

**Executive Member for City Strategy and
Advisory Panel**

16 July 2007

Report of the Director of City Strategy

PETITION OBJECTING TO BUS SERVICE FARES

Summary

1. To consider a petition presented by Councillor Potter to Full Council on 12 April 2007, objecting to recent fare rises on First York buses, and calling upon the Council to make more effort to resist future fare increases.

Background

2. The petition was prompted by First York's announcement of selective fare increases in January 2007. This followed previous significant fare increases in January 2006.
3. First York Ltd. is a private sector company that makes its own decisions on the bus services it offers to the public and the charges it makes to its customers for using the services offered. Park & Ride services, on which fares are governed by the terms of a contractual agreement between the Council and First York, are the only exception to this.
4. Between 2003 and 2007 First's schedule of fares changed, with increases varying widely, depending on the ticket purchased and the journey being made. A summary table of these changes is contained at Annex A. As an indication of some of the largest increases, the Adult Return fare has risen 55% and the Adult Day ticket by 59%, whilst the Retail Price Index has risen 10% and the Consumer Price Index has risen 8%. These figures are unlikely to accurately represent the overall increase in fares income achieved by the Company. As commercial businesses, bus companies need to recover cost increases from their customers in order to sustain their businesses, or seek other means of balancing costs and revenues.
5. The bus operators' representative body, the Confederation of Passenger Transport, has reported that bus company operating costs rose 7.7% in the year to 30 June 2004, 8.7% in the year to 30 June 2005 and 7.8% in the year to 30 June 2006, well ahead of published general inflation rates. Figures for the year to 30 June 2007 are not yet available.

6. Bus companies must set their fares and charges independently, as legislation designed to protect consumers from anti-competitive practices prohibits agreements between separate organisations to fix them. Under current legislation, the only mechanisms which provide local transport authorities with the opportunity to influence or set bus fares are:
 - The establishment of a Quality Contract, in accordance with the provisions of Sections 124 to 134 of the Transport Act 2000,
 - the establishment of a ticketing scheme, in accordance with the provisions of Sections 135 to 138 of the same Act of Parliament,
 - the use of their powers and duties to establish Concessionary Fares Schemes for tightly specified categories of bus users, and
 - setting of fares as part of the specification for subsidised bus services (but see paragraph 16 of this report for caveats),
7. The Government is currently consulting on a Draft Local Transport Bill, which it is proposing to put before Parliament as soon as possible. Amongst other things, this includes proposals to introduce a revised Competition Test, applicable to bus service operations. If enacted, this will enable Voluntary and Statutory Quality Bus Partnership Agreements to newly include agreements on maximum fares. Such agreement would still be constrained by the overall requirement for the costs of service provision to be adequately funded.
8. Local authorities have no general powers permitting the payment of subsidies with the express purpose of reducing bus fares.

Consultation

9. First York Ltd does not have an obligation to consult any person or body outside its organisation on these matters. As a matter of courtesy, and to fulfil an undertaking given as part of a Voluntary Quality Bus Partnership with the Council, the company usually gives the Council brief advance notice of its intention to change its prices. This has led to the Council expressing concerns about particular proposed increases to the Company on several occasions, and these have occasionally led to the Company modifying its plans. The introduction of a Family Ticket is one example of the Council's influence on First York's fare pricing structure.
10. The Council has also worked in partnership with First York, and other bus companies providing services in the City, to extend the availability of child fares to young people in the 14 to 16 age range, in conjunction with "YOzone" proof of age cards issued by the Council. Recently, First York has agreed to reduce its Child Single fare significantly in conjunction with the Council's re-launch of "YOzone", which is now combined with discounts at Council sports facilities and libraries and selected commercial businesses in the City. Some other companies have also reduced their child fares, either in York, or more

widely, in conjunction with “Yozone”. Talks are continuing, with a view to extension of discounted travel to young people in the 16 to 18 age range.

Options & Analysis

11. The petition has 99 signatories, all of whom live in the Heslington area of the City.
12. As explained in paragraph 6 of this report, local authorities have little direct influence on bus service fares and the extent of permitted involvement is constrained by legislation.
13. The cost of providing bus services, including a reasonable return on capital invested, has to be met. This is achieved through a combination of fares paid by passengers, reimbursements paid to operator’s for participation in Concessionary Fares Schemes, Bus Service Operator’s Grant (formerly Fuel Duty Rebate) paid by central government, other income (e.g. advertising revenues), and subsidies paid by Council’s to support specific bus services which bus companies would not otherwise be willing to run, due to them not generating sufficient income to meet their costs for running them on a ‘commercial’ basis.
14. Bus companies use their professional judgement and experience to set fares which, in their view, will yield the necessary income to sustain their businesses. First York Ltd. has adopted a policy of modernising ticketing by seeking to minimise and simplify on board cash transactions. The range of cash fares available has been reduced, and discounts are available for an expanded range of pre-purchased tickets to encourage their greater use. Recent increases have thus been concentrated on “turn up and go” fares rather than on pre-purchased fares. Pre-purchase can now be done at ‘PayPoint’ outlets in the city as well as directly from the Company, improving convenience for the customer both in terms of ready access to payment outlets and in terms of opportunities to pay by credit or debit card. The Company is developing for the future other pre-payment options through “Cityspace” terminals in public places and through mobile telephone transactions.
15. On board cash transactions are comparatively inefficient and insecure. The time taken by them, and variations in that time, contribute to variable overall journey times and reduce the attractiveness of bus services to some potential customers. Increasing the proportion of pre-purchased travel is viewed by the Company as a key part of its strategy to maintain growth in bus patronage. The Council’s Bus Strategy (which forms part of the Local Transport Plan 2006-2011 (LTP2)) commits the Council to work in partnership with operators to develop pay-before-you-board ticketing. It is intended that this will include investigating the potential for a network ticket, which may be made possible through the ability to accurately distribute revenue between operators, based on reliably accurate and detailed electronic data capture and analysis. It should be noted that such a ticket is likely to be more expensive than equivalent tickets confined to the services of one operator.

16. Since 2001, First York has, in partnership with the Council, achieved substantial increases in use of its services. The associated increase in fares income will have helped to reduce pressure to increase fares in order to meet rising costs. Further progress in increasing bus service patronage should have the same effect. The most useful way in which the Council could assist bus companies in this endeavour is by managing the highway network in a way which minimises the effect of traffic delays on bus journey times and their variability. Funding for this would be through the Local Transport Plan process.
17. The Council can set the fares on services which it subsidises but not those that are run commercially. However, "The Bus Tendering Good Practice Guide", published by government, states the following:

"Authorities should seek to ensure when supplementing the commercial network with supported services that proposals would not adversely affect the commercial network. In terms of good practice local authorities should generally seek to ensure that fares charged are consistent with fares on commercial services within the area in which the new service operates."
18. The same Good Practice Guide recognises that authorities may wish, as part of wider objectives, such as regeneration and/or social inclusion agendas, to set bus fares on subsidised services at a lower level. Such a decision would be subject to a Competition Test to determine whether the benefits outweighed any adverse effects on competition. It must be remembered also that, by definition, subsidised services do not generate sufficient fares income to cover their costs of provision. Setting lower fares could therefore increase the amount of subsidy required to support the services, unless sufficient additional passengers are carried at the lower fares to compensate for the reductions.
19. Fares are only one element of the public transport offer, and other elements may be of equal or greater importance. The importance of consistent and attractive journey times has been referred to above. Additional services, improved frequency of services, more investment in information services, and promotion of the City's public transport services are also important. All these issues were identified as aspects of service provision which are important influences on customer choice, in market research carried out during preparation of the Council's LTP2.

Corporate Priorities

20. The City's public transport services contribute towards many of the Council's eight Corporate Aims, as set out in the Council Plan for 2006/7. In particular, they contribute towards the "Sustainable City" and "Inclusive City" strategic objectives in the Community Strategy and Improvement Priority IS2 (to increase the use of public and other environmentally friendly modes of transport) for the 2006 – 2009 period;. They also contribute towards achievement of the shared priorities (with Government) embodied in LTP2; to

reduce congestion, improve safety, improve air quality, improve accessibility, and improve other aspects of quality of life.

Implications

21. **Financial** - There are no financial implications for the Council provided no action is proposed to change any current bus fares. Financial implications could, however be considerable if either a Concessionary Travel Scheme for young people or a Quality Contract for provision of bus services in the City was pursued. These may be offset if new 'balancing' income streams can be secured. There would be financial implications as well if an integrated ticketing scheme was introduced and subsidy was required to make the price to customers attractive. The sums involved in this situation are, however, likely to be more modest than for the Concessionary Travel Scheme or the Quality Contract .
22. **Human Resources (HR)** - There are no human resource implications for the Council provided no new action by the Council is proposed. A Concessionary Travel Scheme for young people and an integrated ticketing scheme would both require a staff time commitment to introduce them and bring with them a continuing requirement to administer the Schemes. Development of a Quality Contract proposal would be a substantial project, requiring additional resources or diversion of staff from other priorities. A successful application would bring with it a continuing monitoring and management commitment.
23. **Legal** - There are no legal implications provided any action proposed by the Council is done in accordance with the relevant Acts of Parliament and Statutory Regulations.
24. **Information Technology (IT)** - There are no new information technology implications, unless ticketing schemes are introduced which rely on processing of electronic data provided by bus companies.
25. **Other** – There are no other implications.

Risk Management

26. This report has been published in response to a petition presented at Full Council. There are no issues relating to risk management to report, as no changes to current practices are being recommended.

Recommendations

That the Advisory Panel advise the Executive Member for City Strategy that:

27. In line with constitutional requirements to report back from Council, it is recommended that the content of this report is noted. In particular, the Council's success in persuading First York to introduce a discounted Family Ticket and to reverse the 100% increase in Child Single fares introduced in January 2006, should be noted.

Reason: Whilst the rate at which the cost of using bus services is a cause for concern, it is recognised that the Council's ability to influence this is both severely limited and constrained.

28. It is also recommended that the Council continues to have constructive dialogue with First York Ltd. about the fares being charged, with the aim of encouraging the Company to moderate increases as much as possible.

Reason: To ensure that the Company appreciates the Council's concerns and is persuaded to take them into consideration when reviewing charges for the use of its services.

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Report Approved **Date** 03/07/07

Specialist Implications Officer : Report Author

Wards Affected: List wards or tick box to indicate all

All Y

For further information please contact the author of the report

Background Papers:

Monitoring Local Bus Service Tenders in England; Bus Tendering Good Practice Guide (W S Atkins for Department for Transport – January 2005)
Correspondence from First York Ltd, advising details of proposed fares revisions (April 2004 to January 2006) and current fares on First York internet site.
News item in "Transit" magazine for 13 October 2006
The Council's Local Transport Plan for 2006 to 2011
Transport Act 2000
Competition Act 1998
Draft Local Transport Bill 2007

Annexes

Annex A: Changes in First York Bus Fares 2004 to 2007