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## **Children and Young People's concessionary travel policy**

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Pedro Abrantes, Rebecca Fuller and Tom Ellerton

**pteg** Support Unit  
Wellington House  
40-50 Wellington Street  
Leeds – LS1 2DE  
0113 251 7204  
info@pteg.net

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## Executive Summary

Children and young people's (CYP) transport issues have been going up the policy agenda and could well be a feature of the 2015 election campaign. One proposal that has received significant attention is the idea of a national bus concession. This would offer a consistent discount on commercial adult bus fares across the country, and would replace the current patchwork of commercial and local authority schemes. Potentially, this could extend as far as free travel, similar to the national concession for elderly and disabled people or London's Zip Oyster Card.

There is a strong case for reducing the cost of bus travel for children and young people, both on social and economic grounds. The social argument centres on the fact that this group, and households with children more generally, are under significant financial pressure, which has become more severe as the result of government funding cuts and systematic above inflation rises in bus fares. On the other hand, children and young people, especially those from lower and middle income groups, are amongst the most frequent bus users. This means that cheaper bus fares are an effective and well-targeted income re-distribution mechanism.

The economic arguments are arguably just as strong. Many decision makers now recognise that public transport affordability is a barrier to young people accessing education, training, volunteering and (often low-paid) work opportunities. Lower bus fares would enable more young people to find gainful employment and to access education and other development opportunities. Not only would this tackle the short term negative economic and social impacts of inactivity, but it would also contribute to the productivity of future generations of workers.

*pteg* supports the principles of affordable, simpler (ideally flat), and more consistent children and young people's bus fares<sup>1</sup>. A national concession could fit these criteria while contributing to wider policy objectives. However, there are a number of challenges in designing an effective and financially sustainable national scheme. Critically, children and young people are a large and heterogeneous group. National free bus travel up to the age of 24 could cost the Exchequer as much as £1.1 billion (for England outside London). On the other hand, a less generous and more complicated concessionary scheme targeted at a narrower age group or type of travel could cost under £100 million. Bearing in mind current fiscal constraints, any policy would likely require trade-offs between different policy objectives and population groups.

Any concession for children and young people would also need to be **adequately funded** by central government otherwise it will become an additional cost to local authorities or the bus industry, or both. This will inevitably lead to service reductions or fares increases or both, thus nullifying some of the benefits of the concession. In short there is little point in giving young people a concession if there is no service to use it on due to the cost of providing the concession. The need for adequate funding is particularly acute given that some £500 million of funding will have been lost to bus networks in England outside London between 2010 and 2015, which has led to significant reductions in supported bus networks already, with more likely to follow<sup>2</sup>.

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<sup>1</sup> See our report 'On the Move'

<sup>2</sup> See our report 'Making the connections – the cross-sector benefits of supporting bus services'

The purpose of this paper is to help policy makers think through these challenges by explaining the range of factors influencing this policy area, by setting out some of the main options available, and by illustrating the implications of alternative courses of action.

## 1. Introduction

- 1.1. Children and young people's (CYP) transport issues have been going up the policy agenda and could well be a feature of the 2015 election campaign.
- 1.2. This has been driven, in part, by the 'cost of living' narrative and the sense that this group, and working age families indirectly, have been hard hit by spending cuts.
- 1.3. Another factor at play is the relatively high unemployment rate amongst young people and the growing focus on apprenticeships, training and education as a response. Many decision makers recognise that public transport affordability is a barrier to young people taking up training and, often low-paid, work opportunities. At the same time, subsidised fares are seen by many as a more effective and acceptable policy mechanism than other forms of support into work.
- 1.4. Finally, the fact that there is no national CYP bus concessionary offer in England creates an opportunity for action by any future government.
- 1.5. Against this background, a number of stakeholders have been calling for wider availability and greater consistency in the discounted bus travel offer for young people. **pteg** has sought to inform this debate from an early stage by:
  - articulating children and young people's transport needs and priorities<sup>3</sup> ;
  - demonstrating the economic and social value of bus funding, including for this demographic group<sup>4</sup>;
  - explaining the funding context for concessionary travel and emphasising the need for both current and future statutory concessions to be fully funded<sup>5</sup> ;
  - setting out a menu of feasible CYP concessionary travel options and associated costs<sup>6</sup> .
- 1.6. A central plank of our position on the public transport offer to children and young people is that fare structures should aim to be **simple, flat** and **consistent**.
- 1.7. The paper is structured as follows:
  - Section two summarises some key challenges in designing a national CYP concession;
  - Section three summarises the economic and social case for discounted CYP travel;
  - Section four highlights the potential advantages of a national CYP concession;
  - Section five describes the needs and the current offer of different CYP groups;
  - Section six sets out some high level options for a future national concession;
  - Section seven provides a comparative assessment of these options.

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<sup>3</sup> 'Moving On' report, 2012

<sup>4</sup> 'Case for the Urban Bus' report, 2013

<sup>5</sup> 'Concessionary time bomb' briefing / CYP concessionary travel options think piece

<sup>6</sup> 'CYP concessionary travel options think piece', 2013-14

## 2. Challenges in designing and implementing a national children and young people's concession

2.1. We highlight three key challenges in this paper:

- Focus on fares could undermine other parts of the public transport offer
- Children and young people are a large and heterogeneous group; designing a national concession would necessarily involve difficult trade-offs.
- Funding and reimbursement mechanisms could be complex.

### Fares and the wider public transport offer

2.2. Affordability is a key public transport priority for many children and young people. However, our 'Moving On' report showed that there a number of other important factors, including:

- **Availability** - buses should run within easy reach of where people live and take them to and from the places they want to go at times and frequencies that correspond to their lifestyle patterns. Access to schools and leisure opportunities in suburban areas can be a particular challenge
- **Acceptability** – young people, their parents and carers, should feel that bus services are equipped to meet their needs, as well as being welcoming, comfortable, safe and convenient. Young people frequently report feeling unwelcome on the bus and being unfairly treated by staff and other passengers. Safety and security is also often quoted as an issue by parents and children alike.
- **Simplicity** - research shows that children and young people particularly value a flat, simple and consistent fare offer. This has important implications for the design of any concessionary scheme and its cost. Simplicity is also an important consideration in other aspects of provision, such as information and timetables.

2.3. There is a risk that by focussing narrowly on fare reductions we could lose sight of other important service attributes or reduce the funding available to deliver other features.

### Children and young people are a large and heterogeneous group

2.4. Under some definitions, 'children and young people' include every individual from birth to 24 years of age, a large and heterogeneous group. Even within the same age group travel patterns, fares and service quality will also vary widely across the country. This poses a number of challenges in designing a national concession:

- This group comprises around 30% of the population of England outside London and an estimated 35% of all bus travel<sup>7</sup>. A concessionary entitlement covering the entire group would be expensive. In the current fiscal climate this would inevitably lead to the need for trade-offs. However, different stakeholders and decision makers value each cohort differently. This could make it difficult to reach a consensus.
- Each group within the broad definition of children and young people values each feature of the public transport offer differently. Whereas under 16s are likely to put more weight on safety and direct links to school, over 18s would favour affordability and access to places of work and leisure. A single national concession won't satisfy their needs equally.

<sup>7</sup> pteg analysis based on National Travel Survey and ONS population estimates

- CYPs are typically charged different commercial fares by bus operators depending on their age, time of day, type of trip and where they live. This is one reason why evidence suggests that CYP they strongly favour flat, simple and consistent fares. However, a national flat concession would equate to different levels of subsidy in different places and may not be perceived as equitable (this is explored in more detail when discussing scheme design).

2.5. Because of these challenges, some would argue that a locally designed concessionary scheme is more appropriate than a single, necessarily simpler, national concession. Please see section four for a more detailed discussion of the relative merits of a national versus local approach.

### **Funding and reimbursement**

2.6. Due to the heterogeneity of the target group and the variety of commercial discounted tickets on offer, reimbursement for a national CYP concession would be more complex than, for example, is the case at present for elderly and disabled people. A degree of friction with bus operators is therefore to be expected.

2.7. Determining the funding requirements for a national scheme and devising appropriate funding mechanisms would also present challenges, the most important of which is to do with the quantum of funding. At present, funding for the elderly and disabled concession is subsumed into DCLG's Formula Grant, which means it does not increase in line with the cost of reimbursement (quite the opposite) and does not necessarily reflect the cost incurred by a given authority. In order to ensure that any future scheme remains financially sustainable it would need to be funded from a purpose-specific grant.

2.8. Agreeing the quantum of funding in the first place would also present challenges. Because most local authorities already offer one or more local CYP concessions, central government could argue that whatever discretionary scheme is on offer should continue to be funded locally. However, this would seem difficult to implement given the lack of information on the part of the DfT with respect to local schemes. A more likely scenario is one in which schemes which are currently funded locally would see their current costs covered by central government.

## **3. The economic and social case for discounted travel for children and young people**

3.1. The key government arguments for the introduction of cheaper (subsidised) travel for children and young people centre on social justice (equity/income redistribution) and social inclusion (economic development) grounds.

3.2. Children and young people have, on average, lower disposable income than adults. Households with children are also likely to have lower disposable income per person (or conversely, higher expenditure per wage earner) than working age households without children. Moreover, the employment opportunities available to young people are likely to be amongst the lowest paid in society and are also often part time, hence requiring a disproportionate outlay on travel expenses. Social justice arguments therefore support a degree of income redistribution in the form of lower public transport fares for this segment of the population.

- 3.3. On the other hand, children and young people are at the formative stage of their lives and it is therefore important for their long term social and intellectual development (and hence their future contribution to society) that they are given access to a wide range of education and leisure opportunities. It can also be argued that being encouraged to travel independently by public transport can, in itself, contribute to children and young people's personal development.
- 3.4. This type of argument can also be expressed on economic growth lines whereby the future productivity of the country's workforce is likely to be a function of the range of opportunities which are made available to today's children and young people. Following this through, measures which lower travel costs for this group can be seen as a medium to long term investment, much as mainstream education.
- 3.5. The importance of affordable public transport in providing a link to opportunities is likely to be on the rise as spending cuts mean that public services and other facilities will increasingly tend to concentrate in fewer locations and therefore become less accessible on foot. Equally, greater familiarity with, and confidence in, the public transport network by children and parents may enable public services to organise themselves in more efficient ways.
- 3.6. Discounted travel for children and young people can also support a number of wider policy objectives:
- Congestion and carbon. Car escort trips (where parents drive their children to an activity) can have a disproportionate impact on congestion and the environment, as they often require more than one journey to be made for a single activity. The school run also has a significant impact on road congestion. Greater use of public transport by children and young people can therefore reduce congestion and the environmental impact of road transport.
  - Financial sustainability of public transport. Cheaper fares may increase the propensity of today's children and young people to use public transport more regularly later in life. This should also have a positive impact on congestion and emissions in the future.
  - Public health. Cheaper public transport may encourage some children and young people to lead a more active and independent life style thereby improving their mental and physical health.

#### **4. National versus local approach to children and young people's concessions**

- 4.1. Many bus operators and local authorities already offer a range of travel concessions for children and young people. Some would say that the market has recognised that this demographic group tends to be more price sensitive and follow a different travel behaviour to adult bus passengers. A devolved approach is also likely to lead to a more locally appropriate outcome. For example, average journey lengths can vary significantly across the country and, as a result, average bus fares can vary widely. A national flat fare concession couldn't easily reflect these differences and may therefore result in very large discounts in some areas while leaving fares in other areas virtually unchanged<sup>8</sup>.

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<sup>8</sup> A proportional national concession (such as half adult fare) would resolve this issue by default. This is also likely to have only a limited impact for generous flat fares (e.g.: 50p/trip) as the discount will be considerable in most areas. On the other hand, some would argue that a national flat fare is desirable on equity grounds as CYP should pay the same fare everywhere



- 4.2. So what might lead one to consider a national concessionary policy? Previous research (Scott Wilson, 2010) has highlighted the importance of simple and consistent fares to children and young people. This is not surprising given that this demographic group is more price sensitive, tends to have less experience of independent travel, less experience of handling cash and is also likely to be more vulnerable than the adult population. To a child, making an independent journey by bus may be a daunting experience in itself without having to navigate complex and unfamiliar fare structures.
- 4.3. One argument for a national policy on CYP concessions therefore arises from the fact that the market-based/locally devolved solution has led to high degree of complexity and fragmentation which acts as barrier to greater public transport use, in particular for this group. This has been thrown into sharp relief by a recent DfT survey of local CYP concessionary schemes. Although a number of apparently generous schemes are in existence there is very little consistency between different local transport authority areas. Concessionary schemes are also often undermined by complex pricing (eg: 1/3 off) and arcane validity rules which are difficult to market to prospective passengers. Regular changes to concessionary fare levels generate additional confusion.
- 4.4. Linked to the issue of geographical consistency is the fact that there is no single accepted age definition amongst existing concessionary schemes. As a result, children and young people can often face a step change in travel costs once they hit a scheme's threshold age. A national policy could help address this by encouraging common age definitions and by ensuring a more smooth transition from child fares to commercial adult fares.
- 4.5. Clearly, some of the consistency issues highlighted above could be addressed through guidance documents or voluntary codes of conduct. Notwithstanding that, the status quo suggests that there might be a case for a national policy in this area.

## **5. Needs analysis and current concessionary offer**

### **Under 5s**

#### ***Needs***

- 5.1. Under 5s are always accompanied by an adult on the bus and will have no journey purpose in their own right.

#### ***What we do now***

- 5.2. Children under 5 years old travel free on the bus.

#### ***Making bus travel more affordable***

- 5.3. As under-5s already travel for free on the bus, any new concessionary offer for children and young people would not need to cover this group.
- 5.4. However, affordability can still be an issue for adults travelling with a young child. They may need to make multiple trips in a day, juggling childcare, work and other activities and appointments. Initiatives to help make trip chaining more affordable could help open up opportunities for parents, carers and their children.

## 5 to 11 year olds

### *Needs*

- 5.5. As with under-5s, many 5 to 11 year olds will be travelling with an adult with no purpose of their own. However, education journeys are likely to be the main priority for this group. Alongside this, children in this age group will also use the bus to visit friends and take part in sports and entertainment activities outside of school hours.
- 5.6. Due to their age, many children in this group will need to be accompanied by an adult on bus journeys.

### *What we do now*

- 5.7. Where walking to school is not reasonable, free transport is offered, with extra support available for families on a low income and children with special educational needs (see box).

#### **Free home to school transport**

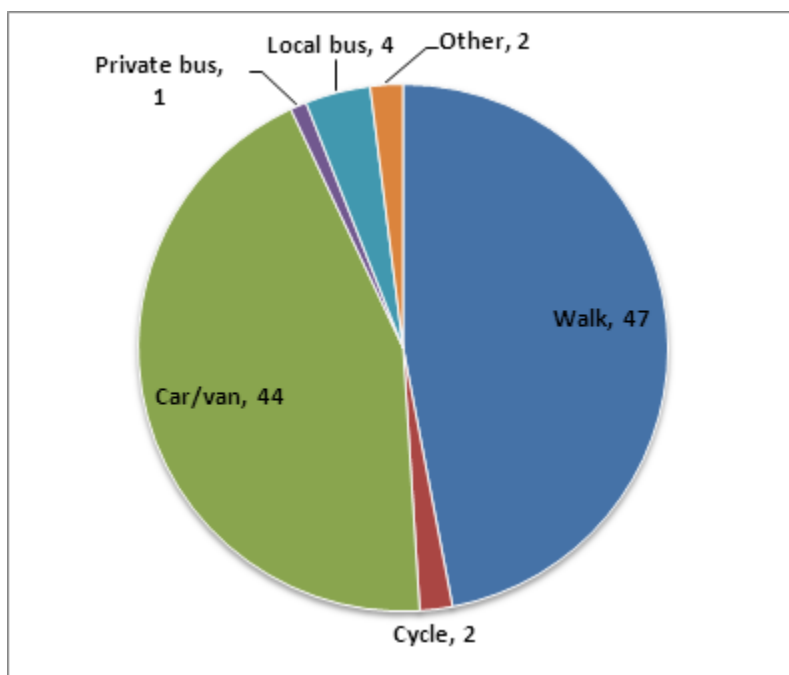
Free home to school transport is offered to children aged 5 to 16 if they are attending their nearest suitable school which is further than walking distance away (more than 2 miles for children under 8 years old and more than 3 miles away for children aged 8 and over) or if there is no safe walking route.

Families who are entitled to the maximum level of Working Tax Credit or whose children are on free school meals get free school transport between the ages of 8 and 11 if school is at least two miles away and between 11 and 16 if the nearest suitable school is 2-6 miles away or 2-15 miles away if it is the nearest school preferred on the grounds of religion or belief.

Children who have a statement of special educational needs that says the council will pay transport costs or children who cannot walk because of their special educational needs, disabilities or mobility problems get free transport however far they live from school.

- 5.8. Across Great Britain, some 49% of children aged 5 to 10 years old walk or cycle to school. However, despite free transport being offered where walking distances are too great, 44% of children travel to school by car or van, as the chart below shows.

**Chart 1: Trips to and from school per child, per year by mode: 5-10 year olds (2012)<sup>9</sup>**



5.9. Education journeys are only part of the story for this group. It is also important for 5-11 year olds to be able to make journeys outside of school hours, to enable them to visit friends and take part in sports and leisure activities. This is where affordability comes in to play, particularly as often children will need to be accompanied by adults and other family members, increasing the costs of travel.

5.10. Fare levels for 5 to 11 year olds vary across the country. In the Metropolitan areas, all transport authorities offer some form of discounted cash fare, as summarised in the table below.

**Table 1 Metropolitan area standard child fares<sup>10</sup>**

Metropolitan area	Single fare	Day ticket
Greater Manchester	Half	£2.80
Merseyside	50p (Merseytravel supported bus services only)	£2.00
South Yorkshire	70p	£2.50
Tyne and Wear	60p	£1.10
West Midlands	Half	£2.90
West Yorkshire	Half	£2.70

<sup>9</sup> DfT National Travel Survey table NTS0613

<sup>10</sup> Correct as of 27 June 2014

5.11. All Metropolitan areas also offer a range of child season ticket products which can offer further savings on standard fares. Duration and validity of season ticket products varies.

**Table 2 Metropolitan area child season tickets – duration and validity<sup>11</sup>**

Metropolitan area	Ticket durations available				Validity
	Week	Month	Term	Year	
Greater Manchester	✓	✓			Any day, any time.
Merseyside	✓		✓		Weekly tickets: any day, any time.  Term tickets: Journeys between home and school or for other educational purposes, until 8pm on week days during term time.
South Yorkshire	✓				Any day, any time.
Tyne and Wear			✓	✓	Between home and place of study, until 7pm on week days during term time.
West Midlands	✓	✓			Any day, any time.
West Yorkshire	✓	✓			Any day, any time.

***Making bus travel more affordable***

- 5.12. For education journeys, attention must be given to transferring more car and van journeys between home and school to cycling and walking where possible or to bus services where distances are too great. This involves building parent and child confidence in these modes and making them attractive and convenient options.
- 5.13. The affordability challenge for 5-11 year olds lies in ensuring they can afford to travel to valuable activities outside of school hours. A report by the All Party Parliamentary Group on Social Mobility found that participation in out of school activities was a key factor in breaking the cycle of social immobility.<sup>12</sup> It recommended that policy makers explore ways of levelling the playing field on access to, and participation in, out of school activities.
- 5.14. Evidence suggests that high bus fares prevent parents from allowing their children to participate in such activities.<sup>13</sup>
- 5.15. One highly effective way to prevent parents from having to 'ration' the journeys that their children make is to introduce capped daily fares which follow the 'flat, simple and consistent' model.

<sup>11</sup> Correct as of 27 June 2014

<sup>12</sup> All Party Parliamentary Group on Social Mobility (2012) Seven key truths about social mobility

<sup>13</sup> Pteg (2010) The effect of bus fare increases on low income families

**Box 2: Flat, simple, consistent...popular**

**Flat:** Flat fares (e.g. 50p for any single journey, £1 for unlimited travel all day) have been found to be more attractive than those based on a fraction of the adult fare. They require no knowledge of what adults are paying for an equivalent journey, do not vary according to distance and, in the case of capped day tickets, allow young people the freedom to make as many journeys as they like without worrying about additional cost.

**Simple:** The best fares are those that are easy to grasp and have straightforward eligibility criteria (e.g. all under 16s pay £1 for unlimited travel all day). Combined with effective publicity, such fares can quickly become established in the minds of young people and their parents.

**Consistent:** Consistency is an important feature of good practice – changes to child fare levels should take place as infrequently as funding policies allow. Consistency is helpful in communicating the offer and enabling families to budget for travel.

**Popular:** When fares following this model are introduced, they result in children making more journeys. The flat, simple and consistent fare scheme in Tyne and Wear resulted in a 15% increase in child patronage.<sup>14</sup> Young people themselves have chosen and campaigned for fare offers that fit the flat, simple and consistent model.<sup>15</sup> Merseytravel is the latest transport authority to adopt the model with its £2 'My Ticket'.

- 5.16. To maximise the benefits, flat, simple and consistent fare offers can be combined with marketing that alerts young people and their families to the positive activities they can reach using the bus so that they can make the most of the opportunities that the fares open up. The fare could also be tied into discounts with local leisure providers and retailers.
- 5.17. An added cost for parents of younger children is the additional cost of needing to travel with the child (and possibly other siblings). One option is to offer reduced fares for children when travelling with an adult.

**Case study 1: Brighton and Hove bus company: discounts for travel with an adult**

Brighton and Hove bus company allows holders of their 5-18 busID card (issued free) to travel for 40p for any one-way journey, any time, any day, when travelling with an adult. This compares to a maximum single child fare of £1.20 (half the adult fare).

Up to three children can travel with each accompanying adult. This means that an adult paying the standard single fare can travel with three children for £3.60 rather than the £6.00 it would otherwise have cost.

- 5.18. More could also be done to develop attractive, affordable season ticket options. In a number of cases, Metropolitan area season ticket products are only available for school journeys, meaning that young people cannot make use of them to access other valuable activities outside of school hours.
- 5.19. Furthermore, families on low incomes can struggle to afford to pay lump sums for even a week's worth of travel in advance. Care should be taken to ensure that these families are not

<sup>14</sup> Pteg (2012) Moving On: Working towards a better public transport offer for young people in tough times

<sup>15</sup> See, for example, case studies from Staffordshire and Barnsley in pteg (2012) Moving On: Working towards a better public transport offer for young people in tough times

excluded from accessing the best deals. Options include enabling season tickets to be paid for in manageable instalments or ensuring daily fares are as affordable as they can be.

### 11 to 16 year olds

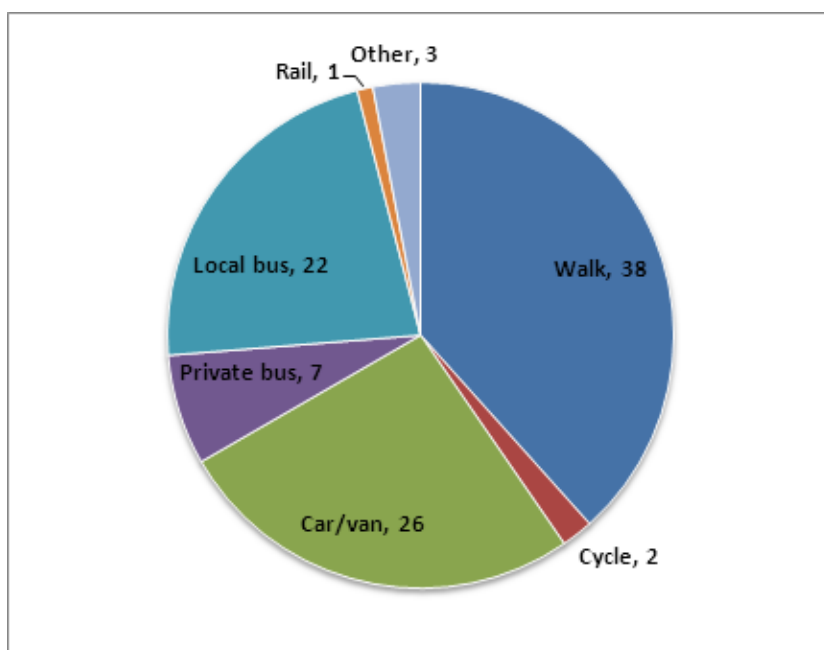
#### Needs

- 5.20. Whilst some accompanied travel remains, young people in this age group are increasingly independent travellers as they make the transition to secondary school.
- 5.21. Education journeys remain a priority but options for independent travel to visit friends and take part in sports, leisure and entertainment activities are also increasingly important.

#### What we do now

- 5.22. As with the 5 to 11 year old age group, free home to school transport is available where criteria are met (see Box 1). The difference is that 11 to 16s are much less likely to be driven to school and less likely to walk but more likely to use local or private buses, as the chart below shows (see Chart 1 to compare the two age groups).

**Chart 2: Trips to and from school per child, per year: 11-16 year olds (2012)<sup>16</sup>**



- 5.23. At this age, young people are more likely to want to travel independently to school and may need to travel further, making walking less of a viable option for some.
- 5.24. As their independence grows, young people in this age group will be wanting to make more journeys outside of school hours to visit friends, participate in sports and entertainment and – more so than for younger children – go shopping.
- 5.25. The range of cash fares and season tickets available in the Metropolitan areas will help determine the extent to which young people are able to make these sorts of journeys. For most in this age group, the fares and season tickets listed in Table 1 and Table 2 still apply, however, there is variation between the areas as to whether 15, 16 or (for some season

<sup>16</sup> DfT National Travel Survey table NTS0613

ticket products) 18 is the standard cut-off point. In some cases, the cut-off point even varies between the child ticket products of a single organisation.

### ***Making bus travel more affordable***

5.26. 11-16 year olds would benefit from the same measures set out above for 5-11 year olds namely:

- Building parent and child confidence in the use of walking, cycling and public transport to get to school and making these modes attractive and convenient options.
- Utilising flat, simple and consistent fare offers to enable affordable participation in valuable out-of-school activities.
- Making it more affordable for adults to travel with one or more children on the bus.
- Enabling season tickets to be used for journeys outside of school hours and outside of term time.
- Ensuring low income families are not excluded from accessing the best deals on fares.

### **16-18 year olds**

#### ***Needs***

- 5.27. Between the ages of 16 and 18 years old, young people have a number of options open to them and it is important to ensure that bus travel remains affordable no matter which option the young person chooses.
- 5.28. Currently, all young people must continue in education or training until the end of the academic year in which they turn 17 (set to rise to 18 in 2015). Young people have three options for meeting this participation requirement, listed in Box 3.

#### **Box 3: Meeting the participation requirement**

To comply with the law requiring young people to continue in education or training up to the age of 17 (or 18 in 2015) they can either:

- Study full time in a school, college or with a training provider.
- Work or volunteer full-time, combined with part-time education or training.
- Take up an apprenticeship or traineeship.

- 5.29. Whichever option they choose, young people's journey patterns are likely to become much more complicated as they juggle work, study and social commitments, often on the same day and on a limited budget.
- 5.30. Apprentices, for example, will need to spend time in both the workplace and training provider premises and will be earning as little as £2.68 per hour (see section on apprentices).

#### ***What we do now***

- 5.31. By the end of May each year, all local authorities must publish a transport policy statement, setting out how they will help students of sixth form age get to education and training. This might include providing transport to and from college or help with transport costs.
- 5.32. Nationally, young people aged 16 to 19 and studying at school or college or on a training course (including unpaid apprenticeships) may be able to access support from the 16 to 19



Bursary Fund to help with education-related costs (including transport). There are two types of bursary – a vulnerable student bursary and a discretionary bursary. The vulnerable student bursary offers up to £1,200 (depending on course length, whether it is full-time or part-time and likely expenses) if at least one of the following applies:

- In local authority care or recent care leaver
- In receipt of Income Support or Universal Credit (in own name)
- Disabled and in receipt of both Employment and Support Allowance, and either Disability Living Allowance or Personal Independence Payment (in own name)

5.33. Criteria for the discretionary bursary is set by education and training providers, for example, they may look at family income.

5.34. Research by Barnardo's has found that the 16-19 Bursary Fund leaves too many young people without the financial backup they need to support their everyday expenses, leaving them out of pocket and seriously considering whether they can afford to stay in education or training<sup>17</sup>.

5.35. Interestingly, help to meet the cost of rail fares is available nationally to cover the first three months of apprenticeships, but no equivalent exists for bus travel (see section on apprentices).

5.36. Whichever participation path they choose, many young people will be relying on affordable bus fares locally to help them to stay the course. Table 3 summarises whether discounted cash fares or season tickets are available for each group in the Metropolitan areas.

**Table 3: Metropolitan area offer for 16-18 year olds by participation path<sup>18</sup>**

Metropolitan area	Path 1: Full-time study		Path 2: Full-time work/volunteering plus part-time education/training		Path 3: Apprenticeship/traineeship		Not in Education, Employment or Training (NEET)	
	Cash fare offers?	Season ticket offers?	Cash fare offers?	Season ticket offers?	Cash fare offers?	Season ticket offers?	Cash fare offers?	Season ticket offers?
Greater Manchester	✓*	✓	X	✓	X	✓	X	✓
Merseyside	✓**	✓****	X	X	X	X	X	X
South Yorkshire	✓	✓	X	X	X	X	X	X
Tyne and Wear	X	✓	X	X	X	X	X	X
West Midlands	✓***		X	X	X	X	X	X
West Yorkshire	✓	✓	X	✓	X	✓	X	✓

<sup>17</sup> Barnardo's (2012) Staying the Course: Disadvantaged young people's experiences in the first term of the 16-19 Bursary fund.

<sup>18</sup> Correct as of 27 June 2014



\* Weekdays in term time only, before 9pm; \*\*Merseytravel supported bus services only; \*\*\*Journeys for education purposes only; \*\*\*\*Weekdays in term time only, before 8pm

### ***Making bus travel more affordable***

- 5.37. 16-17 year olds (and from 2015, 18 year olds) are required by law to continue in some form of education or training along one of the participation paths set out in Box 3.
- 5.38. In the Metropolitan areas, young people following path one – study full-time in school, college or with a training provider – are relatively well catered for. However, in some cases, the available tickets are restricted to term time, certain bus services or use at certain times of the day. These restrictions may mean that young people struggle to afford to make other valuable journeys, for example, travel to weekend jobs or to participate in sports.
- 5.39. Provision for young people choosing one of the other two paths (full time work or volunteering plus education or training or an apprenticeship or traineeship) is virtually non-existent. The same is true for young people who find themselves not in education, employment or training (NEET). Currently only Greater Manchester and West Yorkshire offer products covering these groups. They both have season tickets available to all young people, regardless of whether or not they are in education.
- 5.40. Metropolitan areas need to consider how they will support young people to follow any of the three paths to participation, as well as those who slip through the net and become NEET.
- 5.41. Again, a flat, simple and consistent fare offer (see Box 2), applicable to all young people, any day, any time could be beneficial and would help ensure that young people are not disadvantaged from a transport perspective by the participation path they choose. Such offers would also enable them to meet complex work, study and social commitments on a limited budget.

### **18-20 year olds**

#### ***Needs***

- 5.42. Between 18 and 20, young people may be continuing in education and training (including University and apprenticeships), possibly combined with part-time work or they may be looking for, or entering, full time work.
- 5.43. This may mean moving out of home to a new or unfamiliar place or establishing travel patterns that set the mould for the future, making it important that the bus is seen as an attractive, affordable and convenient mode.
- 5.44. Again, young people in this age group are likely to be living on limited budgets.

#### ***What we do now***

- 5.45. With the exception of Greater Manchester and West Yorkshire, where half fares are still available up to the age of 19 for those in full-time education, adult fares apply in all other Metropolitan areas.
- 5.46. In Greater Manchester, Tyne and Wear and West Yorkshire, season ticket deals are still available for this age group, although in the case of Tyne and Wear, the product is only available to full-time students.

### ***Making bus travel more affordable***

- 5.47. After the age of 18, young people are no longer required to participate in education or training, meaning it could be argued that specific provision for this group is not a priority.
- 5.48. However, in practice many will still be in full-time education between 18 and 20, they may be looking for work or they may be in entry level jobs with low rates of pay. This group might therefore still find bus travel costs difficult to meet and some level of support could be justified.
- 5.49. It could be, for example, that a more tapered transition to adult fares is applied. This could also help build the future market for bus as young people are encouraged to continue using it as they reach key transition points in their lives, rather than turning to the car.
- 5.50. Another attractive option for this group might be to offer discounts for friends travelling together in order to rival savings that can be offered by taxis for nights out.

### **20-22 years old**

#### ***Needs***

- 5.51. For this age group, most will be leaving full-time education and entering – or continuing – in employment. For those in work, commuting becomes the main priority journey. For those seeking work, the costs of travelling to interviews can be a challenge.

#### ***What we do now***

- 5.52. Adult fares apply in all Metropolitan areas. In Greater Manchester (up to 21 years old), Tyne and Wear and West Yorkshire, season ticket deals are still available for this age group, although in the case of Tyne and Wear, the product is only available to full-time students.

### ***Making bus travel more affordable***

- 5.53. The same potential measures apply as for 18-20 year olds. Specific measures could be introduced to support job search activity (see section on Jobseekers).

### **22-24 years old**

#### ***Needs***

- 5.54. Most young people will either be looking for, or continuing in employment. Some may be becoming more established in their careers with rates of pay and disposable income increasing.

#### ***What we do now***

- 5.55. Adult fares apply in all Metropolitan areas. In Tyne and Wear and West Yorkshire (up to 25 years old) season ticket deals are still available for this age group, although in the case of Tyne and Wear, the product is only available to full-time students.

### ***Making bus travel more affordable***

- 5.56. The same potential measures apply as for 18-20 year olds, however, given that income levels are likely to be higher for those in employment, the case for specific provision is

perhaps weaker. Measures could be introduced to support job search activity (see section on Jobseekers).

## **Apprentices**

### ***Needs***

- 5.57. Apprenticeships are open to anyone aged over 16 and not in full-time education.
- 5.58. Apprentices are likely to be on a low wage. The minimum starting salary for an apprentice is £2.68 per hour and the average weekly wage is £200. Apprentices aged 19 or over who have completed their first year must be paid at least the minimum wage rate for their age.
- 5.59. Most apprenticeships are for a minimum of 30 hours per week and apprentices spend most of their time in the workplace. They will also spend some time in training provider premises.
- 5.60. They will need access to affordable public transport which also enables them to travel between different locations in the same day.

### ***What we do now***

- 5.61. At national level, a train travel discount scheme offers half price transport for apprentices during the first three months of their programme. No equivalent scheme for bus travel is available nationally, although in London apprentices aged 18 or over can save 30% off adult-rate Travelcards and Bus and Tram Pass season tickets for the first year of their programme.
- 5.62. In the Metropolitan areas, apprentices pay full adult fares on bus. Some younger apprentices may be eligible for discounted season tickets (see age group sections, above) by virtue of their age, rather than their apprenticeship status.

### ***Making bus travel more affordable***

- 5.63. As noted above, young people aged 16-18 should not be disadvantaged because they have chosen the apprenticeship, rather than the full-time education, path to compulsory participation in education and training (see Box 3). Metropolitan areas need to give consideration to how they can level the playing field for this group, potentially by offering flat fares which apply across all three pathways.
- 5.64. Consideration could also be given to providing support for 'older' apprentices aged 18 and over, as is done in London, particularly as this group are likely to be on low rates of pay.
- 5.65. At national level, it seems odd that apprentices are able to benefit from 50% off train travel but that there is no equivalent for bus travel.

## **Jobseekers**

### ***Needs***

- 5.66. Young people have been especially hard hit by the recession, leading to steep increase in the unemployment rate amongst this age group. In addition, young people have more limited access to alternative modes of transport and tend to be employed, disproportionately, in low income occupations. It's therefore important to include concessionary travel entitlement for job seekers in our assessment of the concessionary offer to young people.

5.67. Jobseekers will need to make regular trips to the Jobcentre as well as potentially frequent trips to various locations to attend interviews, hand CVs to employers, attend job fairs, job clubs etc.

5.68. On finding a job, travel costs may be difficult to meet before the first pay packet arrives.

**What we do now**

5.69. At national level, Jobcentre Plus advisors have a discretionary flexible support fund which can be used to help with the cost of travelling to an interview, training or for the first months of a new job. The fund can also be used for other expenses, like interview clothes. Jobseekers do not have the right to claim these funds and their use is entirely at the discretion of advisers. The extent to which the fund is used for transport purposes is not clear.

5.70. There is also a Jobcentre Plus Travel Discount Card which can be accessed after three months of unemployment. However, this only covers train travel, not bus. The card offers a discount of 50%. In London, the card can be used for bus travel when added to an Oyster card. In January 2013, Greener Journeys, working with bus operators offered holders of the card free bus travel for the month. The offer covered 70% of bus routes in England, Scotland and Wales, the scheme has not been continued.

Discounted fares for jobseekers available in the Metropolitan areas are outlined in the table below.

Metropolitan area	Fare offers for jobseekers
Greater Manchester	Free one day passes for interviews. Free travel for first four weeks of a new job. Discounted travel for a further 12 weeks of a new job.
Merseyside	Free one month travel pass for those starting employment after a long period of unemployment.
South Yorkshire	Discounted season tickets – weekly Off Peak TravelMaster available to registered unemployed and weekly or monthly New Deal Travel Master available to those on the Work Programme.
Tyne and Wear	Free Day Rover and Weekly tickets for travel to interviews, training and the first weeks of a new job. Tickets are supplied by Nexus (using LSTF and Nexus funding) and distributed via Jobcentre Plus and Ingeus as part of the LSTF 'Go Smarter to Work' project.
West Midlands	Free travel cards for interviews and free travel pass for travel to a new job. Jobseekers must be starting work or have an interview and must not be on the Work Programme.
West Yorkshire	MetroRover ticket entitles jobseekers to half fares for any journey purpose at a cost of £5 per month.  Available to Jobseekers Allowance claimants or Employment Support Allowance claimants in the Work Related Activity Group.

### ***Making bus travel more affordable***

- 5.71. Ideally, the JobCentre Plus Travel Discount Card would be extended to cover bus travel.
- 5.72. However, at local level, West Yorkshire's MetroRover ticket offers a good approach in that it is a simple scheme which covers all the varied journeys a jobseeker may wish to make with minimal administration. The £5 upfront cost could be paid for via the advisor discretionary fund if this is a barrier to the jobseeker.
- 5.73. On the other hand, even half fares may be difficult for jobseekers to afford, meaning that there is also a role for free fares to interviews and in the first month of a new job for certain customers.

## **6. Option development**

- 6.1. In this section, we set out the key factors considered in designing potential policy options. While recognising that a devolved or industry-led approach may well be viable we have assumed, for the purpose of costing each alternative, that the same policy would apply across the country (regardless of what it might be).
- 6.2. We consider the following key options:
- Flat versus proportional fare;
  - Tokens or capped travel;
  - Annual pass renewal charge;
  - Travel restrictions relating to time of day and journey purpose;
  - Travel restrictions relating to geography; and
  - Restrictions relating to age group.
- 6.3. **Flat versus proportional fare.** A flat fare, whereby a journey is always priced at the same level, is undoubtedly one of the most effective ways of meeting the simplicity and consistency objectives. In contrast, proportional fares<sup>19</sup> mean that each trip is potentially priced differently and that users are required to work out the fare they are required to pay, potentially once they have boarded the bus. It's much more reassuring to passengers to know that it will always cost them 50p to get on a bus than to have to work out what one third of £1.73 is when standing before a driver. With a flat fare, passengers know where they stand, regardless of where they are and without needing to navigate the often complex commercial fare structures in place.
- 6.4. Nevertheless, the attempt to define a national flat fare concession poses some important challenges. Firstly, commercial bus fares vary widely between parts of the country (and between different types of trip), largely driven by trip length and load factors. The consequence is that any flat fare concession is likely to represent a greater proportional fare saving in rural areas (or for longer trips) where average fares per trip tend to be higher.
- 6.5. The other key problem is that there can be more resistance to updating flat fares with inflation as they are not automatically indexed to commercial fares. On the other hand, there is a good rationale for keeping flat fares unchanged over a number of years as this makes them much more easy to market (think, for example, of a £1 all day ticket compared to a

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<sup>19</sup> By proportional fares, we mean a situation where the concessionary fare is a proportion of the equivalent adult fare.

£1.07 all day ticket). When flat fares are eventually updated there can also be a significant backlash from passengers as they may need to reflect several years' worth of inflation.

- 6.6. In this paper, we report the impact of three types of flat fare (zero fare, £1/day and £2/day) and one proportional fare (half price). Evidence available<sup>20</sup> suggests that commercial operators already offer an average 40% discount to children and young people. Although, say, a national 1/3 off scheme would ensure greater consistency at little additional public cost, it would have virtually no impact on the cost of travel to CYPs.
- 6.7. Note that, based on our assumptions, a £2 all day ticket offers a broadly similar average discount level as a half fare concession although the two schemes would result in a very different distribution of benefits across the country (for example, a £2/day ticket would have no impact in urban areas).
- 6.8. **Tokens/capped travel.** One variation on the flat fare model is to either limit the number of free trips that each qualifying individual is able to make or to limit their total value. In the past, this sort of concession has been implemented using a token or voucher system (e.g.: elderly and disabled vouchers in South Hampshire), which can be expensive to administer and fairly prone to fraud. However, the growth in smart ticketing will make this type of concession relatively straightforward to implement in years to come.
- 6.9. The key advantage of a token system is that it allows the cost of the scheme to be capped and easily changed from year to year (with changes in the cap). It could also be argued that it delivers better value for money than an uncapped system, assuming bus trips are subject to decreasing marginal utility (the more bus trips an individual makes the less valuable the last trip made is likely to be). On the other hand, it presents greater complexity to users (as they need to know how many free trips they still have available) and is potentially less effective from both equity and social inclusion perspectives as trip frequency is likely to be negatively correlated with income. However, this could be avoided by varying the cap according to some socio-economic criterion (e.g.: unlimited travel to individuals in receipt of free school meals or households in receipt of certain kinds of welfare benefit).
- 6.10. **Annual pass renewal charge.** One way to overcome the challenges associated with flat fares is to introduce an additional annual charge which may be allowed to vary more frequently (for example, annually) and between areas (for example, if local authorities have some freedom over the pricing of the card). The psychological impact of a change to the cost of an annual purchase is likely to be much lower than frequent variations in the cost of a regular purchase such as a bus ticket.
- 6.11. Most operators already require children and young people to show proof of age, often in the form of a local authority provided young person's or scholar's card, so the admin cost of providing an annual pass to be renewed annually is expected to be small.
- 6.12. A pass has additional advantages:
  - The issuing and renewal charges can be waived for specific groups (for example, children in receipt of free school meals) which can improve the targeting and redistributive performance of the measure.

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<sup>20</sup> WSP (2008), Report to the Department for Transport



- The targeting of the scheme will be improved by default in that it results in a lower charge per trip for more frequent users who are likely to come disproportionately from households with lower car ownership.
- It helps operators to more easily identify young people and may offer the opportunity for further price differentiation (for example, where operators offer even greater discounts during school holidays).

6.13. It can help reduce the overall reimbursement cost of a scheme offering very low fares.

6.14. For illustration purposes, we report on the impact of annual charges of £10 and £20, in combination with a zero fare and a daily fare of £1. Based on the average bus trip rate amongst 11-16 year olds of just over 100 trips per year, these annual charges would amount to an average cost per trip of, respectively 10p and 20p. It's unlikely that an annual pass would be effective for daily tickets priced above £1. For a zero fare policy, annual pass charges as high as £50 or above might still be attractive to significant proportion of the population.

6.15. It is worth pointing out that a £3 annual increase in the cost of pass renewal would be potentially enough to neutralise the effect of retail price inflation.

6.16. **Temporal validity and journey purpose.** Many existing CYP concessions restrict travel to a particular time of day (e.g.: after 9.30am) or time of year (e.g.: term-time only). This is often an attempt to differentiate between school and leisure travel. Because leisure travel is more price sensitive a discount can generate a substantial amount of additional traffic which will make such schemes more commercially attractive or, alternatively, cheaper to the public purse. However, time restricted concessions do nothing about consistency and simplicity outside the period of validity. At the same time, access to education is where both the social justice argument and wider economic arguments are likely to hold more strongly.

6.17. In this paper we illustrate the financial impact of a national concession applying at all times, and then show what proportion of the total cost is estimated to relate to school and non-school travel (in practice it may be difficult to distinguish between school and non-school travel at certain times of day, such as in the afternoon peak).

6.18. **Geographical validity.** Another option for reducing the reimbursement costs of a concession is to restrict distance travelled, for example by making it valid only within a local authorities' boundary. Unlike in the case of the elderly and disabled concession, this is unlikely to result in a significant saving given that CYP's travel patterns are relatively local in nature (education, shopping, local leisure activities such as sports and visiting friends are the dominant journey purposes for the under 16s; travel to work becomes relatively more important for older age groups).

6.19. It is worth noting that one potential advantage of a nationally valid concession is that it has in the past strengthened the introduction of mutually compatible (ITSO) smartcards systems amongst different bus operators. A national CYP concession would reinforce this trend.

6.20. Given that it undermines ability to effectively market the scheme and may add further administration costs, we have not illustrated the impact of a geographical restriction on the concessionary offering.

6.21. **Age validity.** Age restrictions are another means to reduce the reimbursement cost of a CYP concession. There can be a social and economic rationale behind this since, as they grow

older, individuals become increasingly financial independent and less price sensitive. On the other hand, a concession for young adults can be a highly effective and targeted way to improve public transport access to work and education for those who most need it. Unemployment is often highest amongst 18-24 year olds and this is particularly true at present. One variation on age restrictions is to allow free travel young adults who are not in education, employment or training (NEET). This group currently represents 8% of 16-18 year olds and 18% of 19-24 year olds (though with the raising of the age of participation, the proportion of 16-18 year olds will eventually decline to near zero). Almost half of these are actively searching for work and would likely benefit from cheaper travel.

- 6.22. In this paper, we split the cost of concessionary options into 5-10, 11-18 and 19-24.
- 6.23. More generally, we suggest that any concessionary scheme should avoid threshold effects whereby, upon reaching a certain age, individuals are faced with a steep increase in fares. This could be achieved, for example, by a graded approach whereby a flat fare up to the age of 18 is complemented by a young adult's half fare. It is worth noting that many bus operators already understand that young adults are more price sensitive than adult bus users and therefore offer fairly attractive concessions or discounted products (for example, cheaper tickets for travel to/from known university areas and student residences). This therefore suggests that the reimbursement cost of a 19+ concession may be lower than our estimates.

## 7. Option assessment

### Summary assessment

- 7.1. Table 1 (below) provides a qualitative summary assessment of the range of options generated, based on the following criteria:
- Simplicity, from the perspective of children and young people's bus use
  - Consistent geographical coverage
  - Cost to government (more precise financial forecasts are provided in table 2 in the following section)
  - Inflation proofing (i.e.: the ability to neutralise the effect of inflation on the cost of reimbursement)
  - Equity/income re-distribution
  - Funding and reimbursement complexity (this is discussed in more detail in a subsequent section)



**Table 1. Qualitative assessment of alternative policy options**

Policy option	Simplicity	Consistency / coverage	Cost to central government	Inflation proofing	Equity	Funding / reimbursement complexity
Free fare	😊😊😊	😊😊😊	££££££	😞	😊	😞
Free fare + annual pass	😊😊	😊😊	££££	😊	😊😊	😞
Free fare, non-school only	😞	😊	££££	😞	😊	😞😞
Free fare, school only	😊	😊	££	😞	😊	😞😞
Tokens/vouchers (200 free bus trips per year)	😊	😊	££££	😊	😞	😊
NEETs only (18-20)	😞	😊	½ £	😞	😊	😞
<b>Flat £1</b>	😊😊	😊😊	£££	😞	😊	😞
Flat £1 + annual pass	😊	😊	££	😊	😊	😞
<b>Flat £2</b>	😊😊	😊😊	£	😞	😞	😞😞
<b>Proportional (50%)</b>	😞	😊	½ £	😊😊	😞	😞
<b>Devolved (status quo)</b>	😞	😞😞	Zero <sup>21</sup>	😊😊	😞	😊

**Cost to government**

- 7.2. Table 2 summarises our forecasts of the cost to government of alternative policy options. The key underlying assumptions are summarised in the appendix.
- 7.3. We do not illustrate the impact of concessions applying only to school or non-school travel. However, a reasonable rule of thumb is that a concession applying only to school travel would cost around a third of a concession applying equally to all bus trips.
- 7.4. For passengers aged 19-24, we have assumed that there is no current discount to ticket prices from the commercial operator. This assumption has been used to form the upper bound of the cost estimates for over 18s, with a 20% discount being used to estimate the lower bound. This is a conservative estimate as it is possible that there could be local concessionary fares for these groups or other tickets available, so the scenario below represents a worst case example.

<sup>21</sup> Although many bus operators and local transport authorities already offer some form of local concession to children and young people, this tends to be entirely funded from local revenue sources.

**Table 2. Cost estimates of alternative policy options**

Bus fare	Annual pass	Net Reimbursement			Generated trips				
		5-10	11-18	19-24	5-10	11-18	Overall % increase demand	19-24	Overall % increase demand <sup>22</sup>
£0		£50-100m	£460-510m	£440-550m	44m	306m	68	428m	139
	£10	-£15m	-£20m	-£36					
	£20	-£30m	-£40m	-£66					
Tokens (200 free bus trips/year) <sup>23</sup>		£100-150m	£200-250m	£150-210m	~40m	~50m		~150m	
£1 all day		£30-50m	£260-300m	£300-410m	27m	180m	40	305m	99
	£10	-£30m	-£50m	-£75m					
	£20	-£50m	-£80m	-£150m					
£2 all day		£10-20m	£90-120m	£150-250m	11m	77m	17	200m	65
Half fare		£5-10m	£40-70m	£105-190m	6m	41m	9	166m	54

- 7.5. Our analysis shows, for example, that a £1 all day flat fare for 5-18 year olds, would cost between £290m and £350m p.a. in reimbursement to operators and would generate 207 million new bus trips. If the scheme was extended to the age of 24, then the cost would be in the £590-760m range and there would be 512 million new bus trips per year. In England outside London, **national free bus travel from birth to 24 could cost as much as £1.1 billion per year (excluding London)**. This exceeds current expenditure on elderly and disabled concessions.
- 7.6. The greatest increase in trips is generated in the 19-24 category for all scenarios. This is because the discount applied in any of the above categories is greatest compared to the fares currently paid. It is assumed that there is no current discount applied to the 19-24 group, with current ticket prices being the full commercial fare.
- 7.7. Due to the different fares currently paid by the age categories, the cost of reimbursement per trip varies. The reimbursement cost per trip is calculated using the difference between the proposed fare and the assumed fare that is currently being paid. This implies that the cost of reimbursement for 19-24 year olds would be higher than for 5-18 year olds (discounting from a full commercial fare rather than a discounted fare).
- 7.8. The amount that needs to be reimbursed will impact on the reimbursement cost per trip for the different age groups. Using a scenario where the concessionary fare is set at £0, the maximum cost of reimbursement for under 18s would be £1.18 per trip compared to £1.80 for

<sup>22</sup> Relative to all bus trips currently made by 5-20 year olds.

<sup>23</sup> This policy measure is more difficult to analyse than some of the other options as it would have a very different effect on those individuals currently travelling by bus relative to frequent users. The figures provided are therefore merely indicative.

19-24 year olds. If the fare was set at £2, the maximum reimbursement cost per trip would be £0.27 per trip for under 18s, and £0.61 per trip for 19-24 year olds.

### **Funding/reimbursement issues**

- 7.9. Funding and reimbursement have proven to be contentious issues in the context of national concessions for elderly and disabled people. The key challenge has been the need to take into account local circumstances (e.g.: commercial bus fares and bus patronage levels) when determining a fair level of operator reimbursement and, in turn, central government funding to local transport authorities. Because of the requirement to treat bus operators in a fair and equitable way, a considerable amount of work is often required to devise an objective reimbursement mechanism.
- 7.10. Although there is now an established reimbursement framework in England covering free travel for elderly and disabled people, a national CYP concession would likely require further guidance (and research) from the Department for Transport. This is probably true of any national concession although the design of the policy could have an impact on the ability to develop a robust (and hence less contested) framework. On the other hand, local transport authorities are already required to reimburse operators in a fair and equitable way. One advantage of a national concession would therefore be that the evidence base to inform this process could be developed collectively and once, rather than in a necessarily less robust piecemeal basis.
- 7.11. The larger the market that a concession applies to the easier it is to obtain robust data on its sensitivity to fare changes (effectively, the key driver of reimbursement). Reimbursement for school or non-school only concessions would therefore be particularly challenging as is the case for a £2 flat fare, which would require a very different treatment of rural and urban areas.
- 7.12. Of the options considered, a capped travel concession would offer the simplest outcome from a reimbursement point of view, as it allows a simpler treatment of those bus trips which would have been made in the absence of the concession. However, this would be far from the simplest or most attractive option from the perspective of the passenger.
- 7.13. From a funding perspective, the key challenge currently faced by local transport authorities is that funding for the existing national scheme for elderly and disabled people is not directly linked to reimbursement costs. This has become particularly critical since the funding for the national concession was lumped into the DCLG's Formula Grant in 2011. To remain financially sustainable, any future scheme would therefore need to ensure a direct link between central government funding and the cost of reimbursement. This would be especially important if such a policy were to be funded from the budgets of more than a single department (e.g.: DfT, DfE, DoH, DCLG).

## Appendices

### A. Cost forecasts – record of assumptions

- Base year is 2015
- Population by age group (5-9, 10-14, 15-19, 20-24) taken from latest ONS forecasts; subsequently converted into National Travel Survey age groups (5-10, 11-16, 17-20, 21-29) assuming uniform distribution of population within each age group
- Average daily trip frequency assumed to be 2.5; this is required to estimate the average equivalent single trip fare that would apply in the context of a flat all day ticket. It is assumed that individual single trips would be priced at this level. It is common practice for single fares to be priced above this level (e.g.: all day ticket divided by 2) so there is some room for manoeuvre in our figures.
- Trip rates by age group (total and for education purposes) are taken from NTS table NTS611 (age groups: 5-16; 17-20; 21-29); bus mode share is taken from tables NTS613 (for school trips) and NTS601 (all trips). In order to estimate trips rates for each age group separately for school and other travel we have assumed that school bus mode share for 5-10 and 11-16 age groups reflects their overall bus mode share for all trips.
- Estimates are given as ranges which broadly reflect the difference between short-run and long-run effects as well as inherent uncertainty; at current fares, short-run fare elasticities are assumed to be -0.2 and -0.5 for school and non-school travel respectively. Equivalent long run elasticities are assumed to be -0.5 and -1, respectively.
- A negative exponential demand model (similar to that used for ENCTS reimbursement with  $\lambda=0$ ) has been used to estimate reimbursement factors.
- Marginal capacity/operating costs have been assumed to be 15p/trip for school travel and 7p/trip for non-school travel, roughly equating to peak and off-peak.
- Average commercial fares per trip (England excluding London) are assumed to be £1.82 in 2013. This is estimated by extrapolating the figure in the WSP (2008) report using the DfT's fares index. Applying annual inflation of 2.5% would put commercial fares in 2015 at £1.91.
- Following WSP (2008), it is assumed that commercial operators currently apply an average discount of 40% to child and young people's bus travel.
- It is assumed that the average proportion of children eligible for free school meals is 9%. This is an average between the figure quoted in WSP (2008) (2%) and the recent report by Larner and Thornthwaite (2013) which puts it at 15% in PTE areas.