

# CONCESSIONARY FARES – OPERATOR PAYMENTS

**CONFIDENTIAL**



## 1.0 INTRODUCTION

The impact of Covid-19 on the bus industry has been severe, with bus operators seeing significant reductions in their patronage, as much as 90% reduction during some weeks, since lockdown began back in March 2020. In order to support the continuation of vital local bus services the Council approved continuation of concessionary fares reimbursement payments at pre-Covid levels to the end of September 2020. This report seeks approval to continue this reimbursement method for the remainder of the 2020-21 financial year, in accordance with Government advice.

## 2.0 BACKGROUND

The English National Concessionary Travel Scheme is a mandatory scheme introduced by the Government on 1 April 2008 under the Concessionary Bus Travel Act 2007.

Residents who have reached the age of 66, and eligible disabled persons, are entitled to free travel on all registered local bus services within England, within the timings set out in the legislation. Whilst the mandatory scheme sets out that passholders must be permitted free travel on all registered local bus services between 9.30am and 11pm on weekdays and at any time on Saturdays, Sundays and Public Holidays, it does state that local authorities can offer additional entitlement if they wish to do so. Plymouth City Council therefore offers free travel before 9.30am on weekdays to those aged 80 years and over, and those registered blind, for any journey undertaken wholly within the city boundary. The reason for offering this additional entitlement results from these groups already being entitled to free bus travel within the city boundary all day every day prior to the introduction of the national scheme. There has been no desire to change this, given that the passholders are likely to make the same journeys after 9.30am, and as such it is anticipated that there would be very little financial benefit to the Council if it were withdrawn.

Each Local Authority is responsible for issuing passes to their residents eligible to participate in the scheme, and to reimburse bus operators for each journey recorded within their boundary, irrespective of which Local Authority has issued the pass. Plymouth City Council currently has 49,559 resident pass-holders (44,427 issued on the grounds of age and 5,132 issued on the grounds of disability).

Each year, on 1 December, the Council is required to publish its draft scheme setting out the rules and the proposed operator reimbursement mechanism for the following financial year. The final scheme document must be published no later than 3 March for commencement from 1 April. Any operator running registered local bus services is required to participate in the scheme.

Given that this is a mandatory scheme, there is no formal contract in place with individual operators.

## 3.0 PRE COVID-19

Over recent years, Plymouth has seen concessionary patronage levels decline, in line with the national trend.

Whilst there has been a decline in concessionary trips, there has also been a reduction in the number of Plymouth passholders since the national scheme was introduced in 2008, with numbers reducing

from 55,000 down to just over 49,500. In part, this has been achieved through work undertaken by the Sustainable Transport Team to ensure that only eligible residents benefit from the scheme:

- Tightening up on disabled pass entitlement and introducing independent medical assessments for those without satisfactory evidence, thereby making it much more difficult for those without qualifying disabilities to obtain evidence.
- Working with the Council's Fraud team and local bus operators to combat fraudulent use of bus passes resulting in 51 investigations. Whilst some of these have been delayed due to Covid-19 and some have resulted in no further action, other than education of the passholder, since 2016 we have had 10 successful prosecutions, 18 formal cautions and 4 warning letters issued. In addition, we participate in the National Fraud Investigation matching exercise, instigated by the Audit Commission, to further reduce the risk of fraud occurring.
- Introducing an online application system for new applicants with transport staff verifying evidence

In addition, the team have also been pro-active in ensuring value for money from the scheme through:

- Generating income through charging customers for replacement passes where they have not notified us of a change of address, resulting in them not receiving an automatically generated new pass
- Generating income through charging customers for replacement passes where they have been lost, stolen or damaged
- Seeking income generation opportunities through allowing appropriate businesses to place advertisements, relevant to the audience, in the carrier letters accompanying bus passes when they are dispatched from our printers. Work on this has needed to be paused due to Covid-19 but will be progressed in the coming months.

## **4.0 COVID-19**

### **4.1 IMPACT ON CONCESSIONARY TRAVEL**

Following the Government announcement of a full lockdown in March 2020, the bus industry suffered massively as passenger numbers dropped immediately to between 7 and 10% of levels for the same period in 2019, with the long term viability of the commercial bus network within Plymouth (and nationwide) being considered at risk. This concern is validated by the actions subsequently taken by the Government to support the bus industry through Covid-Bus Service Support Grants (CBSSG), which have been paid throughout the pandemic and will continue to be paid until at least January 2021.

### **4.2 PLYMOUTH CITY COUNCIL RESPONSE**

On 26 March 2020, a Change Request was approved, allowing concessionary fares reimbursements to operators to be paid at pre-Covid levels, in accordance with advice received from Central Government.

The payment amounts have been calculated by taking the concessionary patronage for each operator from April 2019 to January 2020 inclusive, and comparing this to the same period in 2018-19 to identify the decline in concessionary trips year on year (it is a decline for all operators). We then took the patronage data for the equivalent month in 2019 (April to September to date) and applied this percentage decline to calculate the number of trips we think would have been undertaken in the absence of Covid. The approach to pay on a results basis,

using an average from previous months, is consistent with the methodology set out in Policy Procurement note 02/20, which states:

**Issue**

1. This Procurement Policy Note (PPN) sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current coronavirus, COVID-19, outbreak. Contracting authorities must act now to ensure suppliers at risk are in a position to resume normal contract delivery once the outbreak is over.

**Action**

2. All contracting authorities should:
- Urgently review their contract portfolio and inform suppliers who they believe are at risk that they will continue to be paid as normal (even if service delivery is disrupted or temporarily suspended) until at least the end of June.
  - Put in place the most appropriate payment measures to support supplier cash flow; this might include a range of approaches such as forward ordering, payment in advance/pre-payment, interim payments and payment on order (not receipt).
  - If the contract involves payment by results then payment should be on the basis of previous invoices, for example the average monthly payment over the previous three months.

Had we continued to pay operators based on the number of trips undertaken this would have had a catastrophic effect on their income and cash flow, and gone against the advice issued by Central Government.

#### **4.2.1 RESPONSE RATIONALE**

The decision to continue to make concessionary fares payments to operators at pre-Covid levels follows the advice issued by Central Government. A number of letters have been received from the Department for Transport, which clearly set out the need to continue to reimburse bus operators at pre-pandemic patronage levels, this being a condition of local authorities to continue receiving LTA CBSSG payments. The timeline of letters received is set out below:

25 March 2020 – DfT letter to Local Authority Transport Officers - Stephen Fidler, Director of Local Transport

04 April 2020 – DfT letter to Local Authority Transport Officers – Stephen Fidler

20 May 2020 – DfT letter to Bus Operators (extract only as below received by PCC) - Stephen Fidler stating:

*“The further funding is designed to provide additional funding on top of continued payments from the public sector to bus operators (such as BSOG, concessionary travel reimbursement, home to school transport and tendered service contract payments) at pre-pandemic levels, as requested by Ministers.”*

27 May 2020 – DfT letter to Local Authority Transport Officers – Emma Ward, Director General, Roads, Places and Environment

07 August 2020 – DfT letter to Local Authority Transport Officers – Stephen Fidler

14 August 2020 – DfT letter to Local Authority Transport Officer – Stephen Fidler

14 September 2020 – DfT Letter to Local Authority Transport Officers – Matthew Crane, Deputy Director, Local Transport COVID-19 Response Division

In addition to the letters received from the DfT, consultants Integrated Transport Planning Ltd, who have assisted the Sustainable Transport Team with the calculation of concessionary fares reimbursement in the past, have also advised us that they have received correspondence from the DfT dated 22 July 2020 stating:

“Since March, the DfT has been urging LTAs to maintain concessionary reimbursement payments at pre-COVID levels for the duration of the outbreak. DfT continues to encourage LTAs to do so.

There are no current plans to release guidance related to maintaining concessionary reimbursement payments. As I said before, we are urging LTAs to do this”.

Plymouth’s commercial bus network continues to be considered to be ‘at risk’ due to the ongoing impact of Covid-19 on bus patronage. The nature of the service means that Plymouth City Council does not contract the concessionary fares scheme. It is a statutory service. However, payment is ‘by results’ (i.e. the number of eligible concessionary trips undertaken within a given period) and hence the Council’s approach has been to make payments based on previous costs, in accordance with PPN02/20.

To set the concessionary fares payments into context, bus operators have received additional financial support, both from the Council and more significantly from Central Government through the Operator CBSSG and the furlough schemes – again in the case of the payments by PCC at the direct requirement of the DfT in order to support the viability of vital local bus services. This demonstrates the continuing severity of the situation and the commitment to keep public transport operations viable.

Plymouth is a bus-based city, with comparatively few journeys made within its boundary by other public transport modes such as rail and it is therefore, imperative we support the industry during the current crisis in order for it to be able to provide vital services once the pandemic has passed and support a sustainable economic recovery through Resurgam that is not car dependant.

#### **5.0 RESURGAM The role of the bus.**

The local bus network is the primary mode of public transport across the city and has to be at the centre of delivering sustainable travel. Bus operators in Plymouth have made a determined effort to return services as soon as they could to 100% of pre-COVID levels and on some services in excess of pre-COVID levels to aid the need for social distancing. However, passenger numbers have not recovered and are little more than about 50% of normal. The implication of this for the economics of the commercial bus network will be obvious and sustained public funding is needed to avoid cuts in service and cuts in frequency and avoid a car based economic recovery.

Bus travel is an enabler delivering inclusive growth by reducing car dependency and increase access to jobs, apprenticeships, reskilling and education, especially for the young who may be unemployed and more likely to be on low incomes. Citybus is also a significant employer within the city, with 490 employed in providing bus services in Plymouth and also a significant supporter of the transport sector’s local supply chain.

Buses are a significant enabler to decarbonising the transport sector in the city to reduce total vehicle miles, reduce traffic congestion, reduce emissions and improve air quality, in itself shown to be an important mechanism for improving the resilience of the local population to future pandemic outbreaks. Buses are an enabler of a greener economic recovery but only if it can afford to invest in cleaner fuels and green infrastructure. Buses can be the catalyst for accelerating the number of miles travelled on zero emission vehicles across the city with investment in hydrogen and battery electric power.

#### **6.0 IMPLICATIONS IF CHANGES TO REIMBURSEMENT METHOD INTRODUCED**

Any change to the current payment method will have negative impacts elsewhere, the most significant of these being the potential reduction in frequency or total withdrawal of commercial services.

Bus operators have indicated that there are a number of commercial services that are already marginal.

A reduction or withdrawal of these services will have the following consequences:-

***Environmental***

- An increase in car use amongst those residents with access to a car leading to:-
  - A reduction in air quality; both as a direct result of increased car use and an anticipated increase in congestion as traffic levels increase
  - An increase in carbon emissions due to an increase in private car use and also a reduction in bus patronage, making buses themselves less efficient, impacting on the Council's ability to meet our pledge to make Plymouth carbon neutral by 2030

***Social***

- A reduction in the accessibility of key services including education, healthcare and employment opportunities
- An increase in social isolation for residents who do not have an alternative mode of travel; with the impact most likely to be felt by elderly and disabled residents
- Public health implications for those unable to travel by other means resulting in a disproportionate detrimental impact on those with greater need

***Economic***

- A reduction in the city's productivity due to increased congestion on the highway network
- A reduction in available labour force due to reduced opportunities to travel, particularly anticipated in the evenings and at weekends.
- An increase in demand on the Council's non-commercial services budget as unviable commercial services are deregistered by bus operators.

**6.0 FINANCE**

Given that these emergency measures are based on pre-pandemic concessionary patronage trends, and as such, payments to operators are lower than in previous years, the cost of continuing payments throughout this financial year can be met from within our existing budgets.

Strategic Planning & Infrastructure has a Concessionary Fares budget to fund operator reimbursement, and all other costs associated with the scheme such as pass production and all back office costs. This budget will not be under pressure as a result of the current, and proposed, payment method for the remainder of the 2020-21 financial year.

**7.0 RECOMMENDATION**

It is recommended that we continue to make concessionary fares reimbursement payments to all Plymouth bus operators at pre-pandemic levels in accordance with Government advice until the end of March 2021, with a review at any time to be built in prior to this date should concessionary patronage levels reach 80% of pre-pandemic levels, or Government advice changes.