

Our Ref:
Your Ref:

4th June 2008

Jonathan Drea
Department for Transport
Buses and Taxis Division
3/11 Great Minster House
76 Marsham Street
LONDON
SW1P 4DR

Dear Sir,

Consultation on options for reform of support for local bus services.

Thank you for your letter of the 13th March 2008 seeking our views on the Department's proposals for reforming Bus Service Operators Grant (BSOG).

London TravelWatch is the statutory consumer body representing the interests of transport users in London (including bus users). Attached is a copy of our report on this consultation to our Board of the 3rd June 2008. This letter reflects the debate amongst our board members on this subject.

London TravelWatch notes that the current system for operating BSOG is efficient and is considered good value for money and easy to administer by both government and operators. All of these attributes must be retained in any replacement or reformation of the existing system. London TravelWatch considers that the current system works well except in relation to the ability of operators to claim rebate on 'out of service' mileage. This we believe is not in the interests of passengers for a number of reasons; firstly because it can have a distorting effect on bus service contract prices, because it has offset part of the additional operating costs of operating buses from garages remote from the routes concerned, with consequential increases in unreliability, because of the distance and time involved, and reduction in the ability of operators to effectively manage services 'on the road'. Secondly, we believe that in many cases 'out of service' mileage could be made available to the public at little or no additional cost. As many of these journeys are at the beginning and end of the working day, we believe that this would be very easy way of enhancing services at times when otherwise service provision (and thus an attractive service) would be low. This would contribute to the Department's five high level goals for transport by:-

- Increasing the productivity and competitiveness of the bus industry
- Giving users additional transport choices particularly in the early mornings and evenings (thus enabling potential modal shift and meeting climate change, safety, security and health objectives)
- Increasing the quality of life and social equity by giving greater transport choices to shift workers, those on low or restricted incomes and those without access to private transport.

Turning to the specific proposals that you put forward we would make the following observations:-

Proposal 1; BSOG rate capped at a minimum fuel efficiency level

London TravelWatch does not believe that this proposal is acceptable because it would have considerable impact on services (by increasing costs borne by the operator and therefore the passenger) operated in urban areas such as London, where traffic congestion often makes services slow, and where operators have invested considerable sums of money in new accessible (and user friendly) buses, which by their very nature (increased weight in particular to accommodate items such as lifts) means that fuel efficiency is much lower.

Proposal 2: New arrangements for Low Carbon Buses (LCBs)

London TravelWatch believes that Low Carbon Buses should be treated equally with all other bus types.

Proposal 3: Devolve BSOG payments to areas undertaking Quality Contracts including London

London TravelWatch supports the principle of devolution of BSOG to Transport for London provided that the following safeguards are applied:-

- a) The value of the block grant to TfL must continue to be calculated on the same basis as payment of BSOG to operators elsewhere, to ensure that there is consistency of treatment across the industry.
- b) TfL has a duty to procure services to and from (as well as within) London, in order to meet London's needs, and these cross-boundary services are operated on the same contractual basis as those running wholly within London, although they fall under a different licensing regime when running outside London. They must be treated on an equal footing with respect to BSOG or any replacement for it, so that TfL is not disincentivised to maintain and where necessary extend them.
- c) Where a non-TfL route (whether cross-boundary or otherwise) is replaced by a TfL-sponsored service, the grant to TfL must be augmented by the amount which its operator would otherwise have been eligible to claim in BSOG.
- d) Suitable transitional arrangements must be put in place to safeguard existing TfL operators during the residual life of their contracts.
- e) That the devolution of the grant to TfL must be on the condition that the money is 'ring fenced' within TfL for application to bus services only.

Proposal 4: Tiered rates of BSOG

London TravelWatch notes that TfL has already made substantial investment in Smartcard ticketing and Global Positioning Systems(GPS) through it's OysterCard and iBus initiatives. In this instance we would not wish to see London passengers disadvantaged merely because TfL

has already had the foresight to invest in such technology up to now. If the Government accepts the need for Smartcard and GPS on buses, then London TravelWatch believes that there are easier and more cost efficient ways of achieving this aim, rather than an administratively complex (and therefore costly) system such as proposed by the Department. We believe that relating the payment of BSOG to the attributes of specific vehicles in operators' fleets, will be unnecessarily complex and difficult to administer. Advances in the accessibility of buses to people with impaired mobility have been achieved by raising the standards with which new vehicles are required to comply, and setting dates by which existing non-compliant vehicles must be modified or withdrawn. The same approach could be used to achieve these improvements too.

Proposal 5: Payment of BSOG in arrears and e-submission of claims.

London TravelWatch has no view on this subject.

Proposal 6: Safe and fuel efficient driving demonstration.

London TravelWatch supports any initiative which achieves safer and more fuel efficient driving.

Alternative Options.

London TravelWatch would support the continuation of the current approach if it were reformed to only be payable for mileage operated 'in service', rather than the current criteria which can operate against the passenger interest. (See paragraph above).

On punctuality and reliability London TravelWatch believes that in London the current system of Quality Incentive Contracts has achieved considerable success in achieving improvements in both reliability and punctuality of services and that this is a better mechanism for achieving these aims, rather than through BSOG. The Traffic Commissioners do of course already have the power to fine bus operators a proportion of their BSOG if they are found not to be performing satisfactorily.

Distance based payment. London TravelWatch believes that the most equitable system of payment in terms of the passenger interest, would be one based on a 'per passenger kilometre' basis i.e. on the distance travelled by passengers. Other systems based on 'per passenger payments' or 'distance travelled' would have substantial disadvantages in either discouraging the provision of early morning, evening, weekend and either rural or urban services.

Direct funding of Traveline. London TravelWatch believes that Traveline should be an independent and impartial service providing information regardless of mode. It is heavily dependant on the local knowledge supplied by operators and local authorities and we would not wish to see this linkage broken by moving funding to a central source, with no incentive or stakeholder position for operators or local authorities to ensure that updated and accurate information is supplied.

Potential longer term options.

London TravelWatch does not support the concept of further devolution of BSOG to local authorities except where Quality Contracts are in force, and where the funding is ring fenced specifically for bus service provision. This is because we believe that this would not be in the long term passenger interest, as local authorities could be tempted to use this as a means of supporting other activities.

As noted above, London TravelWatch does however strongly support the case for payment of BSOG on a per passenger kilometre basis.

London TravelWatch does not support the linkage of BSOG with concessionary fares reimbursement, as we believe that these have separate and diverse objectives which are not necessarily mutually compatible. We do believe that there would be considerable administrative savings in operating a centralised reimbursement system (except for London where a different legislative regime applies) for the national concessionary fares scheme in England, rather than the current arrangement of reimbursement through local authorities. Separate legislation would be required to alter the Freedom Pass scheme in London and London TravelWatch reserves its position on any proposed change to the current arrangements for the Freedom Pass.

Devolve support for the bus industry. As mentioned above London TravelWatch would only support the devolution of BSOG except where Quality Contracts are in force, and where the funding is ring fenced specifically for bus service provision.

Make a "per passenger payment". As mentioned above London TravelWatch believes that a payment per passenger kilometre would be the most equitable system of payment.

Rationalisation of BSOG and concessionary fares. As mentioned above London TravelWatch does not support any linkage between BSOG and concessionary fares reimbursement.

I am grateful for the opportunity to comment on this paper. If you have any queries please do not hesitate to contact me.

Yours sincerely

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Local bus service support – options for reform

1 Purpose of report

- 1.1 To seek approval for a response from London TravelWatch to a consultation by the Department for Transport (DfT) on possible reforms of the Bus Service Operators Grant (BSOG).

2 Information

2.1 Background

- 2.1.1 For many years until recently, BSOG was known as Fuel Duty Rebate. It is paid to bus service providers (for which the DfT and the industry use the term operators) in England as a rebate of the duty (i.e. tax) levied on the fuel used in their vehicles. It is calculated from the vehicle kilometres run (both in and out of service) and average fuel consumption rates. In the current year, the total payment will amount to about £413 million, equal to about 8.7p per passenger journey. About a quarter of the total is paid to London operators.
- 2.1.2 Its effect has been to place the bus industry on a more equal footing with other public transport modes (rail, air and sea) whose fuel consumption is tax-exempt. To the extent that it has permitted fares to be set at a lower rate than would otherwise be the case, it has indirectly subsidised bus passengers rather than bus operators (although to the extent that lower fares have attracted additional passengers, it will also have provided some commercial benefit to the industry). The Government estimates that bus patronage is 6.7% higher and fares 6.5% lower than would be the case if BSOG was withdrawn.
- 2.1.3 Over time the real value of the grant has fallen, because not all increases in fuel duty have been fully rebated. The government has also sought in recent years to rebrand it as a subsidy to the industry, and in 2002 the rebate was renamed 'Bus Service Operators Grant'. It can be claimed by all operators of registered bus services, including those which run under contract to Transport for London (TfL). The grant is paid directly to them by the DfT, and at present TfL is not involved in this process.
- 2.1.4 For some years, concern has been expressed by some observers of the bus industry at the untargeted nature of this grant, and the question has been raised whether it could be reformed in a way which would help more directly to meet the Government's policy objectives in relation to the environment, congestion and accessibility. The overall fuel efficiency of buses has fallen in the past decade, as a result of increases in their weight and specifications, and BSOG has had the effect of partially negating the additional operating costs arising, which is an unintended and undesirable outcome.

- 2.1.5 The current consultation by the DfT stems from this debate. The full documentation can be viewed at <http://www.dft.gov.uk/consultations/open/bussubsidy/>.
- 2.2 Options for reform
- 2.2.1 Devolution of BSOG to TfL
- 2.2.1.1 In London, the DfT proposes to replace BSOG with a block grant paid to TfL. This would be based the total amount of BSOG which could otherwise be claimed by operators of bus services forming part of TfL's tendered network (or operated with its agreement). Individual bus operators' net costs would be higher, because they would no longer be eligible to claim this grant, and this would be reflected in the level of their bids when seeking tenders. But TfL's budget would be enhanced by the same amount, so there would be no effect on the total level of public funding provided to support services in London.
- 2.2.1.2 Commercial services operated in or to/from London under permits, without TfL funding, would continue to be eligible for BSOG on the same basis as those elsewhere.
- 2.2.1.3 Such a change would eliminate the need for individual operators of TfL-funded routes to prepare and submit audited claims for this grant, and for the DfT to authorise and pay them. This would greatly reduce the cost to the taxpayer of administering the grant, while maintaining its overall level. It appears, therefore, to be a proposal to which London TravelWatch could give "in principle" support. But such support should be conditional upon certain safeguards :
- (a) The value of the block grant to TfL must continue to be calculated on the same basis as payment of BSOG to operators elsewhere, to ensure that there is consistency of treatment across the industry.
 - (b) TfL has a duty to procure services to and from (as well as within) London, in order to meet London's needs, and these cross-boundary services are operated on the same contractual basis as those running wholly within London, although they fall under a different licensing regime when running outside London. They must be treated on an equal footing with respect to BSOG or any replacement for it, so that TfL is not disincentivised to maintain and where necessary extend them.
 - (c) Where a non-TfL route (whether cross-boundary or otherwise) is replaced by a TfL-sponsored service, the grant to TfL must be augmented by the amount which its operator would otherwise have been eligible to claim in BSOG.
 - (d) Suitable transitional arrangements must be put in place to safeguard existing TfL operators during the residual life of their contracts.
- 2.2.1.4 Parliament is currently considering legislative proposals which would simplify the process for introducing "quality contracts" between local authorities and bus operators. This would give authorities in defined areas powers to introduce a system for contracting services broadly analogous to that which exists in London.

The Government proposes that in such areas BSOG might be paid to the contracting authorities on a block basis, rather than to individual operators, on the same basis that it has suggested for London. This proposal, if implemented, is unlikely to have any direct effect on services within the remit of London TravelWatch, but if this method of payment of grant is appropriate in London, there is no prima facie reason why the same advantages would not accrue from applying it in quality contract areas also.

- 2.2.1.5 Moving to a block payment for London services (and by extension those in quality contract areas) would simplify the method by which subsidy to the industry in London is received. But if condition (a) in paragraph 2.2.1.3 is accepted, the total volume of support for London services would still be linked not only to the overall level of funding paid to operators elsewhere but also to the method by which these funds are allocated. It is therefore appropriate to consider the possible implications of other options for changing the basis of allocation canvassed in the consultation document.
- 2.2.2 Eligible mileage
 - 2.2.2.1 It has always been the case that BSOG (and previously Fuel Duty Rebate) can be claimed not only on the kilometres operated by buses in service (i.e. available to the public), but also on the “dead” kilometres operated when running to and from garages out of service. This has had the effect in some cases of distorting contract prices because it has offset part of the additional operating costs of operating buses from garages remote from the routes concerned.
 - 2.2.2.2 From time to time, London TravelWatch has expressed concern at the prevalence of this practice (and has received complaints from passengers on sections of road near garages where a high proportion of vehicles carry “Not in service” blinds). High levels of out of service running add to operating costs in the form of crew time, fuel consumption and vehicle wear-and-tear. If the garage is distant from the route, this is likely to make supervision and crew management more difficult and/or more costly. Even where garages are located close to routes, there can be many positioning journeys run out of service but on line of route which are not available to passengers waiting at the stops they pass.
 - 2.2.2.3 There appears to be no good reason why “dead” running should be subsidised. If bus companies wish to continue to receive support for these journeys, they have the option of registering them and making them available to passengers. It is therefore proposed that, if BSOG continues to be paid on a distance- (or fuel consumption-) related basis, only kilometres run (or fuel consumed) in service should qualify for this purpose.
 - 2.2.2.4 Irrespective of the possible reform of BSOG, and any effect this might have on the eligibility of fuel consumed on out-of-service journeys for rebate of duty paid, the scale of “dead running” within London remains a source of concern. TfL’s current stance is that operators are contracted to deliver the timetables (or frequencies) it specifies, and that provided that they do so reliably for the contract price agreed, where the vehicles are based and what level of out-of-service running is incurred in consequence is purely a matter for the operators themselves. This view is not shared by those who believe that it ought to be possible to make many of these journeys available to passengers, thus enhancing the overall level of service at

virtually zero cost. It is proposed that this topic is added to London TravelWatch's future research programme, with a view to assembling evidence on which to base a formal approach to TfL seeking a review of its current policy.

2.2.3 Fuel consumption "capping"

2.2.3.1 The DfT's consultation document canvasses the idea that a cap could be placed on the fuel consumption per kilometre for which BSOG can be claimed. This would incentivise fuel-efficient driving and encourage bus companies to invest in vehicles with fuel-efficient engines. This, in turn, would reduce atmospheric emissions and produce savings in operating costs which could be passed on to passengers.

2.2.3.2 The policy objective behind this proposal is clearly desirable in itself. But the issue is in no way unique to buses. If the government wishes to encourage fuel efficiency, there is no obvious reason for seeking to do so in respect of buses alone, since buses account for only a small share of total fuel consumption and (at average occupancy levels) generally consume less energy per person-kilometre than most other road vehicles. It would therefore appear more appropriate to approach this objective through the reform of vehicle taxation generally.

2.2.4 Hybrid fuel buses

2.2.4.1 To encourage innovation, the DfT suggests that a special distance-based rate of BSOG could be offered for the use of electric hybrid and other low carbon buses, or a BSOG rate equivalent to 100% of fuel duty.

2.2.4.2 As with a possible BSOG cap for vehicles with low fuel efficiency, this is a valid policy objective, but not one specific to the bus industry. Again, it appears to be an issue which would be more logically addressed in the context of vehicle taxation generally.

2.2.5 Technological innovation

2.2.5.1 The government suggests that in order to encourage the uptake of new technology, a higher rate of BSOG could be offered to operators whose vehicles are fitted with GPS (global positioning satellite) systems and smartcard ticketing equipment, and which have the associated "back office" facilities required to make use of these. This would enhance reliability by enabling closer supervision of services and by speeding up fare collection and therefore boarding times.

2.2.5.2 TfL has already installed (or is in the process of installing) such equipment on the buses used on its routes, in the guise of iBus and Oyster. So it would be rewarded by such a change. But it would be administratively complex (and therefore costly) to relate the payment of BSOG to the attributes of specific vehicles in operators' fleets, and there are other, simpler methods available to promote improvements of this kind. Advances in the accessibility of buses to people with impaired mobility have been achieved by raising the standards with which new vehicles are required to comply, and setting dates by which existing non-compliant vehicles must be modified or withdrawn. The same approach could be used to achieve these improvements too.

2.2.6 Punctuality

2.2.6.1 The Government's consultation paper canvasses the possibility that BSOG might be modified in such a way as to reward punctual operation. In order to do this, however, much more comprehensive (and potentially costly) systems for the measurement of performance would be needed than currently exist in many areas, and suitable procedures would be required in order to ensure that bus operators were not unfairly penalised for the effects of factors outside their control. Outside London, the Traffic Commissioners already have powers to impose sanctions in the event of persistent unpunctuality, whilst within London TfL's "quality incentive contracts" already reward operators for delivering high standards of reliability. This is not therefore offered as a preferred option at present, though the use of GPS may make it more practicable in due course.

2.2.6.2 From the passengers' perspective, punctuality is a vital service attribute. Whilst recognising the technical difficulties which would currently be faced in attempting to use BSOG as a means of encouraging bus operators to improve reliability, it is nevertheless important to retain this as a policy objective. Noting that operators in London are already contractually incentivised in this way, London TravelWatch believes that the DfT should retain this as an option for the industry generally in the medium and longer term.

2.2.7 Distance based payment

2.2.7.1 The consultation paper suggests that a simple "per bus kilometre" distance-based payment would break the link between BSOG and fuel consumption, and thus encourage greater fuel efficiency while being simpler to administer. But the DfT acknowledges that such a system would favour longer but lightly-used routes (typically in rural areas) at the expense of shorter but more intensively-used urban services. The effect on patronage could be negative, and the services which it would benefit are not necessarily those which deliver the greatest economic value. If there are policy grounds (such as social inclusion) for supporting rural services, there are other and better-targeted mechanisms available for this purpose.

2.2.7.2 Such a system would not direct support in such a way as to maximise benefits to users, particularly in urban areas. There is therefore no reason for London TravelWatch to support it.

2.2.8 Longer-term options

2.2.8.1 The consultation paper includes a number of options which would be administratively more complex to implement, and would probably require three years to bring into effect.

2.2.9 Devolution to local authorities

2.2.9.1 One of these would be to abolish BSOG entirely, and transfer an equivalent sum to local authorities to use at their discretion. But at present local authorities cannot subsidise commercially-provided services, or specify the level of fares charged on them. Abolition of BSOG would be likely to result in the withdrawal of some commercial services, and the increase of fares on those that remained. Although authorities would be able to use the additional income to restore lost services, there

would be little they could do to target support on the remaining commercial services, even though typically it is these that carry most passengers. And because the additional grant would be unlikely to be ring-fenced, there is no guarantee that all or most of this funding would continue to be directed towards supporting bus services at all.

- 2.2.9.2 In London, this proposal would only affect the relatively small number of services provided on a commercial basis. But unless it was accompanied by major changes in the powers and duties of local authorities in relation to bus services, it could result in a substantial overall loss of support to the industry. From the passengers' perspective, it should therefore be regarded with considerable caution.
- 2.2.10 "Per passenger" payments
 - 2.2.10.1 This option would involve moving to a simple payment per passenger carried, and break the current BSOG connection with fuel consumption. It would be directly targeted at increasing patronage. It would take no account of distance travelled, and would therefore particularly benefit operators (mainly in urban areas) carrying larger numbers of passengers on short journeys at the expense of those (mainly in rural areas) carrying fewer passengers on longer journeys. It might disincentivise operators to provide services at times of the day and week when demand is low.
 - 2.2.10.2 Implementation of such a system would be critically dependent, however, on the availability of accurate patronage data. At present, this does not exist in much of the bus industry where, for example, journeys made on season tickets and passes are often not individually recorded. There would also be scope for manipulating the definition of journeys in such a way as to increase the recorded number of trips, e.g. by charging for longer journeys as a sequence of separate consecutive elements. Universal adoption of smartcard technology for all journeys would appear to be an essential prerequisite for introducing this system.
 - 2.2.10.3 The fundamental conceptual weakness in this proposal is that it treats all journeys alike, irrespective of length. It would therefore subsidise an operator for carrying ten passengers for one kilometer each at ten times the rate paid to an operator for carrying one passenger for ten kilometers. Although this would reward urban operators (and, to the extent that this subsidy resulted in lower fares, urban passengers) at the expense of rural passengers, and therefore be favourable to London, the concept is intrinsically unfair.
 - 2.2.10.4 Such a bias would be eliminated by paying BSOG as a rate per passenger kilometre. This possibility is mentioned in passing in the DfT's consultation document, but not discussed. In principle, it appears to be fairest basis of support, since it neutralises the effect of journey lengths and/or numbers, and thus eliminates any inherent bias towards trips of particular types or in particular places. It is, however, even more dependent than "per passenger" subsidies on accurate journey records, since operators would be required to verify not merely the number of boardings but also the average length of journeys made. Advances in ticketing technology will assist this, and DfT should therefore be urged to do all in its power to promote these in order to facilitate a move towards payment on a passenger kilometre basis.
- 2.2.11 Rationalisation of BSOG and concessionary fares

- 2.2.11.1 The DfT also invites views on the scope for “exploring options for linking BSOG and concessionary fares reimbursement”. It suggests, for example, that it might be made a condition of receiving BSOG that operators carry concessionaires, and they would then qualify for a standard payment per passenger including concessionary travellers (though since the proportion of such travelers varies between routes, such an approach would presumably have to take some account of the proportion of an operator’s passengers who travel on concessionary passes, and the extent to which this reduces the fares income it would otherwise receive).
- 2.2.11.2 When powers for local authorities to operate concessionary fares schemes were first introduced, individual authorities were free to determine not only whether or not to operate such a scheme but also, if they did, the conditions governing it. So different authorities were free to set their own rules regarding (e.g.) the categories of passenger who would qualify for concessions, the level of concession offered, whether or not a charge was made to the holder to join the scheme, the hours during which it was valid, whether it took the form of tokens or a pass, whether cross-boundary trips were permitted, etc. Because individual authorities were free to determine their own schemes, each authority was obliged to negotiate individually with the operators in its area regarding arrangements for reimbursing them for the income foregone.
- 2.2.11.3 The gradual consolidation of these arrangements has led, in England, to the introduction of a single minimum specification to which all authorities are required to conform. They now have no discretion regarding whether to operate such a scheme, cannot charge for it, must offer it to all residents aged 60 and above and to eligible disabled people, must offer free travel on all local bus services between 09.30 and 23.00 on Mondays to Fridays (all day at weekends), and must offer reciprocal recognition to all other English authorities’ passes. The only discretion left to them is to negotiate (and pay for) additional hours of validity and to extend the scheme to modes of transport other than buses – if they do this, these additional benefits are offered to their residents only.
- 2.2.11.4 For most practical purposes, from the users’ perspective there is now a single England-wide scheme for people aged 60 and above, and for those with disabilities. (Separate arrangements continue to apply in relation to discounted fares for young people, jobseekers, etc). But because the system is still locally administered, separate arrangements for reimbursement are still required between each local authority and the operators in its area. This has resulted in the existence of 292 separate schemes, with the associated administrative overheads. And because the reimbursement formula is still negotiated locally, there are many outstanding disputes which are subject to arbitration (more than schemes 20 are the subject of applications for judicial review). The situation is highly complex, and widely regarded as deeply unsatisfactory. This is in sharp contrast with the situation in Northern Ireland, Scotland and Wales, in each of which there is a single scheme in which local authorities are not involved and in each of which there is a common formula for reimbursement applied to all operators.
- 2.2.11.5 Since the level of discretion available to local authorities in relation to concessionary fares is now very limited, and there is mutual acceptance of all authorities’ passes throughout England, there is a strong case for consolidating these schemes into a single England-wide pas, and this is direction in which DfT thinking is now moving. If this was to be done, and bus operators were to be reimbursed directly by DfT for

fares foregone, the scope for amalgamating these payments with BSOG would become apparent. This, in turn, would have direct implications for London.

- 2.2.11.6 What is now known as Freedom Pass was originally introduced by the Greater London Council (GLC). When the GLC was abolished, the London borough councils were empowered to continue to maintain and fund such a scheme, provided that there was unanimity between them on its terms. They are now required reciprocally to adhere to the English national scheme. If they cannot reach agreement, TfL has power to implement a reserve scheme (valid on its own services only) and to precept the councils to recover the cost. Currently, TfL and the National Rail operators charge London Councils for accepting Freedom Passes, and London Councils recharges its 33 constituent authorities. Until now, the cost has been apportioned between them on the basis of the number of passes issued by each council, although the greater volume of data regarding usage generated by the introduction of smartcard technology will shortly permit a move to reimbursement on the basis of journeys made.
- 2.2.11.7 Freedom Pass is a single London-wide scheme. Its administration and funding passed to the individual borough councils (acting collectively) because, in the post-GLC era, concessionary fares were a local government function and they were the only units of local government surviving in London. But the creation of the Greater London Authority has given rise to the option of returning responsibility for funding this pass to a Londonwide body, while the advent of the English national scheme has created the possibility of subsuming it within a central system of subsidy to the bus industry administered by DfT.
- 2.2.11.8 Such a proposal would give rise to a number of consequential issues. For example, Freedom Pass is valid on the Underground, Docklands Light Railway, Tramlink and National Rail services in London, as well as on buses. The English national scheme is valid only on buses, unless individual authorities choose to fund validity on other services in addition. Means would therefore have to be found to preserve and fund the rail element of Freedom Pass. And most London councils' contribution towards the cost of supporting Freedom Pass is currently derived in part from surpluses on their parking accounts, which must by law be applied to transport-related purposes. It would be unfortunate if this income stream was to be forfeited as an unintended consequence of the consolidation of concessionary fares arrangements at national level.
- 2.2.11.9 If, however, BSOG in London was replaced by a single block grant to TfL, and concessionary fares reimbursement in England became a centralised DfT-administered function, there would be a strong prima facie case for consolidating the funding of the bus element of Freedom Pass as part of the same process. Until these issues have been explored more fully, it would be premature for London TravelWatch to adopt a definitive view on the merits of such a change, but the option has clearly been brought into play by the DfT's consultation paper.

3 Equalities and inclusion implications

- 3.1 Changes in the basis of allocating BSOG could have consequences for the overall level of government support for bus services, for its distribution between services in rural and urban areas, and for the level of fares and frequency of service on

different routes and/or at different times of the day or week. In considering the options for reform, due account must be taken of these factors and their potential impact on particular categories of user.

4 Financial implications

- 4.1 The contents of this report have no specific financial implications for London TravelWatch.

5 Legal powers

- 5.1 Section 248 of the Greater London Authority Act 1999 places upon London TravelWatch (as the London Transport Users Committee) a duty to consider - and where it appears to it to be desirable, to make recommendations with respect to - any matter affecting the functions of the Greater London Authority or Transport for London which relate to transport (other than of freight).

6 Recommendation

- 6.1 That this report is submitted to the DfT in response to its consultation paper on "Local Bus Service Support – Options for Reform".