



Executive16th February 2010

Report of the Director of City Strategy

Review of discretionary concessions provision and the introduction of a 'Taxicard' for disabled York residents**Summary**

1. This report has been written in response to the recommendation made by Members at the Executive meeting of 20 January 2009 to explore the possibility of introducing an electronic, stored value, taxi-card to replace the national transport tokens currently being issued to entitled, disabled, residents.
2. The Executive meeting of 22 September 2009 agreed to defer any decision on this report to allow for additional consultation to take place.
3. The report outlines the costs and implications of introducing a taxi-card and recommends adoption of Option 1 to introduce the card for April 2011.

Background

4. The English National Concessionary Travel Scheme (ENCTS) was introduced in April 2008 offering all over 60s and registered disabled free-fare, off-peak, bus travel anywhere in England. The provision of this benefit is a statutory requirement placed upon all local authorities. Prior to 2008 the Council operated a local concessionary travel scheme offering half price (and latterly free) local bus journeys to pass holders.
5. The cost to the Council of funding bus pass concessions has increased in stages, from around £600,000 in 2003/4 (the last year of half-fare local travel) to an estimated £5.1 million in 2009/10.
6. Government funding is intended to meet the costs of providing the statutory minimum concession. Any enhancements, using discretionary powers, must be funded by councils themselves. The Council's current scheme includes the following enhancements.
 - Free weekday travel between 0900 and 0930, also between 2300 and 0600, available to any National Concessionary pass holder
 - Free all day travel wholly within York for York residents qualifying on grounds of blindness
 - Free travel for necessary companions of persons with disability

7. The Council also offers a further discretionary alternative to the bus pass for disabled residents (of any age) in the form of national transport tokens which are accepted by a number of taxi operators.
8. The popularity of tokens has declined in recent years as a result of the increasingly generous bus travel concessions for older and disabled people. Token take-up decreased significantly in 2008/09 due to the Council halving the amount of tokens offered (to £20), coincident with the introduction of a free national bus pass.
9. For 2009/10 the amount of tokens offered was increased to £50 but was only made available for disabled people. The value of tokens issued over the past seven years is shown in the table below:

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Total value of tokens issued	£510k	£1,099k	£831k	£624k	£519k	£158k	£122k (year to date)
Tokens issued per claimant	£24.00	£50.00	£40.00	£40.00	£40.00	£20.00	£50.00(*)

(*) Only issued to the eligible disabled

10. The current system allows the eligible disabled, aged under 60, to purchase an additional £50 worth of tokens at a cost of £25 (a total of £100 worth of tokens). This additional sum is offered in the interests of aiding this age demographic in their travel to work.
11. The main weakness of the current system is that once the tokens are distributed, the Council has no way of monitoring how (or indeed, if) they are used and cannot ensure that the tokens are not exchanged fraudulently.
12. Alternatives in the form of a 'taxi card' exist in the market place and are used by other local authorities (e.g. Newcastle, Milton Keynes, Chiltern, etc). These schemes have relatively low capital and running costs and provide reliable data on usage. In addition, at the end of a given period (eg monthly, quarterly or annually), cards can be re-set to ensure the Council is spending no more than is used on journeys made during this period, ensuring that there is better financial control.

Options

13. The provision of an alternative concession to the ENCTS (the bus pass) is a discretionary decision for the Council to make. Three options are therefore presented for the consideration of Members.

Option 1 – Replace the provision of national transport tokens for the eligible disabled with a stored value taxi-card and permit officers to conduct a tendering exercise, working with both the taxi industry and disability group representatives to deliver best value and a product which will be fit-for-purpose.

Option 2 – Withdraw the provision of an alternative concession to the bus pass.

Option 3 – Retain the existing arrangement for the distribution of national transport tokens.

Analysis

Option 1

14. Officers have held informal meetings with the two principal suppliers of a 'taxi card' product in the United Kingdom to understand the functionality that might be delivered and the timescales required
15. The following table provides an initial indication of the work which would be required to launch a 'taxi card' scheme:

Task	Timescale
Procure taxi card provider	6 – 9 months
Licence taxi firm(s) for operation of the taxi card scheme (including installation of readers)	6 – 9 months (concurrent to the procurement of the taxi car provider)
Publicise and promote the new scheme	3 months (concurrent with the run up to the launch of the card) and ongoing

16. The taxi card scheme requires that all of the eligible individuals who want to use this facility are provided with a stored value smartcard which has a certain financial value loaded onto it (eg £50). The sum of money would be valid for a defined period (eg quarter of a year, half a year or a full financial year) to pay for all or a proportion of a taxi journey. Both of the suppliers consulted advised that the cards would be issued for a three year period. The values on the card (eg £50 for 2010/11, £50 for 2011/12, etc) will automatically lock and unlock themselves at the start and conclusion of each designated time period.
17. To use their taxi card, the cardholder would only be able to use companies equipped with card readers (which deduct value from the user's card when trips are made). Officers recommend that a tendering exercise be conducted to select a small number of operators with a variety of (and sufficient numbers of) vehicles to be fitted with the taxi card readers. As these operators would have 'exclusive rights' to the equipment, this would potentially make the scheme more attractive to them although the sums of money involved are still very low.
18. The Council would pay the taxi card supplier to operate the re-imbursment to taxi companies and for maintenance of the system hardware. This fee would be a proportion of the revenue invested into the system (estimated to be 5 – 10% per annum) but different companies have different reimbursement methodology to be determined through the procurement process.
19. The taxi companies would then recoup the money from the taxi card supplier on a regular basis (monthly or quarterly).

20. The capital cost of introduction of a taxi card scheme is estimated to be in the region of £25,000 on the assumption that 100 taxis are fitted with smartcard readers. This could be funded through an allocation from the Local Transport Plan.
21. Consultation with taxi operators has resulted in a mixed response for the initiative. It is difficult to be certain as to the taxi operator response at this stage, but if there is a possibility that operators are not prepared to fit their taxis with the equipment, irrespective of cost, then the project will not be deliverable. Officers believe however, that it is unlikely that all taxi operators would refuse to participate in the scheme. Further information on consultation with the taxi operators is provided at paragraphs 28-29.
22. The ongoing revenue cost is estimated to be £100,000 per annum, based on the current number of tokens claimants (2000) multiplied by the amount currently received by each claimant (£50).
23. The Council Procurement team has advised that it would be unlikely that a new taxi card scheme could be introduced before April 2011 due to the timescales outlined in paragraph 15. It is therefore proposed that national transport tokens are issued for 2010/11, to be made available from the Council's finance centre, pending introduction of the card as soon as possible (and no later than September 2011).

Option 2

24. Many local authorities provide no discretionary alternative to ENCTS (the bus pass). A number of current national transport token claimants may choose to take a bus pass instead. The move to restrict token distribution to those with qualifying disabilities in 2009/10 means that the numbers making this transition are likely to be relatively low.
25. The saving to be made through the withdrawal of a discretionary concession is likely to be £150,000 (estimated full year expenditure inclusive of token distribution events).
26. For both options one and two, our remaining stock of tokens would be re-sold to National Transport Tokens.

Option 3

27. Tokens could continue to be provided at a continuing annual cost of £150,000. The two-year contract for the purchase of transport tokens has now expired. A procurement exercise would therefore have to be carried out to ensure best value. If there is a short term need to procure a small number of tokens to enable transition to a taxi card product, a financial waiver will be sought.

Consultation

28. Officers have consulted with the Taxi Licensing team to identify any issues which may need to be resolved before launching the scheme outlined in option 1. Whilst generally satisfied that the introduction of such a product would not do anything to de-stabilise the York taxi business, concerns were expressed that officers may find it difficult to identify one specific company

who would be able to sufficiently meet the needs of the taxi card. A majority of York's taxi companies do not have fleets of significant size to accommodate a number of simultaneous demands for disabled transport. Licensing Team representatives believed that the services of more than one operator may be required and this will be fully considered in the procurement process.

29. Officers met with representatives from the hackney cab and private hire industries on 8th September to understand any concerns they might have about either discontinuation of the transport token scheme or introduction of a taxi card. The meeting generated the following outcomes:
- Private hire operators were broadly supportive of the taxicard and understood the argument for replacing tokens.
 - Hackney operators collect a relatively small volume of tokens at present, so a full-scale equipping of their vehicles with card readers would be unlikely to prove cost effective.
 - However, around 35 hackney carriages are fully-wheelchair accessible. Equipping some of these vehicles would add to the pool of accessible vehicles within the taxicard scheme. Drivers' telephone numbers would have to be published individually as they do not have a common base in the same way as private hire operators.

Questions posed by taxi operators at the meeting are addressed in Annex A.

30. Further to the meeting with the York Private Hire Association, the following paragraph, extracted from an email to the Council from the Association Secretary was received:

"Despite the attending members at our last meeting being keen on the smart card to replace the current travel tokens, there was, overall, a slightly negative reaction from the full executive to-day, though some including myself supported. I cannot say this means we as an association disagree at this stage but rather that reaction could have been classed as "mixed", leaning to negative. The main reasons for those against being a lot of hassle for little number of journeys/income. The representative of one of the larger private hire companies stated he would categorically not be interested in any such scheme for his company. Some also felt this would have a negative effect on the disabled as they appeared to be singled out for special attention which a lot of them don't like."

31. 'York Access Group' represents disability issues on the Social Inclusion Working Group along with the Valuing People Partnership, York People First and York Mental Health Forum. The Access Group focuses on issues about access for people with physical and sensory disabilities in particular.
32. The 'York Access Group', a forum for promoting the issues that affect people with disabilities in getting around, have also been consulted on this proposal. The group was not opposed to the launch of the taxi card scheme but raised a number of concerns. A comprehensive list of the issues raised is contained at annex A. The key concern raised was to establish how taxi card users would know whether they had any money on their card before

making their journey. This is an issue which will be addressed in the procurement process as it is vital that taxi card users can commence their journey with the confidence that they will have sufficient money to pay for it at the other end.

33. Representatives from the team working on 'More for York' for the Council have also been approached to understand if the taxi card may be expanded to serve a wider purpose (eg library cards, etc). Officers have been advised that whilst there are no plans for this to happen at present, the card could be used for other purposes in the future if it proves successful.
34. Two suppliers of taxi cards to the UK market have attended informal meetings with officers to provide a better understanding of the functionality of the product.
35. Current taxi card customers have also been contacted for their opinions on the products. This consultation included an in depth discussion with a representative from NEXUS (Tyne & Wear PTE). Almost all of the customers spoke positively about the concept and product.
36. The Procurement team has been consulted for advice on options one and three (see paragraphs 23 and 27).
37. Quality Control Group advised that the recommendation of this report to move to card transactions will assist the City Finance Centre in its move away from dealing with cash (or equivalent) transactions.

Corporate Objectives

38. Council involvement in the provision of an alternative to the bus pass contributes towards the "Sustainable City" and "Inclusive City" strategic objectives in the Community Strategy.
39. Council involvement also contributes towards achievement of the objectives embodied in the Council's Second Local Transport Plan; to reduce congestion, improve safety, improve air quality, improve accessibility, and improve other aspects of quality of life. The extent of the involvement possible is however governed by legislative restrictions and the willingness of bus service operating companies to co-operate with the Council in partnership working.

Implications

40. Financial –

The total budget for provision of concessionary travel is £5.1m. This budget funds the cost of concessionary fare reimbursements as well as provision of tokens to disabled groups.

Option 1

The introduction of a taxi card scheme would be lower than the current cost of providing travel tokens as it would eliminate the requirement for a token distribution event, which in 2009/10 cost £21,500. Unfortunately it is not possible to accurately determine the reduction in cost resulting from the

introduction of the scheme. Taxi card providers estimate, however, that approximately 15% of the sum issued to card holders will not be used. This would be offset by a potential 5-10% management fee resulting in 5 – 10% of the initial budgeted allowance being returned to Council funds (equating to £2.50 to £5.00 for every participant in the scheme).

Both of the taxi card suppliers consulted have stated that they would want to agree a minimum three-year contract. This would include agreement being given by Council on the level of concession to be offered for a three-year period in advance of the cards being issued.

The Capital cost in year 1 would be broadly similar to the cost of the current tokens distribution and could be accommodated within the Capital programme with Member approval.

The anticipated savings achieved through ending the annual distribution of tokens could provide an additional sum of £5 per eligible disabled taxi card claimant, increasing the annual allowance to £55.

Option 2

The withdrawal of a discretionary concession would reduce Council expenditure in this area by £150,000. It is assumed that this saving would not be realisable as a proportion of users would be likely to transfer to other concessionary benefits (i.e. the bus pass).

Option 3

This option would result in a continuing annual cost of £150,000.

41. **Human Resources (HR)** – The cessation of the annual national transport tokens distribution will end the need to employ a number of casual staff to manage the Guildhall and door-to-door events. There would also be a reduced burden on the Council Finance Centre who would no longer be required to distribute tokens throughout the year.
42. **Equalities** – Whilst only some of the taxi operators in York accept national transport tokens, the operator is free to decide whether they do or do not wish to participate in the scheme. The introduction of a taxi card scheme would limit the taxi choice open to cardholders to specific companies who are issued with the taxi card readers.
43. **Legal** – None
44. **Property** – If either option 1 or option 2 is selected, the remaining transport tokens will be sold back to National Transport Tokens. If option 1 is selected, the taxi card readers will be issued to taxi companies but will remain the property of the Council.
45. **Crime and Disorder** – The introduction of a taxi card scheme greatly reduces the opportunity for fraud currently possible through misuse of national transport tokens.
46. **Information Technology** – The third party provider will manage the taxi card scheme.

Risk Management

47. The main risk associated with this initiative would be an inability on the part of the Council to engage with sufficient taxi operators to deliver a wide enough network of taxi card reading cabs to make the scheme feasible. Every effort will be made to ensure that this is not the case.
48. The above risk and any other potential risks associated with the introduction of the taxi card have been measured in terms of impact and likelihood using the Council's risk management system. The risk score for the recommendation is less than 16 and thus, in line with the risk management system, at this point the risks need only to be monitored, as they do not provide a real threat to the achievement of the objectives of this report.

Recommendations

2. The Executive is asked to
- a. Note the contents of this report.
 - b. Support option 1 – To replace the provision of national transport tokens for the eligible disabled with a stored value taxi-card.

Reason: To deliver an alternative concession to ENCTS for those who cannot, for reasons of disability, use the bus which will deliver the best value and which will be fit-for-purpose.

Whilst the overall cost of the taxicard would be comparable to the current token scheme, the principal benefit is to ensure that eligible residents are benefiting from the council's travel concessions expenditure as intended.

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Wards Affected: all

All

For further information please contact the author of the report

Background Papers:

None

Answers to the questions raised by the York Access Group

Q. Would the scheme reduce the number of taxis available to eligible disabled persons?

A. Although many local operators are currently on record as accepting tokens, the reduced amount of tokens in circulation over the last few years means that smaller operators often struggle to collect the minimum amount of tokens (£300) required for reimbursement.

In order to launch the taxicard, the Council would aim to fit one vehicle for every 20 cards in circulation. It is believed that this would be more than adequate for the volume of journeys likely to be made. By having an agreed number of fully-fitted taxi operators, all participating operators will have a clearer understanding of the taxicard and its users' needs.

Q. How would taxicard users check the value of their card?

A. The taxicard would have to be presented to a card reader for an exact display of the stored value. The Council will be provided with monthly reports showing outstanding card values of all cardholders, which could be provided by telephone if a user would like to know their balance at the last month-ending.

It should be technically feasible to provide low-cost read-only personal card readers to display the remaining stored value. This will be investigated further through the procurement process.

Q. Would the card work on trains and buses?

A. The only train service where tokens are officially accepted is the hourly service between York and Poppleton. Although we have not yet made any approaches to the rail industry, in theory, one card reader each at York & Poppleton stations would suffice providing Northern Rail were amenable to participating in the taxicard scheme (the taxicard could be used to purchase a full-fare single/return ticket at the station ticket office before travelling, so would not require revenue protection staff to be trained to recognise the taxicards).

It has never been the intention of the York token scheme to subsidise any form of travel outside the City of York area.

Although bus operators have long accepted tokens, the Council's opinion is that anyone capable of travelling by bus would receive far greater value from an English National Concessionary Bus Pass. It will be possible to use the taxicard on Dial & Ride services, which are intended for those unable to use local service buses.

Q. Would the taxicard be susceptible to misuse?

A. The taxicard provides a far more secure and accountable payment system than tokens. Indeed is one of the principal reasons for the Council to introduce the card.

All taxicard transactions will be logged and a monthly report provided to the Council. There will be a maximum amount per journey which can be deducted from the card, and a short time delay of 5 minutes following a transaction during which the card cannot be debited again to prevent duplicate transactions. Any taxi operator suspected of irregular use would be subject to investigation.

Q. What would happen if a fitted taxi is not available?

A. The intention is to ensure that any taxi operator wishing to participate in the taxicard scheme fits their entire fleet with card readers, so any available vehicles sent out by a participating taxi company would be guaranteed to be capable of accepting the taxicard.

Q. Will the taxicard fit in with the new Taxi Accreditation scheme?

A. Once the accreditation scheme is running smoothly, the Head of Licensing may be amenable to incorporating the taxicard into this scheme.

Q. Would there be a wider scope to launch the card as a commercial product?

A. The current technology does not allow the card to operate on a pay-as-you-go basis. The card could however, in theory, be sold commercially as a pre-loaded product, possibly incorporating a modest discount as an incentive to take-up.

Each taxicard issued is intended to have a 3-year lifespan, but there is no reason why a shorter-term card could not be issued (albeit at a higher overall cost per user).

It should be noted that the Transport Planning Unit does not presently have any mandate to launch the taxicard as a commercial product.

Answers to the questions raised by the York Taxi Association

Q. Will there be a central location for taxi operators to download their stored value cards?

A. Operators would be more inclined to participate if the Council set up one or more locations where drivers could download their stored value cards for immediate reimbursement. This could potentially be any vehicle-accessible council site, for example the larger Park & Ride site offices. The additional equipment cost would be £300 per site (not including staff costs).

Q. Would it be possible to power the card reader from batteries to reduce in-car clutter?

A. Card readers with a rechargeable battery (instead of taking power from the cigarette lighter) would be useful to reduce clutter for some drivers who already have a number of in-car electronic devices. Whilst the card readers currently on offer do not have built in batteries, rechargeable mobile power packs are available commercially for around £15 per unit.