

CHILDREN'S SERVICES OVERVIEW AND SCRUTINY COMMITTEE

20 FEBRUARY 2007

BUS FARES TASK GROUP

Report from: Rose Collinson, Director of Children's Services
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the Fostering Task Group
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1 Purpose of item

- 1.1 To outline the findings of the Bus Fares Task Group and consider its recommendations as set out in paragraph 2.

2 Recommendations

- 2.1 That the Committee recommend to the Cabinet that: -
- (i) a commitment is made to a half price fares scheme for children under the age of 16 travelling to and from school, recognising that possible costs incurred could be £250,000 to £500,000;
 - (ii) subject to the undertaking of (i), further work is carried out, including work needed by a consultant, at a cost estimated at £12-14,000, to progress the project and gain more accurate statistical data and figures demand and cost forecasts.

3 Background

- 3.1 On 22 June 2006 a petition was considered by the Children's Services Overview and Scrutiny Committee, which requested cheaper bus fares for all children in Medway going to and from school. The Committee therefore agreed to set up a task group to consider how the Council, along with Arriva, could provide cheaper bus fares.
- 3.2 The Bus Fares Task Group has since met on a number of occasions, with Arriva representatives and Council officers to investigate the possibilities.

- 3.3 A report was submitted to the group on 9 January 2007 and is attached for your information. It reported that the cost of moving to a reduced fare scheme could be in the region of £250,000 - £500,000 per annum. This was based on rough estimated figures with one bus company after a preliminary assessment of the spare capacity that is available. During discussions at the task group meeting, Members commented that other bus companies would need to be involved. This and any consequent variation in take up across all providers could have an impact on the cost. .
- 3.4 In order to arrive at a more accurate figure, greater research is required by the Council and operators. In particular, a cost of approximately £12-14,000 would be required for some consultancy work to establish a more accurate forecast of uptake for the reduced fare scheme.
- 3.5 In the afternoons, children up to the age of 15 are able to travel at half fare at the operators' own commercial risk. The proposed scheme would not change this arrangement.

4 Director for Children's Services and Regeneration and Development comments

- 4.1 As the range of figures put forward shows, the cost of providing this concession can be considerable and the costs can vary widely according to the extent of take up of the half fare.
- 4.2 There are a number of places in the country where the bus operators do feel able to offer half fares (or other concessions) to children at all times at their own commercial risk. This is not the case in this area. There are also a small number of areas where councils do subsidise fares for children. However, circumstances in these areas differ widely, which gives no guidance to the likely impacts in Medway. In addition, I can find no areas where there has been a change to subsidised fares for children, which might have helped to assess the take-up and cost impacts in Medway.
- 4.3 If a half fare scheme does prove to be feasible, the role of the Council's six "yellow bus" services will need to be reviewed. These cost around £250,000 per annum to provide and some of this funding could be used instead to contribute towards the cost of the half fare scheme. However, there would also be costs in maintaining a service over these routes, as the yellow bus services aim to avoid areas served by regular bus services.

5 Financial Implications

- 5.1 The financial implications of this project are summarised in the body of the

report with the details, such as are currently available, set out in the appendix. Outside of the allocation for yellow buses referred to in paragraph 4.3, there is no budget provision for this enhanced subsidy and, as the report makes clear, costs can only be regarded as crude estimates at this stage.

6 Legal Implications

- 6.1 The Transport Act 1985 gives licensed bus operators freedom to run where and when they choose if they are prepared to do so at their own commercial risk. Therefore, the operator is responsible for setting the fares and conditions for his services, and there is no facility to object to these.
- 6.2 The same act also gives councils the power to subsidise bus fares for children under the age of 16 and certain young people over this age attending full time education.
- 6.3 Where fares are subsidised, the council is obliged to reimburse the operators for the value of the concession they have given and the additional costs they incur providing any extra capacity, which is needed to accommodate the additional passengers who may be attracted to use the bus service.

7 Background Papers

Bus Fares Task Group meeting papers

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BUS FARES TASK GROUP
REPORT FOR JANUARY MEETING

Background

At the December meeting, Members asked Officers, together with the representative of Arriva, to scope out the likely cost of charging half fares to under 16s both in the morning and the afternoon.

Report

Current operators

Although Arriva is the major operator in the Medway area, other operators include ASD, Nu Venture and Farleigh Coaches.

Charging policy

Charging policies for the local operators are broadly similar. Children under 16 pay full fare in the morning and half fare in the afternoon. Those over the age of 16 pay full fare in the morning and afternoon.

This fare structure is based upon the peaks and troughs of demand. In the morning, the peak period for travel for school pupils is the same as for adults traveling to work. This sets the level of resources the company needs to provide and hence its costs. As a result same fare applies. In the afternoon, however, the peak periods do not coincide which allows for a differential in fares to be charged.

Quantifying the likely cost of a pricing change

In this report, the pricing change is defined as half fare for pupils under the age of 16 in both the morning and afternoon runs.

Example costs and passenger numbers

The figures below are based on numbers for one transport provider in the area.

Current average fare	am	£1.80	
	pm	90p	
Fare paying children in the afternoon		1839	
No accurate statistics for fare paying children are available for the morning. An estimate of 80% of the afternoon figure has been used		1472	
Income due from am fare paying children days		£2649.60 per day x 190	
		£503,424 per annum	
Revenue paid by am fare paying children (from £1.80 to 90p)			£251,712
Cost of reimbursement to bus company for offering concession			£251,712 per annum

This cost relates simply to the reimbursement, which would need to be offered to the bus company for existing passengers who would become able to travel at half fare. It is hoped that this concession would also attract more people to use the bus for the journey to school. The spare capacity in the bus network at this time of day is limited and so it is likely that additional vehicles would need to be provided to move the additional passengers.

The Council would also be obliged to pay the costs of any additional capacity, which needs to be provided.

Cost of an additional bus		£47,500 (approx)	
Income generated by	80 passengers	(80 x £1.80)	£27,360
	40 passengers	(40 x £1.80)	£13,680
Loss per bus	80 passengers	£20,140	
	40 passengers	£33,820	

The total cost, therefore, would depend on the number of new passengers attracted, and the efficiency of loading on the extra buses, which would be needed. As has been said at previous meetings, there is little experience of introducing an improved concession of this type which enables an accurate forecast to be made of the expected take up of the concession.

Conclusion

In simple terms, the cost of a pricing change is the difference between the loss in revenue for those children already traveling, and the additional revenue from those encouraged to use the service as a result of the reduction in price. However, an additional sum needs to be factored into the equation for a possible increase in capacity.

Loss of revenue alone is estimated to be around £250,000. This could in part be off set against a possible rise in passenger numbers, as more people are encouraged to use a cheaper service. However, once capacity is reached on a particular route, additional buses would need to be provided. Unless the buses could be used on the network at other times, they would in turn make a loss of between £20 – 35,000 depending on passenger numbers.

In total, given the assumptions made above, the cost of moving to a reduced fare scheme could be in the region of £250,000 - £500,000 per annum.

Recommendation

Further progress on the reduced fare scheme is dependent on additional resources being made available to subsidise the loss of income from transport providers.