-compliance acceptance: (TCSR, reg. 36(3)(a)).</p> <p>If no participation notice will be served, the Variation Notice can be served at any time up to and including 4th March.</p>	<p>immediately following 28 days notice: (Transport Act 1985 section 97(5) and TCSR, reg. (36(2)). Operator has 28 days in which to appeal and must give prior notice to authority (Transport Act 1985 section 98(3) and (4)(a))</p>		
<p>Route B – process to ensure operators under Transport Act 1985 schemes comply with all new requirements</p>			<p>Route B</p> <p>BEFORE 4th MARCH (Transport Act 1985 section 95(2)) Authority publishes proposed variation of the Scheme going beyond the new mandatory concession but all of which will become mandatory.</p> <p>Participation Notice published on 4th March (Transport Act 1985 section 97(2))</p>	<p>Route B</p> <p>Participation Notice takes effect</p>	

2.7 The proposed arrangements should be published in the form the authority intends to implement, should be feasible, and should contain appropriate levels of detail given the level of information available to authorities at the time of publication. Where possible it should be clear to operators from the published details what concessions they will be required to offer and the timing and amount of payments that they can expect to cover their revenue foregone and additional costs incurred.

2.8 It is important to be aware that the requirement of four months' notice applies to the statutory elements of the scheme and not to any discretionary

enhancements that the authority may subsequently determine. As a minimum therefore, unless there is a agreement covering 2006-07 and 2007-08, the authority must have published by 1 December 2006 the method they propose to adopt for calculating and, where appropriate, apportioning, reimbursement to operators for their participation, at least for the statutory element of the scheme, if they propose to make changes from the method currently being used. This may be further developed and clarified post-publication into a fully specified reimbursement method in consultation with operators, as fuller information emerges taking this guidance into full account.

- 2.9 It may be appropriate, in some circumstances, for authorities to determine enhancements to the statutory scheme in the period following 1 December 2006. Authorities who choose this route will want to satisfy themselves that the basic principles of reimbursement established for the statutory scheme are not undermined by decisions to include discretionary enhancements at a later stage.
- 2.10 In the absence of agreement with operators, authorities will need to determine final reimbursement arrangements at least 28 days before the scheme commences. At this stage, it is important that the arrangements are sufficiently detailed to facilitate successful administration of operator reimbursement. Given a variation coming into effect on 1st April 2007, this will in practice be no later than 4th March 2007. The final arrangements may or may not be the same as the proposed reimbursement arrangements initially published, though any change will have to be reasonable, given the objective for the notice is to allow the parties to discuss the matter.
- 2.11 Enhancements to the s93 Scheme over and above the statutory minimum (e.g. cross-boundary journeys) can be made at any time using powers in the Transport Act 1985, although there is still a requirement to publish details of variations of the scheme or reimbursement arrangements. This is because arrangements for reimbursing operators for the cost of the mandatory concession under the 2000 Transport Act are legally distinct from reimbursement arrangements arising from the use of powers under the 1985 Transport Act. However, for reasons of administrative efficiency it may be appropriate to have a single integrated scheme based on both powers and duties, although appropriate notice requirements of both Acts must be fulfilled.
- 2.12 Operators who consider that they are prejudicially affected by the reimbursement proposals for offering the statutory minimum concession under the 2000 Transport Act may apply to the Secretary of State for a modification of the arrangements, not later than 28 days after the arrangements (or a variation to them) come into operation (s150(3) and (4) of the 2000 Transport Act).
- 2.13 There is no statutory time limit for exercising the right to withdraw from a 1985 Transport Act schemes, although schemes may set their own time limits. If an authority wishes to ensure an operator's continued participation in a 1985 Transport Act scheme, it must serve a participation notice.
- 2.14 The operator can appeal against the participation notice to the Secretary of State within 28 days (beginning at the date of the participation notice) if he

feels that his participation would be inappropriate or if any details of the scheme or the reimbursement arrangements are inappropriate.

- 2.15 When considering appeals under the 1985 Act or requests for modification of reimbursement arrangements under the 2000 Act the Secretary of State will take account of the extent to which the authority concerned has followed this guidance.

3. Eligibility

Eligible people

- 3.1 There are two broad categories of people eligible for the statutory minimum: older people (people aged 60 and over) and disabled people resident within the authority boundary.
- 3.2 There are seven categories of disabled people who are entitled to the statutory minimum scheme and these are set out in section 146 of the 2000 Act. Further to this, eligibility is defined at some length in Guidance on Concessionary Fares for Disabled People which can be found at <http://www.dft.gov.uk/buses/concessionaryfares>.

Eligible services

- 3.3 Eligible services are defined by the Travel Concessions (Eligible Services) Order 2002 (SI 2002 No 1016), which decoupled eligibility for concessionary fares from eligibility for Bus Service Operators Grant (BSOG). This order prescribes the services eligible for concessionary fares under the Transport Acts 1985 and 2000.

Times at which the statutory minimum is available

- 3.4 Section 146 of the 2000 Transport Act provides that for areas outside London the statutory minimum must be available at any time on a Saturday, Sunday or bank holiday⁴, and between 9.30am and 11pm on any other day.

4. The pass

- 4.1 Authorities are required to make the permit for the statutory minimum available free of charge. The 2000 Transport Act does not require the applicant to be fully indemnified for the cost of providing his/her photograph - nor for any signed medical certification, or any postage on his/her application. However, if the machine that issues the permit takes a photograph of the applicant as an integral part of the process, then no charge can be made.

⁴ Bank Holiday as defined in the Banking and Financial Dealings Act 1971.

Replacement passes

- 4.2 Bus operators must grant the statutory minimum concession to eligible persons. The purpose of imposing on the authority a duty to issue permits is to provide evidence to bus operators of the permit holder's entitlement. There is no provision in the Act about safe keeping and it is the permit holder's responsibility to look after that evidence. However, it is likely that a person applies for a replacement in good faith, the authority would be a duty to issue one, but could charge for this service in order to cover its costs. Nothing in the Act would seem to prevent an authority from refusing to issue a replacement pass to a person who it believed was engaged in fraud.

5. Authorities involved and geographical coverage

- 5.1 Outside London, the statutory obligation to reimburse the bus operators in respect of the statutory minimum is on the 'travel concession authority' [see footnote 1]. In the PTE areas, a scheme must provide for free travel anywhere within the PTE boundary. The scheme must allow for free travel undertaken wholly within each travel concession authority for all eligible residents. But it does not follow that a scheme has to be restricted to, or administered directly by, those authorities.
- 5.2 Authorities are free under their local government powers to arrange for other authorities to act on their behalf, and (under the 1986 regulations) to employ others to act as their agents. For example, in the shires there is no legal obstacle to the arrangements being administered at county level (perhaps as part of an existing scheme), provided they meet the statutory minimum in each individual district in all respects. In fact, there is no obstacle to schemes which involve any group of authorities working together, or which are provided by any tier of authority. It is for authorities themselves to work out reimbursement of one authority by another.
- 5.3 DfT would welcome schemes developed by a number of different authorities working together.

6. Discretionary arrangements

- 6.1 The 2000 Act provides for a statutory minimum. But it should be stressed that it remains open to authorities to use the discretionary powers which are already available to them under the 1985 Act, and thereby to offer a scheme which goes beyond the statutory minimum in one or more respects. This does not require a separate scheme to be made available; a scheme which offers benefits which are more generous than the statutory minimum will at the same time fulfil any obligation to ensure that the statutory minimum is provided.
- 6.2 For example, an authority has the power to provide, if it so chooses, a concessionary fare scheme which is available for a longer period on weekdays than the statutory requirement, for older people, or disabled people

or both. It may also extend the availability of concessions to include journeys across authority boundaries, or to include other local transport services e.g. community transport. Whether or not to do so is entirely a matter for the discretion of the authority concerned.

7. Schemes offered as an alternative to the statutory minimum

- 7.1 Section 145(6) of the Act provides that a person who is entitled to the statutory minimum may nonetheless agree with the authority concerned to give up that entitlement and to accept instead an alternative concessionary fare scheme offered by that authority, such as travel tokens. The person concerned can opt for the alternative even if it is not as generous as the statutory minimum.
- 7.2 In cases where authorities envisage offering a scheme (such as a token scheme) as an alternative to the statutory minimum, rather than in addition to it, they will need to ensure that the alternative scheme itself makes clear to those participating in it that they do so on the understanding that they have accepted it as an alternative to their rights to the statutory minimum until April 2008.
- 7.3 It should be noted that authorities are not under an obligation to offer an alternative scheme; nor are their residents able to require them to offer it.

8. Communications

- 8.1 Travel concession authorities are responsible for ensuring that people who are eligible to claim concessionary fares are able to do so. Annex A contains guidance on factors authorities should consider when developing a communications strategy.

9. Reimbursement

- 9.1 Authorities should proceed on the basis of the 1986 regulations (S.I. 1986/77) when introducing schemes under the 1985 Act, and use these regulations as a guide for formulating reimbursement for mandatory schemes under the 2000 Act, including the objective (but not a duty) that bus operators should be "no better/no worse off" as a result of participating in a concessionary fare scheme.
- 9.2 The approaches outlined below are intended to assist local authorities with framing reimbursement arrangements. There is no compulsion to use any of the approaches outlined but the authority should consider whether its proposed method best delivers the "no better/no worse off" objective in accordance with best value principles.
- 9.3 Reimbursement by authorities should take full account of the revenue foregone by bus operators. Any additional net costs incurred in carrying extra passengers generated by the scheme, when these can be demonstrated by

an operator (see Annex B for further details on additional costs), should be included in the reimbursement arrangements. Some authorities reimburse operators by miles operated as a proxy for passengers carried. Except where the amounts involved are small, it is advisable to cross check the results of this method with another means of calculation (perhaps on a sample basis) to check that the 'no better/no worse' objectives is met. However, it should be noted that reimbursement by mileage is something that the DfT does not encourage due to the perverse incentives this may create.

- 9.4 When agreeing reimbursement arrangements with operators, consideration should be given to the cash flow implications.
- 9.5 The estimated generation factor⁵ may vary from place to place according to local circumstances, and has therefore been locally determined. The Secretary of State takes the view that local determination of the generation factor will continue to be appropriate for financial year 2007-08.

Approach A: Revenue displacement

- 9.6 Where authorities have confidence that their former arrangements fairly compensated operators it may be appropriate to update them for changes in average fares and patronage. As part of this process, authorities should work with the operators to identify the extent to which any additional take up of permits is a result of new passengers, or passengers previously travelling at commercial fares switching to pass-based journeys. The reimbursement for this latter group should reflect the fares these passengers paid before the introduction of the free scheme.

Approach B: The toolkit

- 9.7 As an alternative to the "revenue displacement approach" and to help authorities to calculate reimbursement payments, a "toolkit" has been produced. This helps to estimate the reimbursement due for revenue foregone and enables authorities to include an element for additional costs from generated trips in the overall calculation. It also helps to calculate the effects where the pre-2006 scheme was more generous than the statutory half fare. The toolkit is only intended to be a negotiating tool as the entries that need to be made to the toolkit will be estimates or best guesses in the absence of adequate information.
- 9.8 The toolkit can be downloaded from our website <http://www.dft.gov.uk/buses/concessionaryfares>.
- 9.9 Any questions on the toolkit should be sent to concessionaryfares@dft.gsi.gov.uk. Answers to questions will be posted on our website where they are of relevance to other authorities.
- An explanation on how to use the toolkit is at Annex G.
 - A step by step guide to using the toolkit is at Annex H

⁵ 'Generation factor' is normally defined as the number of additional journeys caused by the scheme divided by the number of journeys that would have taken place in the absence of a scheme.

ANNEX A – Communications

Authorities are responsible for ensuring that people who are eligible to claim concessionary fares are able to do so.

You should tell eligible people

- what they are entitled to (especially because there will be local variation);
- when the new statutory minimum starts, where this is appropriate;
- how they can claim it;
- how the concessionary fare scheme operates (i.e. the terms and conditions);
- how they can check their eligibility;
- what services they can use their pass on;
- how they can obtain further information.

You can communicate this

- by placing information on your website;
- through information centres, neighbourhood offices and One Stop Shops;
- through press releases and PR activity;
- through printed leaflets, posters or bus stop advertising;
- by bus operators who are promoting their services;
- through council publications such as newsletters, housing or council tax leaflets;
- via ward councillors, MPs, libraries, post offices, bus stations and special interest groups;
- through local access groups;
- through Shopmobility schemes

Authorities should consider

- working together with neighbouring authorities and bus operators where the concessionary travel scheme goes beyond the authorities' boundary to ensure a consistent message and visual identity;
- the degree to which they need to monitor people's awareness of the scheme, particularly difficult to reach audiences.

Format

You may have to present information carefully to ensure that it is accessible to older and disabled people. It is therefore important that you present information clearly. You should consider the following:

- Information on the website, if presented as a file, should be in "Word" format rather than PDF to allow visually impaired people to use programmes that convert text to audio;
- Text should be in no less than 14 point size in a sans-serif font;
- Layouts should be as clear as possible with a logical flow and clear headings and for hard copy text, all paragraphs and pages should be numbered;
- Website information should carry minimal images, or have an option to access different text-only versions for customers with less powerful computers or using text-to-voice software;

- Translations into relevant community languages should be provided;
- Alternative formats should be available on request. These should include Braille, audiotape, large print, easy to read versions with illustrations to benefit people with learning difficulties, and versions using British Sign Language;
- Information should be retrievable using both 'bus pass' and 'concessionary travel' search terms;
- Telephone contacts for information should also include Minicom options for people with hearing impairments.

Content

This should be clear and concise and written in 'Plain English' avoiding acronyms and explaining technical terms. The concessionary fare scheme is likely to be complex to explain. A diagram that details what it does or does not offer or a flow chart of the application process is useful. Similarly, a map showing where the scheme operates can be more useful than a text list.

Some useful websites for guidance on communicating with older or disabled customers include:

RNID: Royal National Institute of the Deaf

<http://www.rnid.org.uk>

Two leaflets are available on-line at:

http://www.rnid.org.uk/information_resources/factsheets/deaf_awareness/factsheets_leaflets/deaf_and_hard_of_hearing_people.htm

http://www.rnid.org.uk/information_resources/factsheets/deaf_awareness/factsheets_leaflets/stop_before_producing_information_for_deaf_and_hard_of_hearing_people.htm

These can also be obtained from their freephone information line:

Telephone 0808 808 0123
Textphone 0808 808 9000.

RNID also provide a training and consultancy service to help you make your goods, services and facilities accessible to deaf and hard of hearing people.

RNIB: Royal National Institute of the Blind

<http://www.rnib.org.uk>

This offers practical support and information to anyone with a sight problem. It helps with Braille, talking books and computer training.

For more information on how to make websites accessible to people with sight impairments visit:

<http://www.rnib.org.uk/gooddesigns>

Disability Rights Commission

A demonstration of an inaccessible website can be found at

<http://www.drc-gb.org/newsroom/demo.asp>

World Wide Web Consortium (W3C)

Website accessibility guidelines can be found at

<http://www.w3.org/TR/WCAG10>.

Other information

The DfT has produced a set of Frequently Asked Questions (FAQs) which can be downloaded from <http://www.dft.gov.uk/buses/concessionaryfares>. The FAQs will be updated as appropriate. The public FAQs can be amended to suit the details of your scheme.

An authority's press office or communications team will be able to provide advice on how and when to put out information. Authorities should consider showing them this guidance and working with them from an early stage to communicate information about their concessionary fare scheme as simply and effectively as possible.

ANNEX B – Claims for additional costs

There is no doubt that the introduction of the free travel scheme has resulted in additional generated travel. In some cases, the additional demand can be accommodated without extra capacity. However, there may be some situations where an operator may need to provide additional capacity on a route to accommodate the extra journeys that are made by older and disable people, compared to a theoretical situation in which they paid the commercial fare.

Even where generated trips are absorbed within existing capacity, there may be additional costs for the operator.

Additional costs to operators might reasonably include:

- the cost of operating higher frequencies net of any new fares revenue from paying passengers attracted by the additional travel opportunities;
- the cost of "duplicate" vehicles on existing departures;
- replacing smaller buses with larger buses (capital and operating costs);
- slower running times (although experience in areas that have recently introduced free travel suggests that this is seldom a problem where there are no longer cash payments being made and where pass checking/ticket issuing arrangements are simple);
- additional passenger claims. The best approach to this would be to identify the current cost of claims per thousand passenger journeys (or even better claims by concessionary passengers per thousand concessionary journeys) and assume that extra travel generated by the scheme gives rise to the same level of claims as the existing journeys;
- additional publicity costs. Passengers able to travel free are likely to want plenty of support from operators' information channels. If operators meet some costs of Traveline, it may be reasonable to assume that growth in call demand is attributable to the free travel scheme and therefore recoverable as an extra cost.
- costs of administering schemes, such as gathering and processing information on trips made (including any special equipment required) and submitting claims.

There may also be some offsetting cost savings as a result of the scheme, such as reduced cash handling.

It may be sensible for the authority to hold a further contingency sum in reserve for meeting additional cost claims, or to make a standard payment per passenger to cover additional costs that are common to all operators while requiring claims from operators for any greater sum that is due in their particular circumstances.

Alternatively, authorities and their local operators may wish to come to an arrangement which increases reimbursement above the amount due for revenue

foregone in return for operators forgoing the right to make individual claims for additional costs. It is reasonable that, in coming to such an arrangement, the authority and its local operators are able to make an assessment of the likely level of additional costs in advance of them being incurred.

ANNEX C – The effect of changes to the bus network

Where reimbursement is not based directly on the number of journeys made by pass holders a significant increase in the level of service provided by an operator could leave that operator under-compensated for their participation in the scheme. It would be wise for the authority to retain a contingency sum to ensure that any increased reimbursement claim arising from a substantial overall increase in service levels can be met.

ANNEX D – Monitoring revenue foregone

Where the proposed scheme does not reimburse operators on the basis of revenue foregone, it is essential that a procedure is in place to enable the revenue foregone to be accurately monitored.

For schemes that reimburse operators according to mileage operated (or by any other method that is not directly related to the number of passengers carried), it is essential to also identify the existing number of concessionary journeys made under the 'half fare' scheme to enable an accurate assessment to be made of the amount of newly generated travel being undertaken.

Quantifying revenue foregone will require the following components to be calculated:

- an accurate count of the number of 'free' journeys undertaken (see Annex E);
- the equivalent commercial fare for each of those journeys (see Annex F);
- an adjustment factor for generated travel.

ANNEX E – Counting the number of free journeys undertaken

In order to qualify for free travel, it is assumed that the passenger will show their pass as evidence of entitlement to the concession. However, from experience gained in areas where free travel already exists, it is evident that familiarity between passengers and drivers leads to a tendency not to present the pass – and can result in under-recording of concessionary journeys or incorrect allocation of journeys to different schemes. On-vehicle passenger surveys with carefully constructed sampling frameworks, preferably using methodologies approved by both authorities and operators, can greatly assist in providing agreed volumetric data. Surveys can also help provide helpful information on average journey lengths and equivalent adult fares.

Where methods are used based on operator counts, authorities will wish to give careful consideration to the means by which they validate this data. They will particularly need to bear in mind the significant expenditure that will be based on this data, and the fact that the same party both provides the information and receives the payment. Operators, for their part, will need to issue clear instructions to their drivers on the recording of concessionary journeys.

Whilst the problem is lessened by the use of smartcards, the recording of journeys in the majority of schemes will be by means of electronic ticket machines (ETMs) which rely upon the driver to record a transaction – either by the issue of a ticket, or by the recording of a pass acceptance. In practice, neither process will be entirely accurate. It is possible that audit surveys will be necessary in order to verify the proportion of journeys which are being recorded.

Many bus operators are known to be reluctant to issue zero-value tickets, owing to the potential for fraud. However, the issue of a 'free' ticket does offer some advantage in that, on most ETM systems, it offers the ability to record both the origin and destination of the journey, enabling the value of that journey to be calculated for reimbursement purposes. Whilst this may be perceived as an advantage, there is no guarantee that the driver will enter the required destination (since any destination will generate a nil value concession ticket). In any event, the ability to derive the full fare for that journey assumes that the passenger would have paid a single fare for that journey in the absence of a scheme, which might not always have been the case.

In most circumstances, therefore, the logical solution is for the operator to record the acceptance of a free pass through the ETM, but without issuing a ticket. This method suffers the same inherent unreliability from the propensity of drivers to under- or over-record the number of passes. Again, there is a strong argument for a programme of audit surveys to validate operator claims – especially on routes which pass through two or more scheme areas, where confusion between passes may further affect the quality of recording. Since this method will record no information about the length of the journey undertaken (and hence the fare that would otherwise have been paid) an alternative methodology needs to be agreed to derive the average revenue foregone.

ANNEX F – Calculating the equivalent fare for each journey

Whether or not a ticket is issued to record the acceptance of a free pass, this does not provide an accurate method of estimating the fare that would have been paid in the absence of a concessionary travel scheme. As discussed in Annex E, an ETM ticket issue may record the origin and destination. However, consulting a table of adult single fares does not necessarily determine what fare would otherwise have been paid. For instance, in some areas, more than 50% of concessionary passengers formerly purchased return tickets that offered a discount over two single tickets and there may be other types of ticket offering discounted travel at similar times of the day. This does not preclude the use of ETM data to derive the fare forgone for each journey. The calculation of the equivalent fare types available to paying passengers. There is an interrelationship between the tickets taken into account for calculating the average fare forgone and the level of generated trips (see Annex G). Tickets offering unlimited travel for a day, week, month or year are priced to be attractive to people who travel a lot. It is unlikely that giving a free pass to a person who was already enjoying “free” marginal trips will significantly increase their ridership, so if these ticket types are included in the calculation of the average fare, the level of generation applied to them should be very low.

If no ticket is to be issued, it will be necessary to agree a separate methodology for calculating the average revenue forgone. Local circumstances may indicate that the average revenue forgone is best estimated by incorporating the findings of local sample surveys or by continuous monitoring. Authorities may wish, in conjunction with the operators, to consider the general levels of fares and availability of special tickets which might apply in the absence of the scheme. However, in the absence of an alternative methodology, the following process should be considered. This process can be applied on a route-by-route basis, or on a district-wide or county-wide basis, and requires only standard ETM audit reports to be used.

For the purposes of this example, it has been assumed that the “average fare⁶” for journeys is determined by reference to the sales of Adult Single (AS) and Adult Day Return (ADR) tickets only, and that this has been deemed to reflect the overwhelming majority of journeys that would typically be made by a concessionary pass holder. In practice, the “average fare” should reflect journeys made on any category of ticket which is routinely available to travel at the times covered by the scheme.

In this example, the average fare payable would be calculated as follows:

$$\text{Average Adult fare (A)} = \frac{\text{Total value of AS \& ADR tickets sold}}{\text{Journeys undertaken (AS + 2xADR)}}$$

The assumption here is that the journeys which are made by concessionary passholders will be essentially of the same length as journeys which are made by full fare-paying passengers. A test of this assumption can be made by analysing data for the period prior to the introduction of free travel of journeys made by passholders at half fare on Concessionary Single (CS) and Concessionary Day Return (CDR) tickets, so that a comparison can be made with the average adult fare as follows:

⁶ It may be appropriate to use different “average fares”. For example, it may be reasonable to vary the average fare by route, group of routes or by operator.

Average equivalent Adult Fare = 2 x Average Concession Fare =

2 x Total value of CS & CDR tickets sold
Journeys undertaken (CS + 2xCDR)

If a significant variation is found between the average adult fare and average equivalent full fare paid by concessionary passholders, this should be factored into the calculation of average fare foregone once the free scheme is introduced. However, further market research may be needed at intervals to verify whether the travel habits of concessionary passholders have changed following the introduction of the free travel scheme.

Ultimately, the reimbursement due to operators will flow from revenue forgone compared to a theoretical situation in which there is no scheme for subsidising the journeys of concessionary groups. People benefiting from free travel over a wide area may make longer journeys than they would have done if they had to pay fares. People covered by single district schemes that do not cover trips to natural traffic objectives (such as county towns and regional shopping centres) may make shorter journeys than they would if they had to pay fares. The journey patterns of people who pay may give a valid indication of the journeys that would have been made by passholders in the absence of a scheme.

ANNEX G – Guide to using the toolkit

The toolkit is a negotiating aid that can be used to: 1) test underlying assumptions such as the relationship between concessionary trips taken and those that would have been taken in the absence of a scheme; 2) examine consistency between groups and between periods; and/or 3) calculate reimbursement revenues which, when combined with additional costs, will generate total reimbursement.

The toolkit allows two scenarios to be compared: one where concessionary fares are free in an area and during the time determined by the scheme; and one where there is no scheme and a commercial fare (i.e. the fare that be charged in the absence of the scheme) would apply for one or a number of trips depending on existing fare arrangements. The link between these two scenarios in terms of the number of trips undertaken is the elasticity of demand with respect to fares.

The Toolkit can be found at:

<http://www.dft.gov.uk/buses/concessionaryfares>

If using the toolkit the following information will be required:

2006-07

- The average number of pass holders
- Fare reimbursement revenue
- Average commercial fare per trip
- Concessionary fare trips
- Additional costs

2006-07 adjusted for change in real fares

- Average commercial fare per trip in 2007-08

2007-08

- The average number of pass holders
- Expected fare reimbursement revenue
- Expected concessionary fare trips
- Expected additional costs

Once the above data is entered into the relevant cells in the toolkit spreadsheet the data in the other cells will be automatically generated, e.g. implied elasticities, generation factors, reimbursement factors, etc.

The purpose of the section “2006-07 adjusted for change in real fares” is to enable a comparison between 2006-07 and 2007-08 on the same basis in order to investigate the changes in generated trips and trips that would have been made in the absence of a scheme. The difference between trips made in 2006-07 adjusted for changes in real fares (and by implication other factors that would effect the average full fare elasticity) is taken to be trips made by new pass holders. Evidence from the Welsh scheme shows that new pass holders take fewer trips than existing pass holders. It

is arguable as to whether or not this group has a higher elasticity (more responsive to fare changes). It is, however, reasonable to assume it will not be lower.

Hence the purpose of the last sections of the toolkit, “new pass holders” and “comparison of trips per person” is to derive the implied elasticity for this group and their trip rate per annum. This is just to check the consistency of the data.

Elasticity of demand

The elasticity of demand with respect to fares is a measure of people’s sensitivity to changes in fares. The higher the sensitivity the more likely that people will change their behaviour in response to a change in fares. For example, the average full fare short term elasticity in the UK has been estimated to be around -0.4⁷. This would mean that a 10% fall in fares would result in a 4% increase in bus trips.

It is known that the impact of changes in fares, for example, takes some time to fully show, around 5 to 6 years. This gives rise to a difference between short term elasticities and long term elasticities. For the purpose of reimbursement the test is “what would happen if there was no scheme” in the period in question, i.e. would bus operator’s be no better nor worse off if the scheme was suspended in the year in question and concessionary pass holders had to pay the full fare? Clearly this is a short term decision where the only variable that changes is the fare.

In the longer term other variables will change that affect the decision about whether to make a trip or not. These include: changes in the quality of the bus service; changes in frequency and times of operation; changes in network coverage; changes in the cost of alternative modes including time costs; etc. Given that it is the number of trips that would have been made in the absence of a scheme that is driving reimbursement revenues and that it is unlikely that there any models that can take account of changes in non-fare levels of service, it is recommended that the elasticity that should apply is the short term elasticity. Also, as elasticities depend on the attributes of the local population and individual preferences that will differ from area to area, elasticities will differ from area to area.

The estimation of these elasticities is not straightforward – such an exercise in the absence of observed changes in behaviour with changes in fares would require a mechanism for eliciting an unbiased response from concessionary fare passengers about what they would have done in the absence of a scheme. It is unlikely most TCAs will have the resources to undertake such exercises. In these circumstances parties in negotiation will need to take on board the evidence of previous settlements, evidence from other areas with similar levels of service, fares, household incomes, etc.

The following table (which also appeared in the guidance for 2006/07, sets out the central estimate and reasonable range of elasticities for different types of place:-

	Point elasticity at full fare	
	Central estimate	Reasonable range
Metropolitan (outside London)	-0.40	-0.25 to -0.55
Other Urban	-0.45	-0.30 to -0.60
Rural	-0.60	-0.40 to -0.70

⁷ See the Appendix to Section 6.14 of “The demand for public transport: a practical guide”, TRL Report TRL593 (2004).

Concessionary fare trips

Measuring the number of concessionary free fare trips is important and whether this is done by issuing free tickets or by surveys it is much to be preferred if operators and local authorities can reach agreement about the accuracy of the relevant method used.

Average revenue per trip

Ideally this should be based on the average revenue for the trips that free fare passengers would have made in the absence of a scheme. As this is likely to be an unknown the next best alternative may be to take the average revenue per trip for an adult non-concessionary fare passenger bearing in mind that this value is unlikely to be exceeded, but may, in some circumstances, overstate the average revenue per passenger in the absence of a scheme. Average revenue for trips made using single and return tickets are straightforward. If it is decided to include period-based tickets, such as day or off-peak day tickets, which allow unlimited travel an estimate of the number of trips made per ticket will be required.

Estimating future year trips for 2007-08

If the elasticity at the commercial fare for 2006-07 has been estimated, the calculation of trips for 2007-08 should be fairly straightforward after taking account of increases in pass holders. If this has not been estimated then the implied elasticity taken from the toolkit could be used. If sufficient local information is available, trends could be identified using variables such as pass holding, car ownership and other relevant variables. The increase in pass holders will probably include an element of past evidence and forecasting future take up. Mid-year figures are likely to be the most appropriate estimates.

Additional costs

These should be based on the net costs that arise from the carriage of all generated passengers. Where extra capacity takes the form of a higher frequency service, this will have an impact on all passengers including fare paying passengers. In this case some attempt should be made to estimate the extra demand from fare paying passengers and the consequent extra revenue that will offset the additional costs to some degree. Where extra capacity takes the form of bigger buses, or duplicated departures in the same timetable, there is unlikely to be any significant additional revenue from paying passengers.

ANNEX H – Example of using the Toolkit

In using the toolkit it is strongly recommended that all parties share as much information as is reasonable given commercial confidentiality. For example, the change in pass holding which is a determinant of the number of concessionary fare trips taken will be known by the TCA but possibly not known by the bus operator. If this information is not shared it will make it difficult for the bus operator to estimate changes in trips.

Relevant information needs to be entered in the yellow cells and the toolkit will generate the required outputs. Additional costs need to be estimated outside of the toolkit and will depend on the changes in operating and capital costs that result from changes in the total number of free fare trips. The reasons for entering the amount in the toolkit are: 1) so that total reimbursement can be calculated; 2) so that a comparison can be made of the cost per generated passenger; and 3) so that reimbursement ratios can be compared.

In this example both parties have agreed with the reimbursement arrangements for 2006-07. In 2007-08 both parties have the same estimates for the number of free trips but Party A estimates that the level of reimbursement revenue is higher than Party B.

A result of this is that the implied elasticity for Party A has fallen in 2007-08 which could be a surprising result. Analysis of new pass holders shows that they are making fewer trips than existing pass holders, which is reasonable, but the large majority of these are trips that would have been made in the absence of a scheme. The implied elasticity of new pass holders is significantly lower than that for existing pass holders. This would cast doubt on the analysis as such a captive audience should have taken advantage of the scheme beforehand.

On balance, Party B has a more consistent analysis and, arguably could be considered to be asking for too much. This is because new pass holders are more likely to have an implied elasticity that is higher than current pass holders and would have made fewer paid trips in the absence of the scheme.

Toolkit 2007-08 Example

	Party A	Party B	
2006/7			Notes
Pass holders	100	100	Enter average for year
Fare reimbursement revenue £	1,000	1,000	Enter revenue, i.e. excluding additional costs
Average commercial fare per trip £	1.00	1.00	Enter average for year
Trips that would have been made in the absence of a scheme	1,000	1,000	
Concessionary free trips	1,500	1,500	Enter year total
Generated trips	500	500	
Generation factor	50.0%	50.0%	
Implied elasticity	-0.405	-0.405	
Additional costs £	50.0	50.0	Enter negotiated amount
Costs per generated trip £	0.10	0.10	
Total reimbursement	1,050	1,050	
Reimbursement factor	70%	70%	

2006/7 adjusted for change in real fares in 2007-8

Pass holders	100	100	
Average commercial fare per trip 2006/7 £	1.00	1.00	
Average commercial fare per trip 2007-8 £	1.10	1.10	Enter average for year
Change in real fares	7.3%	7.3%	
Uplift to implied elasticity	20.0%	20.0%	Default value
Adjusted implied elasticity	-0.411	-0.411	
Concessionary free trips	1,500	1,500	Assume no change in trips
Trips that would have been made in the absence of a scheme	994	994	
Fare reimbursement revenue £	1093	1093	
Generated trips	506	506	
Generation factor	50.9%	50.9%	
Additional costs £	50.0	50.0	
Costs per generated trip £	0.10	0.10	

2007-8

Pass holders	110	110	Enter estimated average for year
Fare reimbursement revenue £	1,200	1,166	Enter expected amount
Average Fare £	1.10	1.10	
Trips that would have been made in the absence of a scheme	1,091	1,060	
Concessionary free trips	1,600	1,600	Enter estimated year total
Generated trips	509	540	
Generation factor	46.7%	50.9%	
Implied elasticity	-0.383	-0.411	
Additional costs £	50.0	54.0	Enter expected amount
Costs per generated trip £	0.10	0.10	
Total reimbursement	1,250	1,220	
Reimbursement factor	71%	69%	

New pass holders

New pass holders 2007-8	10	10
Generated trips	3	34
Trips that would have been made in the absence of a scheme	97	66
Generation factor	3.3%	50.9%
Implied elasticity	-0.032	-0.411

Comparison of trips per person 2006/7 adjusted for change in real fares

Trips per person per year	15.0	15.0
Trips made in the absence of a scheme per year	9.9	9.9

2007-8

Trips per person per year	14.5	14.5
Trips made in the absence of a scheme per year	9.9	9.6

New pass holders

Trips per person per year	10.0	10.0
Trips made in the absence of a scheme per year	9.7	6.6