



House of Commons
Transport Committee

**Ticketing and
Concessionary Travel
on Public Transport:
Government Response
to the Committee's
Fifth Report of Session
2007–08**

**Fourth Special Report of Session
2007–08**

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Transport and its associated public bodies.

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Fourth Special Report

The Committee published its Fifth Report of Session 2007–08 on 1 April 2008. The response from the Department for Transport was received in the form of a memorandum dated 4 June 2008, and is published as an Appendix to this report.

Appendix

Introduction

This paper sets out the Government's response to the House of Commons Select Committee report on Ticketing and Concessionary Travel on Public Transport (HC 84), dated 1st April 2008. The response incorporates information provided by the Department for Transport (DfT) and the Home Office. The Government welcomes the Committee's consideration of this subject, and will work closely with its stakeholders to ensure that the range of issues the Committee has identified are given due consideration.

The timing of the Committee's report is particularly topical, since the Government's new England-wide bus concession was launched on the day of publication. This concession, marrying the two themes of the report, provides free off-peak travel on local buses across England for 11 million eligible people. More journeys are made by bus than by any other means of public transport. The new concession represents a significant boost to combat social exclusion in older and disabled people, and has been welcomed by stakeholder groups such as Help the Aged. Moreover, the issuing of bus passes in the form of ITSO smartcards underlines the Government's commitment to integrated ticketing and the use of new technology.

However, the Government's work on integrated ticketing and concessionary travel extends much more widely, encompassing rail and other modes. This response will highlight a range of areas where the Government is putting measures in place to facilitate through-ticketing and improve passengers' travel experience.

The Committee's recommendations are addressed in the order that they appear in the report.

Response to the Committee's Recommendations

Integrated ticketing

1. Ten years after it expressed its commitment to promoting integrated bus ticketing, the Government has achieved too little of practical value. It is a nonsense that the everyday act of changing buses is still made unnecessarily inconvenient and expensive by poor ticketing arrangements. The Government needs to pay more attention to resolving these basic problems which penalise passengers and deter others from using buses at all. (Paragraph 13)

The Government recognises the importance of having ticketing arrangements that are simple and flexible, to enable passengers to make best use of their local bus services. However, in a deregulated market, commercial bus operators are generally free to set their own fares and determine their own conditions on ticket validity. Furthermore, it is normally unlawful for competing businesses to agree a standard price for a product they both sell, since this is considered an anti-competitive practice. However, the Government has offered important flexibilities in this area to help improve the integration of bus ticketing:

- **Block Exemption Order:** This exemption, from the Competition Act 1998, came into force in 2001 (for five years, renewed for a further five years up to 2011), allowing operators to take part in multi-operator ticketing schemes. Subject to the terms of the exemption being met, bus operators are able to issue and charge a standard price for return tickets accepted by multiple operators, including travelcards, through tickets and add-on tickets.
- **Ticketing schemes under the Transport Act 2000:** This allows local authorities (including Passenger Transport Authorities) to make their own ticketing schemes. The authority can require operators to enter into certain ticketing arrangements, such as joint ticketing (e.g. multi-operator travelcards) or through ticketing. Such schemes are subject to a less onerous competition test in the Transport Act 2000. The Act does not give authorities the power to set the prices in a ticketing scheme, but operators can determine prices through the Block Exemption Order.

There are many examples of successful initiatives which encourage through ticketing and modal integration, such as:

- **PLUS BUS** tickets provide unlimited bus travel around town, at the start, finish, or at both ends of a train journey where there are participating bus operator services (<http://www.plusbus.info/>).
- The Solent Travelcard gives passengers the freedom to use all the bus services of all operators in the South Hampshire region. The operators involved reflect the full range of bus operator types in the UK, from subsidiaries of FirstGroup, Stagecoach and Go-Ahead down to small local operators. Every operator with registered local

bus services within the area of validity of the ticket is a voluntary participant in the scheme.

In the Local Transport Bill, which is currently passing before Parliament, the Government has announced a major package of reform which should help to strengthen quality partnerships between bus operators and local authorities. Currently, local authorities can enter into bilateral agreements with individual operators without raising competition issues. The Bill provides for a revised competition test to facilitate multilateral agreements between a local authority and more than one operator, which should open up more opportunities for both the use of block exemption rules and the discussion of bus ticketing and operational arrangements (service frequencies, timetables and fares). The Bill also aims to make quality contracts (bus franchising) a more realistic option for local authorities. Quality contracts will give local authorities more control over ticketing and pricing arrangements, allowing them to introduce schemes tailored to local needs. It is hoped that these changes in the Bill will improve opportunities for setting up multi-operator ticketing.

The Government recognises that there are other barriers to interchange, as well as ticketing arrangements, for example relating to timetables, the physical environment and information provision. The Government provides Local Transport Plan capital investment to support a variety of projects, including those to improve modal interchange. One example is the Barnsley Interchange, a new bus station linked to the railway station via a covered footbridge. This replaces three former bus stations on different sites. The scheme offers an improved bus/rail interchange, eliminates pedestrian conflict with buses and diverts traffic away from a congested area around a nearby level crossing. The Department for Transport provided £18.3 million of the £22 million cost, and the facility was opened by then Secretary of State, Douglas Alexander, on 15th June 2007.

The Government also encourages cross-modal integration through its Transport Direct service. This service, which currently gets over 220 000 users a week, provides a comprehensive and impartial choice of transport modes and routes to enable passengers to make better transport decisions.

2. We recommend that the Traffic Commissioners be given powers, in response to a reference by either party, to arbitrate where bus companies and local transport authorities are unable to agree terms for multi-operator tickets. (Paragraph 15)

The role of arbitrator between bus companies and local authorities in reaching agreement on terms for multi-operator ticketing would need to be empowered by law. In one particular context, there is provision for this in the Local Transport Bill. A quality partnership scheme - as the Bill would amend it - may make requirements as to “maximum fares”. “Fare” is defined in the parent legislation as including the price of a season ticket so on this basis a quality partnership scheme could set a maximum on the price of a multi-operator bus ticket. Moreover, the traffic commissioner would have an arbitration role if an operator made an objection to a provision of this kind in a quality partnership scheme put forward by the local transport authority.

The issue of pricing for multi-operator bus tickets is, however, a sensitive one. This relates not only to the negotiation of a price for multi-operator tickets with all the participating operators, but also competition from single-operator products which, typically, would be

priced significantly lower, though offering a narrower range of journeys. Attempts by the Bus Partnership Forum to negotiate a voluntary code of practice, or similar, on this issue came to nothing, because of the divergent views of the parties and their failure to find common ground. For this reason any decision on a wider arbitration role for the Traffic Commissioner, or any other body, would require careful and informed consideration. The Government will certainly consider the Committee's view that the Traffic Commissioners' powers should be extended to take on this role.

3. Coaches are used by millions of passengers every year and they often serve locations and routes that are not easily accessible by rail. The Government seems to have a blind spot regarding integrating coaches with other modes, despite the potential to improve linkages with rail and bus services. The Government should give coaches greater consideration in future statements of public transport policy. (Paragraph 18)

The Government recognises the importance of coach services in providing passengers with affordable longer distance travel opportunities. However, the majority of coach services in England are operated on a commercial basis by private operators and, therefore, decisions on matters such as the extent of services, routes covered and fare levels are a matter for the companies themselves.

The Government can help to improve coach travel through working to encourage better arrangements for transport interchanges, including major coach stations and terminal points. The Government will also continue to look for ways to give priority to coaches on the national road network, following the successful introduction of the dedicated lane on the M4 spur to Heathrow, which has made journeys quicker and more reliable for bus and coach passengers to the airport. Another example is the bypass lane for high occupancy vehicles, including coaches, at the junction of the M606 and M62, which the Department for Transport opened in March 2008.

Local authorities are also encouraged to bring forward sustainable and suitable priority measures for buses and coaches as part of their local transport plans. To date, local authorities have put in place four high occupancy lanes: in Leeds (1), Birmingham (1) and Bristol (2).

The Government promotes the integration of coach travel with other modes through its cross-modal journey information service, Transport Direct. This enables the planning of integrated journeys, including coach travel, and transfers chosen itineraries to retailer websites.

A further example of the Government's commitment to encouraging coach travel is through its support for concessionary travel. Concessionary half fares on scheduled coach services have been available for older and disabled people since May 2003. The Government provides £15 million per year for this scheme, which, whilst voluntary, includes National Express services, which represent 90 % of the scheduled coach network.

4. As the rail industry promotes online ticket sales and other methods that reduce ticket retailing costs, it is imperative that the full range of tickets, including multi-modal options, be available at all main outlets. We recommend that the Government explores this issue with the Association of Train Operating Companies and includes requirements for ticket availability in future passenger licence conditions if necessary.

If not, the Government's commitment to fare structure simplification in its Rail White Paper will be meaningless. (Paragraph 23)

The Government recognises the importance of flexible ticketing and the Department for Transport has been in discussion with operators on the shape of future retailing provisions.

The rail strategy White Paper "Delivering a Sustainable Railway" promised a simplified fare structure across the rail network. The Government sees this as a key way of making the railway easier to use and improving passenger confidence in the system. Train operators will be introducing the simplified fare structure this year, which will comprise four types of fare. Three fare types will be available either in advance or at the time of travel. These will be 'Anytime' fares, valid on any train (most expensive), 'Off-peak' fares, valid on any train outside peak travel times (cheaper), and 'Super off-peak' fares, valid on any train at less busy times of day (cheaper still). In addition, there will be 'Advance' fares, valid for a specific train only, which must be pre-booked up to 6 pm on the evening before travel. Advance fares will usually be cheaper than the equivalent ticket bought on the day. Season tickets will continue as before. The new fare structure will offer a point of reference for rail users.

The Government agrees with the Committee that it is important that the full range of tickets are widely available. Rail ticket sales are governed by the Ticketing and Settlement Agreement, which requires all tickets to be made available from all outlets, except for temporary promotional fares or multimodal products. However, even within the exempted categories, improvements are being taken forward which are welcomed by the Government, for example the industry is working towards making PLUS BUS and cycle reservations available on-line. PLUS BUS tickets are also available at all national rail stations.

Megatrain is an exceptional case with tickets only available on-line, through the Stagecoach website, and more restrictive conditions than usual. Normally such products can only exist on a temporary basis. The Department for Transport is engaging with train companies through their trade association, the Association of Train Operating Companies on whether sites such as Megatrain should continue to exist as niche products or whether they should be brought into the mainstream of rail ticketing and be listed on National Rail Enquiries and available from other websites (such as 'The Trainline' or 'Raileasy'). It is important to remember that Megatrain fares are bucket seats offered at low prices to sell capacity that would otherwise run empty. Without such services, these very low fares might not be available. The Department for Transport understands that South West Trains will introduce normal advance purchase rail fares to widen the distribution of low-cost products alongside its Megatrain offers.

Ticket vending machines (TVMs) have sophisticated software but most do not sell all tickets, such as advance purchase tickets and PLUS BUS. Experience has shown that it is difficult to present complex information to passengers at TVMs in a way that allows passengers to make informed decisions about the tickets they need to buy. This is why TVMs have traditionally been used for simple transactions. However, the Department for Transport is encouraging train operators to look at the way TVMs are used and to provide more functionality where appropriate.

Passenger Licence Conditions are set by the Office of Rail Regulation (ORR). The DfT liaises regularly with the ORR and understands from them that changing licences unilaterally, while possible, is very difficult and subject to contest by those holding licences. The Government's normal mechanism for affecting operators is through new franchises, as with the specification for smartcards for South West Trains, the Midlands 3 and National Express East Coast. There are no plans at present to include the Committee's retailing suggestions in train operator franchises. The Government's preferred option is working with operators collectively on the reform of the Ticketing and Settlement Agreement.

The Government has commissioned Passenger Focus, the independent national rail consumer watchdog, to undertake research into passengers' expectations and understanding regarding fares and ticketing. This will include looking at the impact of the fares simplification and Price Promise, and examining preferences for price differentials between single and return tickets. It will also look at which technologies passengers prefer to use to access travel information and to book tickets. Passenger Focus will be making recommendations to the Secretary of State for Transport later this year on how to improve the current system.

Smartcard technologies

5. It is reasonable to charge a modest differential to encourage uptake of smartcards and to reflect any additional costs of issuing paper tickets, but those passengers who cannot or choose not to opt for smartcards should not be heavily or unfairly penalised. The Government must ensure suitable guidelines on differential pricing are included in decisions on rail fares, rail franchises and other fare regulations. (Paragraph 40)

The Government is responsible for regulating rail fares, and any changes to the current regulatory regime require approval from the Secretary of State for Transport. At present, rail operators are not able to use differential pricing according to whether a ticket is held on a piece of paper or a smartcard.

The Government is, however, in discussions with operators and Transport for London on the acceptance of Oyster pay-as-you-go (PAYG) on rail services in the London Travelcard zones and the acceptance of ITSO smartcards on Oyster equipment. The current TfL PAYG scheme has a differential between Oyster fares and cash fares, and the Government is considering whether it may be appropriate to extend this model to rail. No changes would be granted without a solid balance between sound commercial practice and the protection of passenger interests.

Outside London, no franchise has yet proposed a differential for cash versus smart pricing. However, one of the benefits of smartcards is that they allow more sophisticated and flexible fares and schemes to be introduced that can better tailor the price paid to the passenger's journey patterns. Any impacts of such schemes on fares regulation and wider network benefits would need to be carefully considered.

6. Oyster is a proven large-scale system, used and trusted by millions of passengers. ITSO-compliant smartcards have shown themselves workable in smaller schemes but have yet to be tested on a large scale. The Government must not force ITSO onto the London Oyster system. It is imperative that any introduction of ITSO on the Oyster

system be rigorously piloted to prevent any loss of operational efficiency or customer confidence in smartcards. Testing must include arrangements for supporting customers using ITSO products out-of-area. Given the uncertain level of demand for ITSO in London, the costs and benefits of the investment should also be robustly assessed. This must have regard to the need to avoid financially penalising TfL for having been at the vanguard of smartcard ticketing in the UK. (Paragraph 49)

Given the importance of London to the national transport network, it is essential that ITSO smartcards can be used by passengers using public transport to travel to, from, or through London. The Oyster system was designed specifically for use in London and, despite its proven success in that environment, it is not suitable to be rolled out nationally. We therefore need to make sure that the national ITSO smartcard standard will work effectively in London, which we aim to achieve by adding ITSO interoperability to the Oyster network.

The Government understands the Committee's concerns regarding ITSO and Oyster compatibility in London but is confident that Transport for London will have the measures in place to ensure a successful roll-out. Much work has already been undertaken. In May 2006, the Department for Transport agreed with TfL that the London Oyster estate would be made interoperable with the national ITSO smartcard standard. This agreement was in line with the 2004 Rail White Paper commitment to rationalise ticketing technology in London. It will allow the roll-out of Oyster pay-as-you-go across mainline railway stations in London and represents an important step in facilitating integrated smart ticketing. Requirements for ITSO smart ticketing are being included in the latest rail franchises as they are renewed. The operator Stagecoach South Western Trains was the first commuter operator to have a requirement for ITSO written into its franchise agreement.

On a technical level, the Government is working with Transport for London and TranSys (TfL's Oyster PFI supplier) to develop a solution to provide Oyster/ITSO interoperability. This includes the design and installation of new readers capable of reading both ITSO and Oyster cards, and appropriate modifications to the TfL back office. This project would deliver new dual-operable ITSO and Oyster readers across the TfL Oyster estate and to national rail stations in London. The specification for the new equipment was developed with, and contracted by, TfL and reflects their requirements on performance.

The Department for Transport and TfL are considering the results of feasibility work carried out by TranSys. Subject to any decision to proceed, the installation of new equipment will include extensive testing. ITSO has a defined set of principles that scheme operators, product owners and card owners are expected to work within including, explicitly, who should take responsibility for customer relationships. The Government will work with TfL and other ITSO operators to ensure that adequate arrangements are in place for customer support.

7. The Government's strategy of using ITSO as a way to promote integrated ticketing is a step in the right direction, but not enough. It is fine in theory but not producing results in practice. ITSO may be a useful technical specification but it is designed to facilitate integrated ticketing, rather than to make it happen. The Government needs also to articulate a clearer strategy for the development of integrated ticketing in general and smartcards in particular. The current laissez-faire approach is inadequate.

The Government must listen carefully to the transport operators and the technology industry. The criticisms of ITSO need to be addressed and the Government must ensure it has adequate technical capacity to provide leadership in this area. (Paragraph 50)

The interface provided by ITSO technology opens up the potential for interoperability between operators and schemes. A patchwork of proprietary schemes limits the flexibility, convenience and usefulness to the end customer and is contrary to the Department's commitment to development of the "seamless journey".

The Government agrees that ITSO has not been responsible for making integrated ticketing happen, but recognises the potential role the specification and services provided by ITSO have in facilitating secure, national interoperability for smart ticketing.

The use of ITSO is already producing results. The Government has invested £5.2 million in the development of the ITSO specification for interoperable smart ticketing. It provided a further £1.5 million last year to support ITSO Services Limited (ISL), which was created to enable non-smart local authorities to be able to issue ITSO smart passes for the new England-wide bus concession. The Government is continuing to fund ISL and will provide up to a further £1 million this year. As a direct result of ITSO's and ISL's involvement, local authorities were able to issue around 6 million English concessionary bus passes as ITSO smartcards in addition to the 1 million Scottish ITSO passes.

The Government will facilitate the introduction of ITSO smartcards on rail in major cities, allowing facilities such as "pre-pay" that have proved popular in London. The Department for Transport has mandated requirements for ITSO-compliant smart ticketing to be included in five rail franchises. Furthermore, in London, the interoperability of Oyster with the national smartcard standard will allow the roll-out of Oyster pay-as-you-go across mainline railway stations in London. The Government believes these achievements to be significant steps towards facilitating integrated ticketing.

The Government is working with stakeholders to consider a range of strategic issues concerning future ticketing policy, including interoperability, new technologies, communication and pricing strategies. The Government accepts the Committee's recommendation that articulating more clearly a strategy for integrated ticketing would be useful for both operators and the technology industry, and will be starting work to take this forward later this year.

In April 2008, the Department for Transport began working with ITSO and its stakeholders to review the current business of the organisation. In the initial stages, we are looking at the current structure and capability of the organisation and working with ITSO to formulate a Business Plan going forward. The second stage of the work will involve monitoring the implementation of the Business Plan and any other changes that are identified during the review. The work will focus on the commercial, rather than the technical, aspects of the organisation and will involve key players both from within the Department and throughout the wider industry.

Revenue protection and the powers of ticket inspectors

8. Revenue protection does not get the attention that it warrants: a bigger and more sophisticated effort is needed. The extent of the problem is poorly understood. It ranges from passengers willing but unable to pay their fares through to deliberate fare evasion. Fare-dodging is often associated with other antisocial behaviour and efforts to curb one are likely to impact positively on the other. More regular and coordinated research and monitoring of the problem are required. Leaving it to individual companies who are likely to be averse to sharing or publishing information means that no one has a clear picture and revenue protection measures are likely to be inadequate. (Paragraph 55)

The Government is working with the rail industry to ensure that passengers are both aware of, and able to buy, the relevant fare for travel.

The Government and rail industry are embarking on an ambitious seven-year programme to modernise ticket retailing. This will embrace new technologies on a consistent network basis to cut queues and speed up passenger journeys through stations. It will cut the current excessive cost of selling tickets and free up staff to be out on the concourse or platform, helping passengers and improving their sense of personal security. A simplified fare structure across the rail network, promised in the rail strategy White Paper “Delivering a Sustainable Railway”, will be introduced this year, as discussed in the response to recommendation 4.

In addition, the Government has asked train operators to develop a Price Promise for passengers, to set out clearly and simply the commitments that ensure that passengers are sold the correct fare for their journey, and how to trade in a ticket if a passenger changes his mind. This is being taken forward by the Association of Train Operating Companies, which will be submitting proposals to the Department for Transport shortly.

Further measures taken by train operators, such as installing modern vending machines and introducing internet retailing and tickets to mobile phones, are also helping to facilitate the purchasing of tickets.

As far as deliberate fare evasion is concerned, this is something which the Government takes seriously. The transport industry is undertaking a number of initiatives to reduce fare evasion, for example ticket gating at rail stations and joint operations between police and revenue protection staff on buses. The Government acknowledges that there is probably a link between the perpetrators of fare dodging and anti-social behaviour. The Department for Transport and the Home Office are jointly working on a toolkit for practitioners for tackling anti-social behaviour on buses. There is, of course, a strong commercial incentive within franchises and on commercial bus services to tackle this.

9. There are moves to install ticket gates at more rail stations. Yet ticket gates are not a panacea. They cannot be used by all passengers and staff are still required to be present. Gates introduce new drawbacks including delays and obstructions for passengers; they are not in keeping with historic stations; and they are not always the best method of protecting rail revenue. The Government, in consultation with the rail industry and passenger groups, needs to review this one-track approach and develop a more holistic policy. (Paragraph 60)

The Government believes that effectively deployed gating, together with the associated staff, can be an effective solution to the issue of revenue protection. It is understood that not all passengers have the same needs, which is why the Department for Transport stipulates that where gating is present, wide access gating must also be available.

In the rail White Paper “Delivering a Sustainable Railway”, the Government has committed to looking at the role of gating across the network, together with operators. The Government will therefore be running a project to examine several aspects of gating, including revenue protection issues, alternative control methods and consideration of passenger flow in view of the predicted increase in passenger numbers over the next 30 years.

10. An integrated ticketing system should be backed by an integrated revenue protection system. Whilst the current regulations for rail are generally satisfactory, those for buses are not. The powers of bus revenue protection staff should be strengthened. In the longer term, the Government should move towards a unified system of public transport revenue protection. The implications of new ticket types and technologies will also need to be considered. (Paragraph 66)

The Government disagrees with the Committee that the powers of bus revenue protection staff should be strengthened. The legislative framework for dealing with fare evasion on buses is through the Public Service Vehicles (Conduct of Drivers, Inspectors, Conductors and Passengers) Regulations 1990. This makes it an offence for a passenger to travel without a valid ticket, or to travel further than the journey for which they have paid. It also empowers drivers, inspectors and, where they exist, conductors to remove passengers who do not have a ticket or have travelled further than their ticket allows, and to summon the police if they refuse to co-operate.

Bus operators have a direct incentive to protect their revenues and, as commercial businesses in a deregulated market, it is entirely a matter for bus companies to decide how effectively and how much resource to put into revenue protection. The Government considers that its role is to ensure that the right legal framework is in place for transport operators to be able to deal with fare evasion. It is not the Government’s role to directly protect private operator revenue.

In terms of a unified system of public transport revenue protection, it would be difficult to establish a system covering both franchised rail services and deregulated bus services. At the very least, this would require the willing cooperation of bus operators, including a readiness on their part to allow a significant intervention into the running of their businesses. The Government is not aware of any significant demand from the industry or others for such a system.

11. The current appeals procedures for bus and rail are not sufficiently independent. The consequences of being accused of fare dodging can be serious and it is important that the procedures are just and rigorous. The current principal rail appeal panel is associated with the rail industry and this undermines its credibility as a truly independent arbiter, sitting equidistant from the passenger and the train operating company. The bus industry appeals body has no regulatory backing. The Government should consult on new arrangements. For rail this might involve giving responsibilities

to the Office of Rail Regulation or Passenger Focus; for bus it might be the Traffic Commissioner or the proposed Passenger Transport User Committee. (Paragraph 71)

The Government agrees with the Committee that appeals procedures should be robust and fair. However, it holds the view that appropriate arrangements are already in place.

For rail, every penalty fares scheme must be approved by the Department for Transport and include an appeals procedure. There are two accredited appeals bodies and each train operator may choose which company they wish to use to handle all appeals on their behalf. Both the Independent Appeals Service and the Independent Penalty Fares Appeal Service assess appeals strictly in line with a code of practice approved by DfT. Each body is paid a specified amount for each appeal, regardless of the outcome. Around half of appeals are successful and the Government does not believe that either appeals service is misapplying the criteria. However, the Department for Transport will look to review and refresh the Penalty Fares Rules 2002 later this year, in consultation with industry and passenger representative bodies.

A penalty fare is a case of “strict liability”, i.e. there is no need to prove intention to avoid payment, honesty or dishonesty; rather, it’s a simple question of whether or not the passenger can show a valid ticket if ticket facilities were available at their starting station. If the passenger is not able to show a valid ticket, the fare is £20. However this is a civil, rather than criminal, matter. The management of debt collection relating to outstanding passenger unpaid fares notices is a separate issue. This is a commercial matter for the train operator to follow up on as he sees fit, either “in house” or by using the services of the separated debt collection wings of the companies running the penalty fares appeals services.

Regarding buses, operators hold powers to deal with fare-dodging, including prosecution thorough the magistrates’ courts. Those that feel they have been treated unjustly can seek legal advice or contact the Citizens Advice Bureau.

The Committee refers to the Bus Appeals Body. This is a non-statutory committee which is a joint initiative of the Confederation of Passenger Transport, the industry’s trade association, and Bus Users UK, which looks after the interests of passengers. The Bus Appeals Body offers an independent review of complaints arising from the operation of local bus and scheduled coach services; however, it has no role in appeals against penalty fares.

The Committee suggests that the proposed Passenger Transport User Committee may have a role in fare evasion appeals. The Department for Transport has recently announced that Passenger Focus will widen its remit to take on the new role of bus passenger champion. However, Government would not consider it appropriate for a passenger watchdog to adjudicate on fare evasion appeals.

In any case, London is the only area of England which has a penalty fares regime for buses, which is provided for under primary legislation (schedule 17 of the Greater London Authority Act 1999). There is no legislation to develop a similar penalty fares scheme outside London, nor have there been any calls to introduce one to date. Therefore, since appeal mechanisms are only needed where a penalty fare system operates, the issue of which body should provide this mechanism does not arise outside London.

Enforcement of fare evasion in London is handled by Transport for London. TfL operates a penalty fares scheme, which has an associated appeals procedure. The appeals process is a robust three-level system, comprising two internal stages and an independent panel.

Concessionary travel

12. The ability to travel for free across the country by bus is a great boon for those who enjoy it and we welcome it. There is, however, no such thing as a free lunch and such funds—over £1 billion per annum—must give value for money. The Department for Transport should commission an evaluation of the benefits of the national scheme for free local bus travel. (Paragraph 77)

The Government welcomes the Committee's support for the new England-wide bus concession. The concession will significantly improve the mobility and social inclusion of up to 11 million older and disabled passengers. This extra mobility will, moreover, bring wider benefits to the economy and boost tourism. The schemes across the country are run at a local level, which enables individual authorities to negotiate the best value for their own schemes.

The Department for Transport conducts regular surveys on concessionary fares policy to collect key information such as pass take-up and bus patronage. It publishes its findings in Transport Statistics Bulletins and National Travel Surveys. The Department for Transport will monitor the new England-wide concession through these existing surveys. There are, however, no plans to undertake a fundamental evaluation of the new scheme at this stage. There would be benefit in delaying any review until the new scheme has been operational for some time in order to be in a position to properly evaluate it.

13. The costs of concessionary travel are set to grow in real terms as bus industry costs and fares are increasing faster than inflation. Outside London, concessionary travel support exceeds the amount spent on supporting non-commercial bus services. (The Mayor of London provides a high level of revenue support for all bus services.) It is important that national concessionary travel is properly funded. (Paragraph 81)

The Government agrees with the Committee's view that national concessionary travel must be properly funded. The Government is confident that the total funding it provides to local authorities for the national concession is sufficient to meet the costs involved. For 2008/09, an additional £212m (rising to £217m and £223m in the following years) has been allocated to travel concession authorities in England, paid by means of a special grant. This is enough to fund around 200 million extra bus journeys in local authorities across England and is in addition to funding already provided through formula grant for the existing elements of the concession. This included an extra £350 million of formula grant funding in 2006/07 for the last extension to the concession, an amount which increases annually. From April 2008, about £1 billion of funding in total will be provided to cover the cost of the new statutory minimum.

The Government recognises that fare increases will have an impact on the required funding for reimbursement. However, bus fares are only one part of the cost of reimbursement. For those journeys made solely as a result of the new concession, bus operators should only receive money to cover their marginal additional costs rather than a

full fare. It is important that local authorities correctly calculate the level of reimbursement taking these factors into account. The Department for Transport has assisted both authorities and operators by issuing guidance, offering training and providing a spreadsheet tool for determining reimbursement. Furthermore, the Department has provided a grant of £31 million to local authorities towards the cost of issuing new smartcard passes.

14. The anomalies within, and disputes over, the distribution of concessionary travel grant to local authorities look set to continue, despite the ‘generous’ funding provided by the Government and the new funding formula. We find it is unhelpful that the transport authority and the travel concession authority are often not the same body and may inadvertently work against each other. These problems could be considerably reduced if the Government exercised its powers under section 9 of the Concessionary Bus Travel Act 2007 to transfer the travel concession functions from district councils to county councils. This would have the additional benefit of making the transport authority the travel concession authority in these areas. We recommend that the Government proceeds with this as soon as possible. (Paragraph 86)

The Government recognises the benefits that might flow from moving the administration of concessionary travel from district councils to counties which is why the powers to achieve this were included in the Concessionary Bus Travel Act 2007. However, this move would raise some challenging practical issues, particularly around funding, and the impacts of such a significant change would need to be carefully considered. The Government plans to consult on these issues later this year.

15. The current “no better, no worse off” mechanism for reimbursing operators is unsatisfactory. It is arcane, time consuming and a recipe for disputes. It does nothing to promote good partnership working between travel concession authorities and bus operators. It is also questionable whether it provides a viable long-term funding model for the industry. A new, more transparent mechanism is required that compensates operators and avoids the waste and rancour generated by the current system. The Government should investigate this as part of its review of Bus Service Operators Grant. Some people argue for a national reimbursement mechanism as in Scotland. Whilst this appears attractive we do not support it at this stage. England is much larger, with greater variation, and we fear this would simply increase costs as the Government would be unlikely to scrutinise claims as closely as local government. A rapid roll-out of ITSO equipment on buses would help improve the accuracy of ridership data. Fewer travel concession authorities would also help. (Paragraph 93)

Bus operators are entitled to fair reimbursement for carrying concessionary travellers. This covers both fare revenue foregone and any additional costs that may result (for example where additional services need to be operated). Reimbursement by way of a “no better, no worse” basis was chosen as a suitable mechanism to ensure that operators would neither gain nor lose money as a result of carrying concessionary travellers. This approach was approved by Parliament. The Government shares the view of the Committee that the single national reimbursement rate model used in Scotland would not be appropriate for England and would be likely to lead to significant cost increases. We also agree that there are regional and sub-regional variations across England which need to be taken into account in order to leave bus companies no better and no worse off.

The Government accepts that reimbursement calculations can be complicated, and that as the generosity of the concession on offer has increased, so have the sums at stake. This has been evident in the number of appeals received in recent years, and underlines the need for authorities to gather the evidence needed to inform development of their schemes and successfully mount any defence. It is also why the Department for Transport provides support to local authorities and bus operators in the form of guidance, toolkits and training.

The Government continues to look for ways to deliver further improvements, whilst recognising that, given the complexities to be addressed, simplification of the system is not straightforward. However, the Government has already begun to commission research on the reimbursement arrangements. This will also be informed by responses to the consultation on the reform of local bus service support, launched in March 2008, which asked for views on the longer term possibility of linking concessionary fares reimbursement to the Bus Services Operators Grant.

The Government agrees with the Committee that smartcard technology is a valuable means of helping to improve the accuracy of ridership data. It is for this reason that the Department for Transport decided to specify smart passes for the new national concession. Although most buses do not currently have smartcard readers, the Government is keeping under review the issue of how best to encourage industry to introduce such readers onto their fleets. This includes the proposal in the Department for Transport's current Bus Service Operator's Grant consultation on incentivising technological developments such as smartcard readers.

16. We continue to believe that local enhancements to the national concessionary travel scheme can offer important benefits. We agree with the Passenger Transport Executive Group and others that these enhancements are best determined locally. Extending concessionary travel to rail services would be costly and it is doubtful if rail services currently have adequate capacity. There may be scope and a good value-for-money case for extending the national concession to include lightly-used rail services, such as community rail partnerships, as in Wales. The Government should also consider in greater depth than it has so far the costs and implications of providing greater support for community transport, particularly in areas where bus services are sparse. Where local authorities are currently profiting from concessionary travel funding, perhaps as a result of a sparse local bus network, they should be encouraged to enhance local concessionary travel arrangements. (Paragraph 98)

The Government agrees with the Committee that local enhancements to the national concessionary travel scheme, beyond the minimum statutory concession, can be very valuable to local residents. Many local authorities already offer enhancements of some kind, taking into account local circumstances. The Concessionary Bus Travel Act 2007 does not change this.

The Government is minded to wait to see the full impact of the new England-wide bus concession before giving any consideration as to extending the scheme to other modes of transport. Both the costs and administrative arrangements of any extension would need to be carefully taken into account.

The Government agrees with the Committee's comment that it would be costly to extend the statutory concessionary travel scheme to rail services. Older and disabled people already qualify for a third off most rail journeys as the Government requires train operators to participate in the Senior Railcard and Disabled Person Railcard schemes.

Regarding community transport, some sectors (those operating under section 22 permits which are sufficiently accessible to the public) are already considered eligible local bus services for the purposes of statutory concessionary travel. The Government believes there are a number of issues that would need to be properly considered before concessionary travel on all community transport services could be made statutory. The cost of extending the concession to community transport services is not the only concern. There would need to be fair and robust definitions for eligibility, consideration of demand, and whether community transport, which is largely a voluntary sector, would be able to cope with the extra burdens. Local authorities continue to have the freedom to offer concessions on community transport services if they choose to do so, where they feel there are local needs, and subject to their overall financial priorities.

We recognise the important role that community transport can play in operating services that cannot be provided by conventional bus services, particularly some services in rural areas. That is why we have included provisions in the Local Transport Bill to support the further development of the community transport sector by removing unnecessary restrictions in the regulatory regime. This will give operators greater choice over what size vehicles they can use, and allow drivers of certain services to be paid. The community transport sector has welcomed these changes.

17. The current situation whereby 11 million concessionary travel smartcards have been issued but most buses are not equipped to read them is daft. The Government needs to agree a programme with bus operators for installation of ITSO smartcard equipment on buses. (Paragraph 99)

The Government agrees with the Committee that there are substantial advantages to bus operators and local authorities in going 'smart'. This includes reduced fraud and much better data on how many concessionary journeys are being made, which will help with concessionary travel reimbursement arrangements.

Whilst the Government has no current plans to agree a programme of installation, or to compel bus operators to install smartcard readers on buses, the Department for Transport's current consultation on possible changes to Bus Service Operators' Grant outlines proposals to incentivise technological improvements such as the use of smartcards.

In respect of the new England-wide concession and the need for all eligible people to be issued with a new pass, the Government recognised that this was a golden opportunity to help promote the roll-out of ITSO and smart ticketing. This move will provide an added encouragement to bus operators and local authorities to introduce smart ticketing regimes in more areas throughout England. It would not have been feasible to have enabled all buses to be fitted with smartcard readers in time for implementation of the national scheme, nor should the Government necessarily fund technology which provides significant commercial benefits for bus operators. In this context, the question was whether

to opt for ITSO smartcards or to settle for a 'dumb' solution. It was felt that the benefits of future-proofing the scheme, and helping the wider use of smartcards and smartcard systems, more than justified the small marginal extra cost of specifying smart passes versus 'dumb' passes.

Whilst it might appear to some to be "daft" to require all passes to be ITSO smartcards when most buses are not yet equipped to read them, it must be remembered that these passes can now be used anywhere throughout England. Some areas already have a significant number of buses with ITSO readers. In these areas, it would have been a retrograde step to allow other travel concession authorities to issue non-ITSO passes which could not be read on their buses.

The Government is also aware that, with the successful roll-out of the new concessionary passes, a number of authorities in England are now actively investigating the full implementation of smart ticketing in their areas (e.g. CENTRO and South Yorkshire Passenger Transport Executives).

18. If the Government is minded at any stage to extend the English national concessionary travel scheme, young people and others identified by the Commission for Integrated Transport should receive priority consideration for concessionary travel. (Paragraph 100)

At present, the Government has no plans to make concessionary travel a statutory entitlement for young people.

Many bus operators already provide concessions to young people at their commercial discretion. In addition, local authorities can use their powers to promote the economic, social or environmental well being of their areas to offer concessionary travel to young people. Local authorities are best placed to know about local needs and circumstances and can offer generous schemes. London provides a good example. In London, children's fares are set by Transport for London. Since September 2005, all children under 16 have been eligible for free travel on London buses. Since September 2006, this concession has also been available to those in full time education or on unwaged training courses, up to their 18th birthday. From April 2006, free off-peak travel has been offered on the Tube and Docklands Light Railway to children under 11, when accompanied by an adult.