KPMG

Alternatives to the National Fare Cap

How can the next government make bus travel more affordable for more people?

13 February 2024

Important notice

This Report has been prepared by KPMG LLP ('KPMG', 'we' or 'our') for Confederation of Passenger Transport ("CPT") on the basis of an engagement contract dated 2nd November 2023 between CPT and KPMG (the "Engagement Contract").

CPT commissioned the work to assist CPT in its understanding of alternative options for bus fares when the current £2 cap on single tickets end in 2024. The agreed scope of work is included in Appendix 1 of this Report. CPT should note that our findings do not constitute recommendations as to whether or not CPT should proceed with any particular course of action.

This Report is for the benefit of CPT only. It has not been designed to be of benefit to anyone except CPT. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from CPT, even though we may have been aware that others might read this Report. We have prepared this Report for the benefit of CPT alone.

This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG (other than CPT for any purpose or in any context. Any party other than CPT that obtains access to this Report or a copy and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG does not assume any responsibility or liability in respect of our work or this Report to any party other than CPT.

In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of CPT alone, this Report has not been prepared for the benefit of any other person or organisation who might have an interest in the matters discussed in this Report, including for example bus companies or government bodies.

Our work commenced on 2nd November 2023 and our fieldwork was completed on 7th February 2024. We have not undertaken to update this Report for events or circumstances arising after that date.

Information in this Report is based upon publicly available information and reflects prevailing conditions as of the date of the Report, all of which are accordingly subject to change. Market research was additionally undertaken between 10th and 20th November 2023 to support the report. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Information sources and source limitations are set out in the Report. We have satisfied ourselves, where possible, that the information presented in this Report is consistent with the information sources used, but we have not sought to establish the reliability or accuracy of the information sources by reference to other evidence. We relied upon and assumed without independent verification, the accuracy and completeness of information available from public and third-party sources. KPMG does not accept any responsibility for the underlying data used in this report.

The findings expressed in this Report are (subject to the foregoing) those of KPMG and do not necessarily align with those of CPT. Our findings do not constitute recommendations as to whether or not CPT should proceed with any particular course of action.

This engagement is not an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed. Nothing in this report constitutes a valuation or legal advice.

Where our report makes reference to 'KPMG Analysis' this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented. We do not accept responsibility for the underlying data.

Contents

1 Executive summary

This report

This report presents the findings of a study aimed at exploring alternative measures to reduce travel costs for bus customers. It uses new customer research and economic analysis to assess the advantages and disadvantages of these measures.

The work was funded by the Confederation of Passenger Transport (CPT) and undertaken by KPMG LLP between October 2023 and February 2024.

The £2 Single fare cap is popular and supports bus customers

Buses facilitate access to jobs, educational establishments, shops, and services, connecting people with family and friends. In January 2023, to alleviate cost-of-living pressures, the Government invited bus operators to participate in a three-month scheme, limiting the price of a Single bus fare to £2. The temporary initiative has since been extended until the end of 2024, incurring an estimated cost to government of approximately £600 million over the two-year period.[1]

Operators have made the £2 Single fare available on 90% of customer journeys, with both operators and the Government finding it easy to administer. New customer research conducted as part of this work, suggests the fare cap has been positively received by customers, with 87% of frequent and 70% of infrequent bus users aware of the scheme, resulting in increased bus use for both groups.[2]

But it has unintended consequences

However, the simplicity of the scheme creates unintended impacts. Customers who used to buy Single tickets benefit most, with no benefit for those who continue to purchase Day or Season tickets unless the £2 Single product offers better value, leading customers to switch products. Customers on long-distance journeys receive a proportionally larger discount, while those on short-distance journeys receive a smaller discount, if any. The new customer research confirms that the policy has supported those in rural areas and those taking leisure journeys to use the bus more compared to those in urban markets or using the bus for commuting. The research also suggests limited variation in uptake or usage change based on respondents' income levels.

And stores up challenges for the future

Price caps can distort demand and supply and bias investment decisions. In the short term, commercial freedom is constrained, with operators or franchising authorities unable to set Single fares to respond to changing costs and market conditions, impacting their ability to set efficient prices for other products, including Returns, Day tickets, and Seasons.

In the longer term, price caps can reduce competition, weaken the link between costs, fares, and value, stifle innovation, reduce commercial returns and financial sustainability, and inhibit effective marketing.

Transitioning away from a price cap becomes harder the longer it is in place. As industry costs rise over time and market conditions change, the gap between the cap and the expected market price becomes more significant, requiring increased levels of subsidy to maintain.

In turn, when price caps are removed, customers face a significant increased cost, especially impacting those who can no longer afford to travel, forcing operators to make a significant price increase, and posing challenges for the Government in promoting modal shift.

[1] Department for Transport, Guidance: £2 bus fare cap, (Link)
[2] 1,549 individuals were interviewed between 10th and 20th November 2023. Frequent bus users are defined as taking the bus at least once a month, and infrequent bus users are defined as people who take the bus at least once a year but not once a month or more.

Given local bus markets have differing characteristics across the country, the scale and challenge of potential issues as well as price corrections on removal of the cap will vary.

When the current £2 fare cap policy ends in 2024, policy-makers will have three options: retain or reform the existing Single fare cap, gradually transition away from the Single fare cap, or fully transition away from the Single fare cap instantly. The gradual transition is likely the only feasible option without significant additional funding of the cap, a strategy to mitigate the longer-term commercial issues associated with a fares cap, or a strategy to mitigate the political and commercial challenges of a full instant transition.

Where a gradual transition strategy is implemented, there will be distributional implications of raising the cap uniformly whereby certain journeys and areas will no longer be covered, these are expected to be short distance urban journeys, whilst others will continue to receive discounts such as those in long-distance rural markets. Given this there may be benefit in exploring regional or market specific gradual adjustments if the ambition is to support across journeys and area types.

There are other ways to provide targeted support for customers

Guided by the Government's objectives to provide cheaper travel for customers, increase bus use, encourage people to switch from cars to buses, and support broader social and economic aims, including levelling-up, this report considers the advantages and disadvantages of eight different initiatives to provide targeted support to customers. The options explored include:

- Option 1: Single fare cap
- Option 2: Day fare cap
- Option 3: Proportionate fare reduction
- Option 4: Additional Bus Service Operators Grant (BSOG) funding
- Option 5: Employment tax benefit
- Option 6: National free travel for certain groups
- Option 7: Local concessionary travel for certain groups
- Option 8: Mobility credits.

Each of these options presents an opportunity to deliver against the different objectives and support the transition away from a £2 fare cap.

These options have different strategic benefits

In determining which transition strategy to follow and in developing the preferred policy choices, policy-makers will need to consider the following trade-offs.

Trade-off 1: Single vs. Multiple Policies

A single policy focuses limited resources and is potentially easier for customers to understand. However, combining policies, such as a targeted discount and an increase in BSOG, could enable the meeting of a broader set of objectives. It is important to note that when packaging potential options in a multi-policy scenario, some policies may be more appropriate to package together than others.

Trade-off 2: National vs. Regional Variation

Many options, such as fare caps, can be structured as a national or regional scheme. A national scheme benefits from widespread publicity and understanding but does not account for differences in underlying price levels between areas. Regional schemes are likely to require more local administration and may be more complex for customers to understand when traveling across different areas.

Trade-off 3: Short-term Impacts vs. Sustainable Modal Shift

Certain options, like Option 1 (Single fare cap) and Option 2 (Day fare cap), tend to support leisure customers and those with more choice around mode usage, as those travelling more regularly or for commuting reasons tend to use better value season products. These policies are unlikely to result in long-term behavioural changes as these leisure customers may no longer make this journey or use an alternative mode when fares return to commercial levels. Other options, such as Option 5 (Employment tax benefit), Option 6 (Free travel for certain groups), and Option 8 (Mobility credits), have the potential to lead to longer-term behavioural changes by encouraging a shift to bus travel.

Trade-off 4: General vs. Targeted Discounts

General discounts, such as Option 1 (Single fare cap), Option 2 (Day fare cap), Option 3 (Proportionate fare reduction), and Option 4 (Additional BSOG funding), distribute benefits widely across the market. Targeted discounts, such as Option 5 (Employment tax benefit), Option 6 (National free travel for certain groups), Option 7 (Local concessionary travel for certain groups), and Option 8 (Mobility credits), focus benefits based on socio-economic characteristics or commuting groups. Targeted policies received less support among survey respondents, possibly due to the sign-up process and their relevance to only a subset of respondents.

Trade-off 5: Fares vs. Service Improvements

Fares are one component of customers' bus market experience. The new customer research indicates that service levels, reliability, journey times, and fares are all crucial for determining demand and maintaining a commercially sustainable service. Future funding considerations should weigh the focus on fares against delivering improvement across these different components.

Trade-off 6: Value for Money vs. Social Value

Economic analysis undertaken as part of this study shows positive value for money for all initiatives, with Benefit Cost Ratios (BCRs) typically between 2 and 5. Value for money considers economic, social, and environmental impacts. Options with the highest estimated BCRs are Options 1 (Single fare cap), Option 2 (Day fare cap), Option 5 (Employment tax benefit) and Option 6 (National free travel for certain groups). Social value considers the impact on disadvantaged groups, and Option 6 (National free travel for certain groups) and Option 7 (Local concessionary travel for certain groups) are expected to deliver the highest social value.

Concluding observations

Government support to bus customers generates wider economic, social, and environmental benefits. There are therefore good reasons to support bus users by increasing services and keeping fares lower than they would be otherwise.

The £2 Single bus fare cap has been successful in supporting people to access bus services through the ‘cost of living’ crisis, but it is a short-term measure with some drawbacks. The longer the fare cap policy is retained, the more challenging the transition away from the cap will be, with some customers facing material fare increases when funding is no longer available.

To avoid long-term damage to patronage, policy-makers will need to consider how best to manage the transition back to commercial fares. This will likely involve some combination of initiatives to sharpen the focus of the fares cap whilst simultaneously switching funds to more *targeted* initiatives that continue to protect vulnerable bus users and initiatives that lead to lasting changes in bus use, particularly those that encourage mode switching.

In doing so, policy-makers will need to consider the objectives they want to achieve from bus services, and the different options and trade-offs that exist between policies for achieving these. They also need to consider potential unintended consequences of interventions such as adverse impacts on competition and market efficiency. Those who hold revenue risk should be able to control fares, whether that is the operator or franchise/tendering authority to support longer term efficiency and investment.

2 Introduction

2.1 This report

This report presents the findings of new customer research and new economic analysis to explore alternative policy options to the current £2 fare cap for Single bus tickets. The work was funded by the Confederation of Passenger Transport (CPT) and undertaken by KPMG LLP between October 2023 and February 2024.

2.2 Objective of the study

The Department for Transport (DfT) has funded a £2 bus fare cap on Single journeys across England since January 2023. The scheme was initially intended to last for three months but has been extended several times. It is now scheduled to continue at £2 until the end of 2024.

This study explores alternative policy options to the current national fare cap, aiming to identify options that are popular with customers and have the potential to yield better outcomes for bus services. These outcomes include higher patronage levels and improved support for communities, contributing to objectives such as levelling-up.

The objective of the study is to consider options for how the next government can:

- Make bus travel more affordable
- Support modal shift away from cars
- Level-up local communities
- Manage a sustainable transition from the £2 fare cap.

The study centres on bus services in England outside London due to the relevance of the £2 fare cap. Nevertheless, attention is also directed towards services in Scotland and Wales, with a specific emphasis on recognising differences compared to England.

It is important to note that this study does not propose a single recommendation. Instead, it identifies **six key trade-offs** that policy-makers need to weigh-up when considering funding allocations to support bus customers.

2.3 Approach

2.3.1 Policy options

CPT identified eight potential government interventions (policy options) to make bus travel more affordable, to support modal shift from cars, to level-up communities, and manage a sustainable transition from the £2 fare cap. The policy options are shown in Table 1.

Table 1: Policy options

Option	Description	Delivery mechanism
Option 1	**Single Fare Cap**: Keep a fare cap on Single tickets (for example the current £2 Single fare cap).	National subsidy
Option 2	**Day Fare Cap:** Travel as much as you want by bus in a day, and you'll never pay more than the fare cap value (for example £5, noting the cap could vary by area).	National subsidy
Option 3	**Proportionate reduction:** Enjoy a price reduction (for example 20%) on all bus fares, whether it's Singles, Returns, Day tickets, weekly, monthly, or longer-period passes.	National subsidy
Option 4	**Service Improvements:** Funding is provided to improve bus frequencies for a more regular service.	Bus Service Operators Grant (BSOG)
Option 5	**Employment Tax Benefit:** Save 20% on your bus pass by having it deducted directly from your salary through your employer's payroll system.	National PAYE system
Option 6	**National free travel for certain groups:** Implementing free or discounted travel for groups such as under 22s, job seekers, Universal Credit recipients, or students.	National subsidy
Option 7	**Local concessionary travel for certain groups:** Increasing the English National Concessionary Travel Scheme (ENCTS) budget for LTAs to fund subsidised travel for certain groups.	English National Concessionary Travel Scheme (ENCTS)
Option 8	**Mobility Credits:** Trade in older, highly polluting cars for credits that can be used for bus travel.	National subsidy

These policy options are illustrative and would need to be fully worked up before a scheme could be introduced with variants in scale, emphasis and approach existing, for example the specific fare cap levels, groups that would be able to access free travel, the payment level and structure for the mobility credits and the mechanism to access the employment tax benefits.

2.3.2 Assessment framework

The assessment of the options is in three parts as follows:

- **Part 1: Strategic review**. Qualitative assessment to consider the impact of each policy option for three key perspectives – customers, commerciality, and public policy.
- **Part 2: Customer research**. Evidence from a new survey of bus users to gauge customer views on the policy options under consideration.
- **Part 3: Economic analysis**. Analysis of the potential economic impacts of each option for bus users, non-users, and wider society, with a cost benefit ratio as the key output.

Each part of the assessment framework highlights key considerations and trade-offs for policy-makers when selecting a preferred strategy.

2.4 Structure of the report

The remainder of this report is structured as follows:

- Section 3presents an overview of the current £2 fare cap policy. This includes an explanation of the policy's context, customer perspectives gathered through new customer research, commercial considerations with a focus on implications for operators, and economic considerations.
- Section 4 features a strategic review of the policy options under consideration. This review employs a RAG assessment based on a framework that includes criteria for the customer experience, commercial sustainability, and public policy. This section offers a high-level perspective on the trade-offs associated with the policy options.
- Section 5 delves into the customer view of the policy options, drawing from customer research conducted as part of this study. This section provides a summary of customer opinions on each option and explores the potential impact of these options on their bus use.
- Section 6summarises the results from the economic analysis of the options. This includes presenting a Benefit-Cost Ratio (BCR) for each option, both in metropolitan and non-metropolitan areas. The goal is to assess the value for money associated with each initiative.
- Finally, Section 7, draws conclusions from our findings. We aim to summarise the results of each area of the assessment, offering a view of the key trade-offs for policymakers to consider.

3 The current £2 fare cap

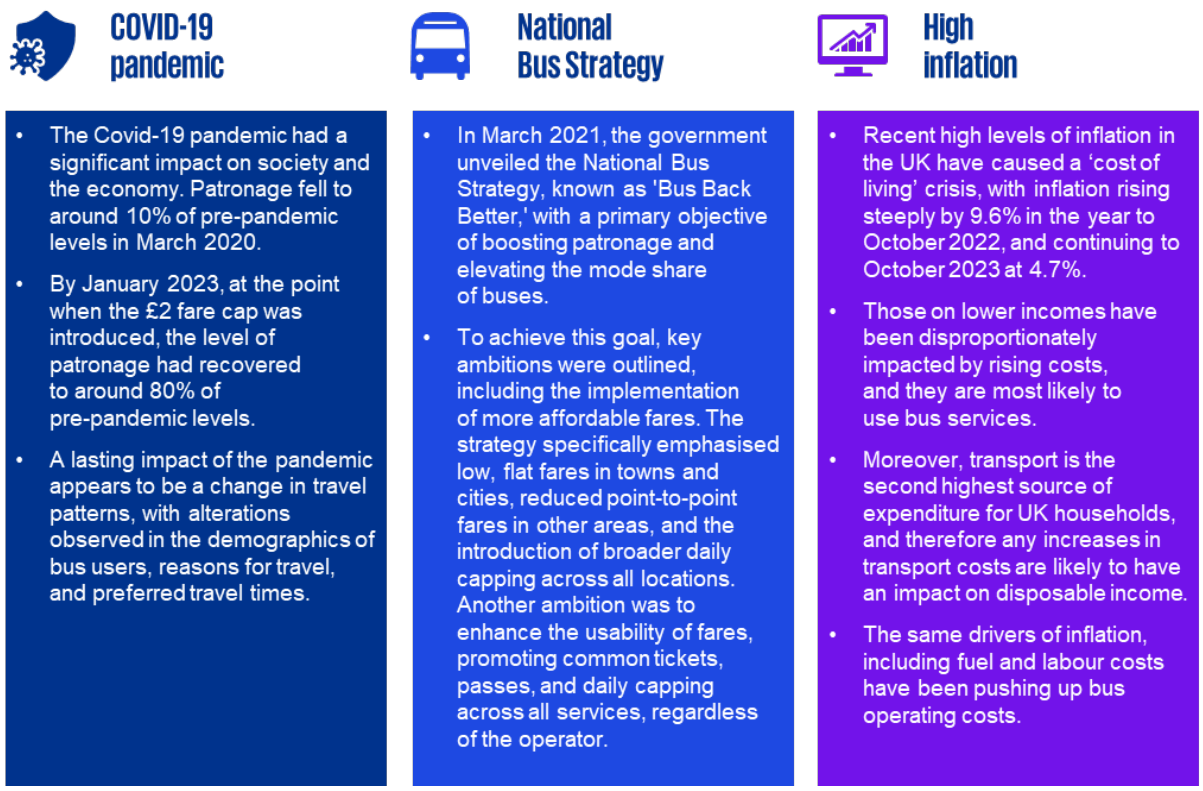
3.1 Introduction

This section provides an overview of the current £2 fare cap policy. It explains the context surrounding the policy's introduction, delves into customer perspectives gathered through recent customer research, and explores both commercial and broader economic considerations.

3.2 Context to the £2 fare cap

Figure 1 shows details of the context to the £2 Single fares policy. It includes significant recent challenges including the Covid-19 pandemic and the ongoing 'cost of living' crisis, as well as the Government's goal to increase bus use set out in the National Bus Strategy.

Figure 1: Context to the £2 fare cap



3.3 The introduction of the £2 fare cap

The £2 fare cap was launched as a temporary three-month scheme by the Government on 1 January 2023 and supports bus operators to implement a £2 cap on eligible Single tickets for adults.

The key aims of the fare cap are to keep travel affordable and protect bus services, with the scheme representing nearly £600 million of government investment.[3]

[3] DfT, Major £150 million funding boost for local bus services as fare cap set to be extended, 2023 (Link)

Approximately 90% of applicable customer journeys in England are covered by operators participating in the scheme. London, Greater Manchester, Merseyside, and West Yorkshire are not specifically included in the Government scheme but may have similar schemes in operation which are funded by the Local Transport Authority.[4]

In terms of the level of savings for customers, the 2022 TAS survey of fares undertaken before the National scheme for a Single fare cap was introduced, showed that, on average, a Single fare for a three-mile journey cost approximately £2.47.[5] This implies that, with the £2 fare cap introduced, customers on average, save around 20% of their ticket price.

The same report highlights significant variation between urban and non-urban services, and between regions, notably:

- Urban services in Yorkshire and the Humber had the lowest average fare of £2.23 for a three-mile Single fare so the £2 fare cap provides on average a 10% discount.
- Non-urban services in South East England had the highest average fare of £3.02 for a three-mile Single fare so the £2 fare cap provides on average a 34% discount.

For customers undertaking much longer journeys, the policy has the potential to deliver significantly larger benefits, for example Leeds to Scarborough, where customers are experiencing savings of up to 87% discounts on Single fares.[6]

3.4 Customer views on the £2 fare cap

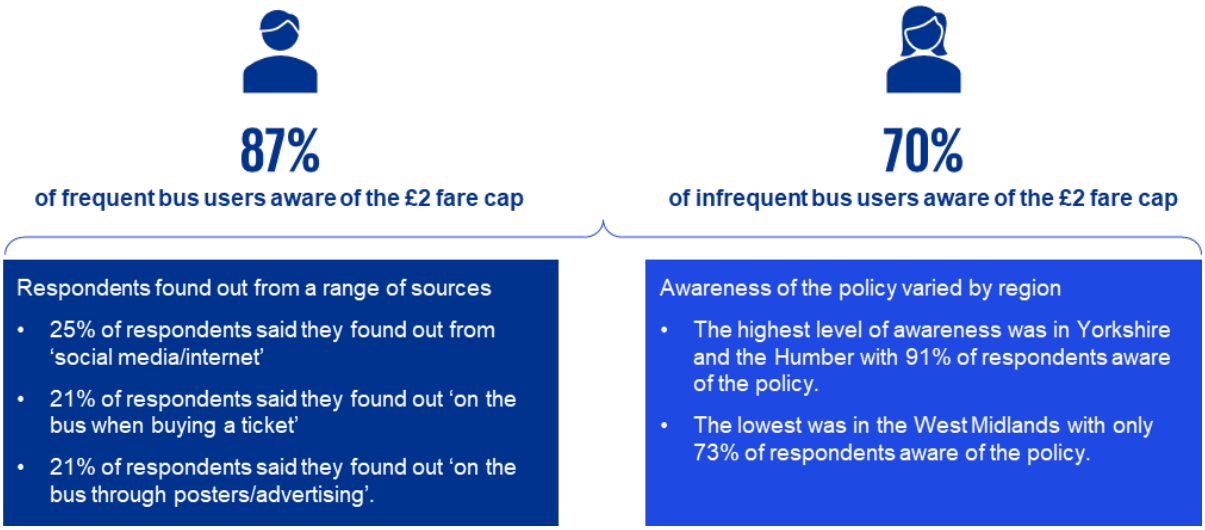
New customer research on the £2 fare cap and alternative policy options was undertaken by Potloc Inc between 10th and 20th November 2023.

The research involved a questionnaire survey of 1,549 bus users, including at least 900 respondents from England, and 300 each from Scotland and Wales. For further information on the survey quotas, please see Appendix 2.

3.4.1 Awareness of the £2 fare cap

The £2 fare cap was widely known amongst respondents who found out about it from a range of sources with some variation across regions.

Figure 2: Respondents awareness of the £2 fare cap



[4] List of bus companies and bus routes included in the £2 bus fare cap scheme, (Link)
[5] The TAS Partnership Limited, 7th TAS National Bus Fares Survey: 2022, (link)
[6] Example of Leeds to Scarborough which was £15 and now £2 (link)

3.4.2 Customer views on the £2 fare cap

When respondents were asked their opinion on the Single ticket fare cap, over 90% of people said that they thought the policy was either 'very good' or 'quite good'.

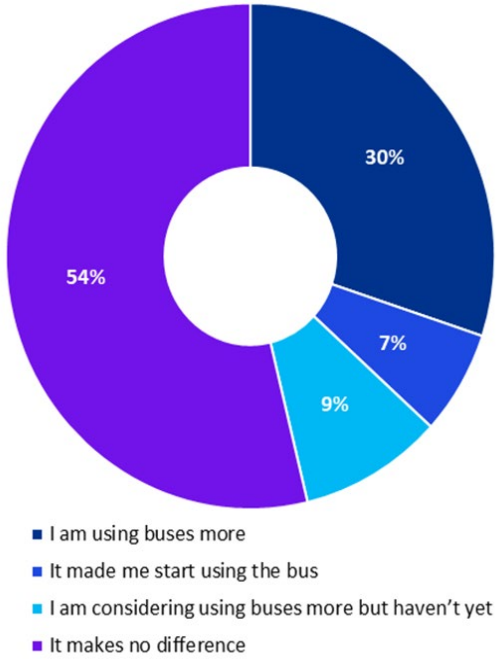
Customers were also asked if they thought that the £2 fare could help some people with the 'cost of living' crisis. From the respondents, 82% of people 'strongly agreed' or 'somewhat agreed' that the policy could help with the cost of living.

However, respondents were asked to rate the value for money of bus more generally at the start of the survey and less than 50% of people said that the value for money of bus was 'good' or 'very good', suggesting that bus users still think more could be done to improve the value for money.

3.4.3 Impact of £2 fare on bus usage

Respondents were asked if the £2 fare cap had made any difference to their use of buses.

Figure 3: Impact of £2 fare cap on bus usage[7]



30% of English respondents suggested that the policy has made them use buses more, with an additional 7% of people stating that the policy has made them start using the bus, giving a total of 37% of respondents stating that their bus usage has increased because of the policy.

Increased usage was reported highest among respondents in rural/small urban areas, with 42% of respondents stating that their bus usage had increased, or they had started to use the bus more, whilst it was lowest in large urban areas with only 30% of respondents increasing their bus usage. In addition, increased usage was reported highest for those travelling to visit friends and family and for other leisure trips, and lowest for those commuting for work or education.

This response to the policy is generally expected given Single tickets are likely to be relatively more discounted on longer distance journeys, and Singles are used more for leisure travel than by commuters.

There was little variation in response based on income level or age group, but in relation to car ownership, those with one car in the household stated that their bus usage had increased significantly more than those without a car or with 2 or more cars in the household.

Those that responded that they were travelling more were then asked what they were using buses more for, 24% of responses stated that they were using bus instead of using the car and 21% of people said that they were going to places that they wouldn't have gone to before.

3.5 Challenges associated with the £2 fare cap

The simplicity of the scheme though creates unintended distributional impacts, and it is important to recognise that more generally price caps can distort demand and supply and bias investment decisions. These impacts are explored below.

[7] Q. Does the £2 fare cap make any difference to your use of buses? Sample size = 930

3.5.1 Distributional implications

Customers who used to buy Single tickets benefit the most, as there is no advantage for those who continue to purchase Day or Season tickets unless the £2 Single product offers better value, prompting customers to switch products.

Customers on long-distance journeys receive a proportionally larger discount, whereas those on short-distance journeys receive a smaller discount, if any. The new customer research confirms that the policy has supported individuals in rural areas and those taking leisure journeys to use the bus more, compared to those in urban markets or those using the bus for commuting. The research also suggests limited variation in uptake or usage change based on respondents' age or income levels.

3.5.2 Commercial and economic considerations

Price controls are a widely used economic tool, that have been used in various forms across the economy over time to regulate industries and artificially hold prices at a level different from the market determined level.

The specific social, commercial, and economic impacts of these depend on the design, scope and the level the price control is set, noting the Government's Better Regulation Framework should be applied in developing, assessing and monitoring their performance.[8]

Recognising variations in local bus market characteristics across the country, specific benefits, impacts and risks may vary in relevance and severity reflecting the relationship between a given local market and a nationally set price cap.

For the Single fares cap, in the short term, commercial freedom is constrained, with operators unable to set Single fares to respond to changing costs and market conditions, impacting their ability to set efficient prices for other products, including Returns, Day tickets, and Seasons.

In the longer term, price caps are observed to create risks within markets.[9] These risks could:

- Reduce competition and market entry
- Weaken the link between costs, prices, and value
- Inhibit effective marketing and data management
- Stifle innovation
- Reduce commercial returns and financial sustainability.

In general, price controls are often temporary in nature due to these issues or require an ongoing subsidy and regulatory mechanisms to better align with changing market conditions and manage risk.

These commercial and economic considerations are important for any organisation holding revenue risk or with responsibility for wider funding given it may constrain ability to align operating costs and revenue over the longer term. This could detrimentally impact service provision or impact the level of support the sector needs to maintain existing provision.

3.6 Transition from a fares cap

Transitioning away from a price cap becomes harder the longer it is in place. As industry costs rise over time and market conditions change, the gap between the cap and the expected market price becomes more significant, requiring increased levels of subsidy to maintain.

[8] Department for Business, Energy & Industrial Strategy, Better Regulation Framework: Guidance, 2023 (link)
[9] World Bank, Price Controls: Good Intentions, Bad Outcomes, Policy Research Working Paper 9212, 2020 (link)

In turn, when price caps are removed:

- Customers face a significant increased cost where they purchase single fares, especially impacting those who can no longer afford to travel
- Operators need to manage and make a significant price increase
- Government faces challenges in promoting modal shift where prices have increased significantly.

When the current £2 fare cap policy ends in 2024, policy-makers will have three options:

- Retain or reform the existing Single fare cap
- Gradually transition away from the Single fare cap
- Fully transition away from the Single fare cap instantly.

The gradual transition is likely the only feasible option without significant additional funding of the cap, a strategy to mitigate the longer-term commercial issues associated with a fares cap, or a strategy to mitigate the political and commercial challenges of a full instant transition.

In the development of a gradual transition strategy there should be recognition that where the cap is amended or refined there will be ongoing distributional implications across areas and journey types. For example, if a general increase to the fare cap is applied, shorter journeys will no longer be covered, whilst longer journeys will be covered. Given this, there will be a benefit in exploring more nuanced adjustments to the cap rather that implementing universal changes.

3.7 Conclusions on the £2 fare cap

The £2 fare cap is widely known, used and popular with customers. It is comparatively easy to administer for both Government and operators and has provided a strong marketing opportunity for the bus sector.

However, there are limitations with the fare cap, notably:

- Only customers who buy Single tickets benefit which tends to be those travelling for leisure reasons, with no benefit for those purchasing Day or Season tickets unless they have moved to purchase a Single ticket.
- Customers taking rural and long-distance journeys receive a proportionally larger discount, whilst those on urban and short-distance journeys receive a smaller discount.
- Commercial freedom in the market has been constrained with operators unable to set Single fare prices, which impacts their ability to yield manage Singles as well as other products including Returns, Day tickets and Seasons.
- There are potential implications for the market which could impact longer term sustainability.
- There is expected to be a significant price cliff for customers when the funding for the policy ends.

This creates challenges for policy-makers as to whether the fares cap is delivering on objectives, and whether alternative options would better meet ambitions and be more cost-effective to support the long-term sustainability of the market.

Within this is another overarching challenge around transitioning from the current £2 fare cap and the need to manage the ongoing risk associated with it and the issues of a significant price change when it ends.

4 Strategic review

4.1 Introduction

Each of the eight options identified will have differing impacts for customers, commercial sustainability, and public policy.

This section aims to provide a qualitative review of each of these options against key criteria linked to the different perspectives and underlying objectives to understand what is being prioritised or potentially risked through each option.

4.2 Approach

The assessment framework considers the potential impact of each option on customer experience, commercial sustainability, and public policy as set out in Table 2.

Table 2: Assessment Framework

Perspective	Criteria	Description
Customer experience	Level of fare impact	The scale of the fare reductions that customers experience
	Wide scope of fare impact	The scope of the impact of the fare reductions across different market segments
	Ease of understanding	The ability for customers to readily understand the policy
	Ease of access	The ability for customers to receive the benefit (i.e., whether they need to sign up to access)
	Trust	The ability for customers to trust that they are always getting the best value offered
Commercial sustainability	Demand generation	The potential for the policy to generate additional demand
	Freedom to yield manage	The ability for operators to have the commercial freedom to manage fare levels
	Administrative cost	The administrative burden to implement and operate the scheme for operators
	Sustainability	The potential to support longer term behavioural change without transitional challenges
Public policy	Administrative cost	The administrative burden to implement the scheme and operate the scheme for the public sector, including legislative implications
	Social value	The distributional impacts on bus users from disadvantaged groups
	Wider impacts	The scale of modal shift that the policy encourages

The policy options have been assessed using a Red-Amber-Green (RAG) rating against each of the criteria in the framework to provide a qualitative high-level view of the advantages and disadvantages for each of the options, the ranking was based on:

- Red: Low impact, or high level of cost
- Amber: Medium impact, or medium level of cost
- Green: High impact, or low level of cost.

4.3 Findings

A strategic review was undertaken of each of the options against the assessment framework set out in the previous section, with Table 3 below providing a summary.

Table 3: RAG assessment of policy options

Criteria	Option 1 Single fare cap	Option 2 Day fare cap	Option 3 Proportional reduction	Option 4 Additional BSOG funding	Option 5 Employment Tax benefit	Option 6 National free travel for certain groups	Option 7 Local concession travel for certain groups	Option 8 Mobility credits
Customer experience								
Level of fare impact	-	-	-	-	✓	✓	-	✓
Wide scope of fare impact	-	-	✓	-	-	×	×	×
Ease of understanding	✓	✓	-	✓	-	✓	-	×
Ease of access	✓	✓	✓	✓	-	-	-	×
Trust	✓	✓	-	-	×	✓	×	-
Commercial sustainability								
Demand generation	✓	✓	-	✓	×	-	-	×
Freedom to yield manage	×	×	✓	✓	✓	-	-	✓
Administrative cost	-	-	-	✓	-	×	×	-
Sustainability	×	×	-	-	✓	-	-	✓
Public policy								
Administrative cost	-	-	-	✓	×	×	×	×
Social value	-	-	-	-	×	✓	✓	×
Wider impacts	-	-	-	-	✓	×	×	✓

The options have different strategic benefits for customers, commercial sustainability, and public policy, which are discussed below.

Customer experience

Options 1 (Single fare cap), 2 (Day fare cap), 3 (Proportionate fare reduction) and 4 (Additional BSOG funding) provide a broad benefit for all customers, are simple to understand and access, and likely to boost trust that customers are getting the best deal. This is specifically the case for caps where customers are confident, they will never pay more than a certain amount for a Single or Day fare.

Options 5 (Employment tax benefit), 6 (National free travel for certain groups), 7 (Local concessionary travel for certain groups) and 8 (Mobility credits) provide more significant discounts to a targeted group either focusing on a social-economic characteristics or commuters in general, These discounts may be more complex to understand, place a greater emphasis on the user to access or vary regionally. For example, an individual may need to apply, trade-in a vehicle, or provide ongoing identification to access.

Given this, customers may not always be confident they are getting the best value deal which could impact on trust. Specifically, the localised component in Option 7 (Local concessionary travel for certain groups) may mean a wider array of discounts for different groups across areas without consistency which may create confusion for customers travelling between areas, whilst Option 5 (Employment tax benefits) may not be available to all customers through a consistent mechanism also impacting trust.

Commercial sustainability

Options which target leisure travellers are likely to have the greatest demand impact, for example Option 1 (Single Fare Cap) or Option 2 (Day Fare Cap) to lesser extent, given in general leisure customers tend to purchase a Single or Day product and are unlikely to purchase a Season ticket. Given the higher elasticity for these customers, once the policy ends, the demand potentially reduces significantly as these groups are more price sensitive.

Option 3 (Proportionate fare reduction), Option 4 (BSOG), Option 5 (Employment tax benefit) and Option 8 (Mobility credits) allow operators to retain commercial freedom to set fares and yield manage, in which they are restricted in some of the other options assessed.

Longer term sustainability is a key objective for this study. Option 5 (Employment benefit) and Option 8 (Mobility credit) score well when considering the future sustainability of the policy given they support longer term transition to bus usage through reducing car usage or support customers commit to long term usage through their ongoing tax payments. Discounts for certain groups potentially can also support longer term sustainability where they support individuals to have a public transport focused view although this is dependent on the structure and allocation for these given benefits.

Public policy

From a public policy perspective, Options 1 (Single fare cap), 2 (Day fare cap), 3 (Proportionate fare reduction) and 4 (Additional BSOG funding) have the lower expected government administrative cost as they are delivered through the market or an existing mechanism.

However, those options which have higher administrative costs enable for greater targeting of social value, for example in Options 6 (National free travel for certain groups) and 7 (Local concessionary travel for certain groups) by supporting socio-economic groups with specific challenges, or wider impact through Options 5 (Employment tax benefit) and 8 (Mobility credit) by supporting modal shift of commuters travel in the most congested periods. Option 5 (Employment tax benefit) will also likely require additional legislation meaning the time to deliver and additional costs may be higher.

4.4 Strategic review conclusions

The strategic review of the policy options shows that there are trade-offs between the options depending on which perspective you consider and which of the study's objectives are prioritised.

It is challenging to identify an option that can deliver against all four of the study's objectives, and policy-makers will need to determine which trade-offs are made.

Key trade-offs for future policy development are set out below.

Trade-off 1:

Single vs. Multiple Policies

A single policy focuses limited resources and is potentially easier for customers to understand. However, combining policies, such as a targeted discount and an increase in BSOG, could enable the meeting of a broader set of objectives. It is important to note that when packaging potential options in a multi-policy scenario, some policies may be more appropriate to package together than others.

Trade-off 2:

National vs. Regional Variation

Many options, such as fare caps, can be structured as a national or regional scheme. A national scheme benefits from widespread publicity and understanding but does not account for differences in underlying price levels between areas. Regional schemes are likely to require more local administration and may be more complex for customers to understand when traveling across different areas.

Trade-off 3:

Short-term Impacts vs. Sustainable Modal Shift

Certain options, like Option 1 (Single fare cap) and Option 2 (Day fare cap), support customers making single or Day journeys, benefiting leisure customers and those with more choices around mode usage. However, these policies are unlikely to result in long-term behavioural changes when fares return to commercial levels. Other options, such as Option 5 (Employment tax benefit), Option 6 (Free travel for certain groups), and Option 8 (Mobility credits), have the potential to lead to longer-term behavioural changes by encouraging a shift to bus travel.

5 Customer views

5.1 Introduction

Customer research has been undertaken via a survey conducted by Potloc Inc of 1,549 bus users.[10] The survey was conducted between 10th and 20th November 2023, with at least 900 respondents from England, and 300 from each of Scotland and Wales. To reflect different markets additional criteria was applied for rural areas, medium-sized urban areas and large urban areas.[11] In this section, we will summarise our approach to the survey and discuss the key findings. Further details on the survey are included in Appendix 2.

5.2 Approach

The customer research was structured to enable customers to provide insight on preferences for the policy options under consideration, potential uptake of options and future impacts on usage. The options presented to customers were synthesised to ensure they were easy to follow and engage with noting customers are likely less familiar with delivery mechanisms such as BSOG and ENCTS.

The table below explains how the options were presented to survey respondents and how the response will be used to inform the options being assessed as part of this study.

Table 4: Survey alignment with policy options

Option presented in survey	Policy option number (As per Table 1)							
	1	2	3	4	5	6	7	8
Single Fare Cap: Keep a fare cap on Single tickets (for example the current £2 Single fare cap).	✓							
Day Fare Cap: Travel as much as you want by bus in a day, and you'll never pay more than the fare cap value (for example £5, noting the cap could vary by area).		✓						
Proportionate reduction: Enjoy a 20% price reduction on all bus fares, whether it's Singles, Returns, Day tickets, weekly, monthly, or longer-period passes.			✓	✓				
Service Improvements: Funding is instead provided to improve bus frequencies for a more regular service.				✓				
Employment Tax Benefit: Save 20% on your bus pass by having it deducted directly from your salary through your employer's payroll system.					✓			
Free Travel for Specific Groups: Certain groups, such as those under 22, job seekers, universal credit recipients, care-experienced young people, apprentices, and students, could benefit from free bus travel.						✓	✓	
Mobility Credits: Trade in older, highly polluting cars for credits that can be used for bus travel.								✓

[10] Of the 1,549 respondents, a minimum of 1,200 take the bus at least once a month and 300 take the bus once a year.

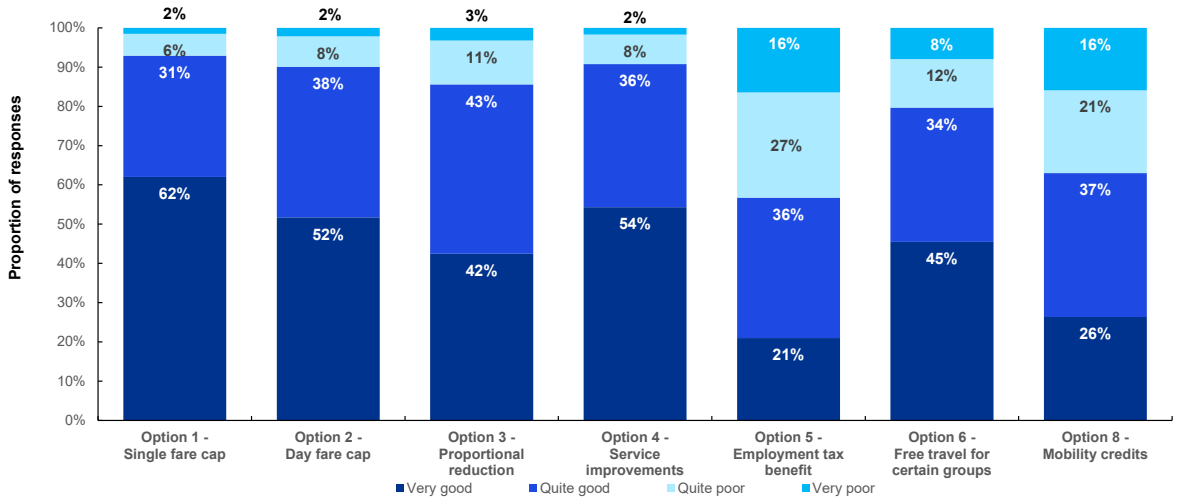
[11] Rural areas/small urban areas (approx. below 30,000 inhabitants), Medium urban area: town or city (approximately between 30,000 and 500,000 inhabitants), Large urban area: major cities (approx. above 500,000 inhabitants)

5.3 Customer views on policy options

5.3.1 Overall preference

Figure 4 shows the views of survey respondents from England on the options presented, with respondents asked whether they thought the initiative under consideration was 'very good', 'quite good', 'quite poor' or 'very poor'.

Figure 4: Customer views on policy options[12]



In general, the universal policies on fares tended to be more popular, including the Single fare cap with 93% positive responses, Day fare cap with 90% positive responses and the Proportionate reduction with 85% positive responses. This may be because the Single fare cap is well understood based on the current policy in place, the universal nature of these whereby most respondents are able to understand and access.

Service improvements also scored highly among respondents with 90% positive responses, and this evidence is further supported by the free responses that respondents were able to input at the end of the survey where increased frequency was the most cited suggestion in response to that question.

In terms of the targeted policies, those based on socio-economic characteristics were more popular than those for commuters, with the employment tax benefit scoring least positively among respondents, with positive responses from 57% of respondents. This was closely following by Mobility credits, with positive responses from 63% of respondents. There is the potential that these policies are less well understood by customers, and these responses are largely consistent with the strategic review of the policies against criteria for customers undertaken in Section 4.3.

The policies were scored similarly in popularity across area types, with the main difference being a Proportionate reduction was slightly more popular in Large and Medium urban areas, whilst Service improvements were more popular in rural areas.

Across all the policies, those aged 18-34 had a more positive view than those respondents aged 35-49 and 50-65, and this was especially the case for Free travel for specific groups.

5.3.2 Attributes of policy options

To support with decision making relating to bus policy, respondents were asked what drove their opinions when rating the policy options as presented in the section above. The most popular

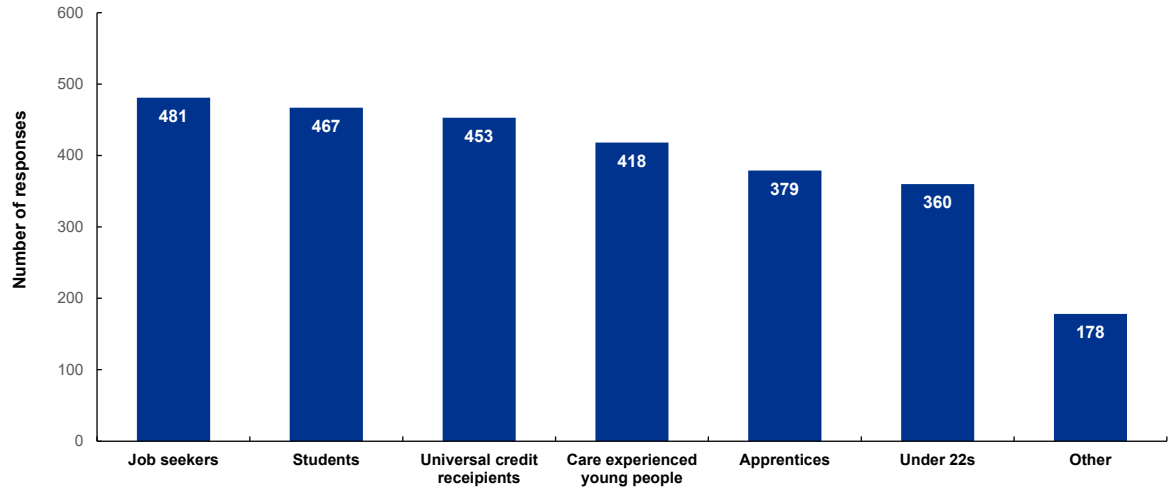
[12] Q. What is your opinion of these initiatives? Sample size = 930. England.

response was that '*I can appreciate it would benefit others'*, which was closely followed by '*It would benefit me personally*' and '*It is fair for everyone'*.

5.3.3 Preferences on groups offered free travel

Based on the groups potentially eligible for free travel under consideration, English respondents were asked which of these groups they would support to have free bus travel (respondents were able to tick multiple options.) Findings are set out in Figure 5.

Figure 5: Preferences on groups offered free travel[13]



Job seekers received the most support among respondents, closely followed by students, Universal Credit recipients and care experienced young people.

5.4 Uptake of policy options

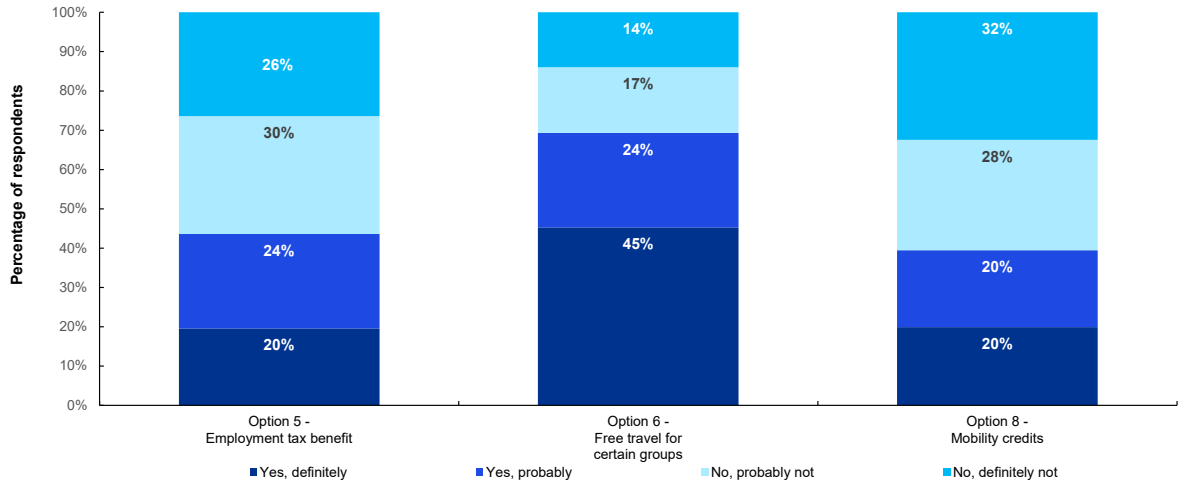
The targeted policies including the Employment tax benefits and Mobility credits will require customers to apply to access the discount. Free travel for certain groups will depend on the specifics of the scheme but broadly schemes for free or discounted travel often require customers to submit an application, such as the National Concessionary Scheme and the under-22 free travel scheme in Scotland.

The universal options including Single fare cap, Day fare cap, Proportionate reduction and Service improvements will automatically be available to customers using the bus.

Respondents for targeted policies were therefore asked if they would use the initiatives where effort was required to access the discount – the responses are summarised in Figure 6.

[13] Q. If free travel were offered to certain groups, which groups would you prefer to see benefit from this measure? Please select all that apply. Sample size = 930. England.

Figure 6: Bus passenger usage of options (for those eligible)[14]



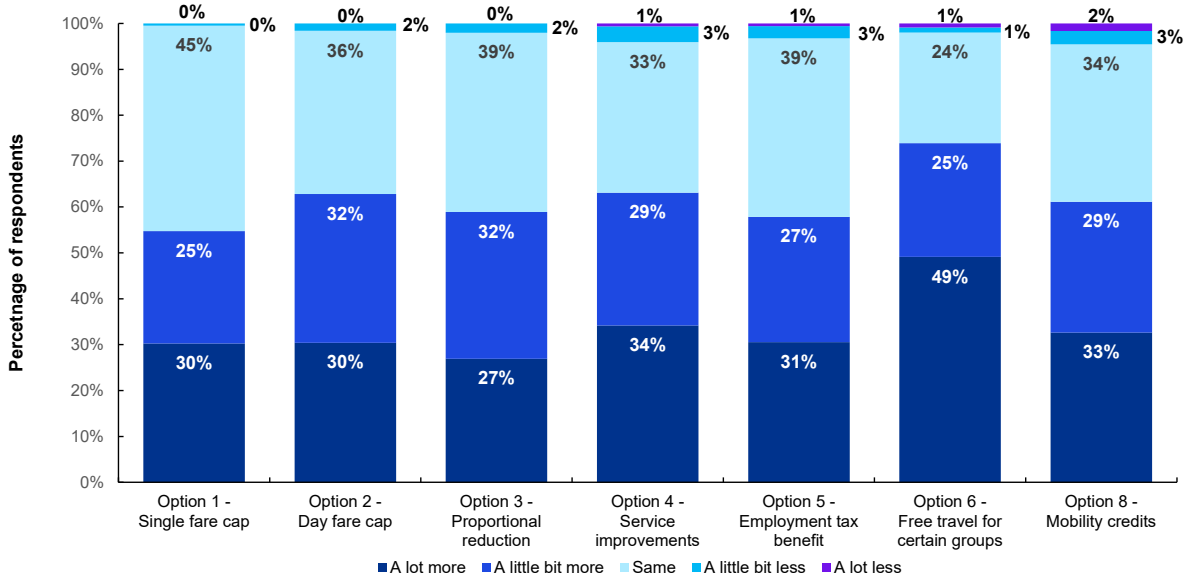
The free travel for certain groups received the most positive responses, with 69% of eligible respondents stating that they would use the option if available, this is similar to the 63% of eligible pensioners in England outside of London who hold a concessionary pass.[15] Free travel for specific groups was more popular by respondents in medium and rural areas as well as in the 18-34 group.

For the others, the employment tax benefit was marginally higher in terms of popularity, with 44% of respondents stating they would use the option relative to 40% for mobility credits.

5.5 Impact on bus usage

Respondents were then asked how their bus usage would change if each of the policy options under consideration were implemented – the responses are summarised in Figure 7. This focuses on respondents who would use these policies if implemented rather than the whole market noting that the universal policies therefore cover a larger number of respondents that the targeted policies.

Figure 7: Impact of options on bus usage (for those using the option)[16]



[14] Q. Would you use the following initiatives? Sample size = 930. England.
[15] Department for Transport, Take-up rate of concessionary travel schemes by region and rural-urban classification of residence, 2023
[16] Q. Would you use the bus more or less than you do now? Sample size: 930. England.

Respondents suggested that Free travel for certain groups would have the largest impact on usage, with 49% responding it would lead to 'a lot more' usage, and 25% that it would lead to 'a little bit more' usage.

Services improvements, Mobility credits and Day fare caps were next most likely to have an impact on usage, although the level of variation between the options was limited.

Important to note that whilst 55% of relevant respondents noted that a Single fare cap would increase their usage, earlier in the questionnaire when asked whether the Single fare cap had already impacted usage only 37% stated it had either made them use the bus more or start to use the bus.

5.6 Other insights

All respondents were asked if they had any additional ideas on how future funding could be spent on their bus offer. The free text responses have been categorised, and the most popular (>20 respondent) suggestions are as follows:

- Improve frequency of services throughout the day including more early and late services *(165 responses)*
- Improve reliability of services *(86 responses)*
- Better bus routes (i.e., more routes and extended routes) *(67 responses)*
- Reduced fares *(57 responses)*
- Newer, more modern vehicles *(24 responses)*
- Market structure of buses *(24 responses)*
- Better real time information *(22 responses).*

The policy options in this study have focused on fares initiatives, however many of these responses from customers focus on improvements in services or fleet. These types of initiatives are observed to have demand responses given they can impact the overall generalised journey times.

5.7 Differences in views by country

The results presented above are for England. When the responses are compared between countries, it is noticeable that respondents in Scotland were generally more positive and respondents in Wales less positive about the options – although they were still positive.

Table 5: Share of respondents noting options are good or very good[17]

Option	England	Scotland	Wales
Single fare cap	93%	93%	89%
Day fare cap	90%	95%	85%
20% discount	86%	85%	80%
Service improvements	91%	95%	93%
Employment tax benefit	57%	61%	45%
Free travel for certain groups	80%	83%	68%
Mobility credits	63%	68%	50%

[17] Q. What is your opinion of these initiatives? Sample size = 1549. England, Scotland, Wales.

Table 6 suggests that respondents in England and Scotland has similar views, whilst in Wales respondents were generally less positive about using the different targeted initiatives relative to England and Scotland.

Table 6: Share of respondents noting targeted options they would definitely or probably use[18]

Option	England	Scotland	Wales
Employment tax benefit	44%	45%	31%
Free travel for certain groups	69%	68%	58%
Mobility credits	40%	35%	25%

For those that suggested they would definitely or probably use the option, Table 7 then shows the share of respondents who noted that the options are likely to increase their bus use either a lot more or a little bit more.

In this instance, respondents from Wales who had suggested they would use the options were then generally more positive than those in Scotland and England, especially regarding 20% discounts and service improvements.

Table 7: Share of respondents note whether the options would increase their bus use[19]

Option	England	Scotland	Wales
Single fare cap	55%	61%	62%
Day fare cap	63%	58%	62%
20% discount	59%	65%	71%
Service improvements	63%	72%	75%
Employment tax benefit	58%	60%	60%
Free travel for certain groups	74%	79%	76%
Mobility credits	61%	55%	62%

5.7.1 Scottish under-22 fare

The survey for Scottish respondents included two questions on the current under-22 free travel policy that was implemented in Scotland in January 2022.

Respondents were first asked if they were aware of the policy, with 87% of bus users in Scotland aware of the policy. People were then asked to what extent they support the policy to provide under 22s with free bus travel. 86% of people said they were fully or partially supportive, with only 14% stating that they were not supportive.

5.8 Conclusion

Generally universal policies were more popular among respondents, however there appeared to be little variation in expected impact on change in usage for those making use of the different policies. Support for service improvements was also popular, and this was further evidenced through the free response question.

Targeted policies received less support among respondents. This could potentially be given the sign-up process involved for these types of policies, and additionally, they are only relevant to a subset of the survey respondents, resulting in less positive responses overall. Despite this, positive responses

[18] Q. Would you use the following initiatives? Sample size = 1549. England, Scotland, Wales.
[19] Q. Would you use the bus more or less than you do now? Sample size = 1549. England, Scotland, Wales.

for free travel for certain groups was 78%, and 55% and 61% for employment tax benefit and mobility credits respectively.

The free travel for certain groups option was also the policy that appeared to have the largest potential impact on usage of buses with 74% of eligible respondents saying it would have ‘a lot more’ or ‘a little more’ impact.

Key trade-offs for future policy development are set out below.

Trade-off 4:

General vs. Targeted Discounts

General discounts, such as Option 1 (Single fare cap), Option 2 (Day fare cap), Option 3 (Proportionate fare reduction), and Option 4 (Additional BSOG funding), distribute benefits widely across the market. Targeted discounts, such as Option 5 (Employment tax benefit), Option 6 (National free travel for certain groups), Option 7 (Local concessionary travel for certain groups), and Option 8 (Mobility credits), focus benefits based on socio-economic characteristics or commuting groups. Targeted policies received less support among survey respondents, possibly due to the sign-up process and their relevance to only a subset of respondents.

Trade-off 5:

Fares vs. Service Improvements

Fares are one component of customers' bus market experience. The new customer research indicates that service levels, reliability, journey times, and fares are all crucial for determining demand and maintaining a commercially sustainable service. Future funding considerations should weigh the focus on fares against delivering improvements across these different components.

Commuting groups. Targeted policies received less support among survey respondents, possibly due to the sign-up process and relevance to only a subset of respondents.

6 Economic analysis

6.1 Introduction

The economic analysis seeks to understand the relative value for money of the alternative policy options to the current £2 fare cap for Single bus tickets.

6.2 Approach

The analytical approach is based on a Transport Analysis Guidance (TAG) style assessment of the options. The analysis explores how alternative fares initiatives will impact customer demand (including modal shift), revenues, operating costs, and additional administrative costs and how these in turn have an impact on the financial sustainability of operators and taxpayers.

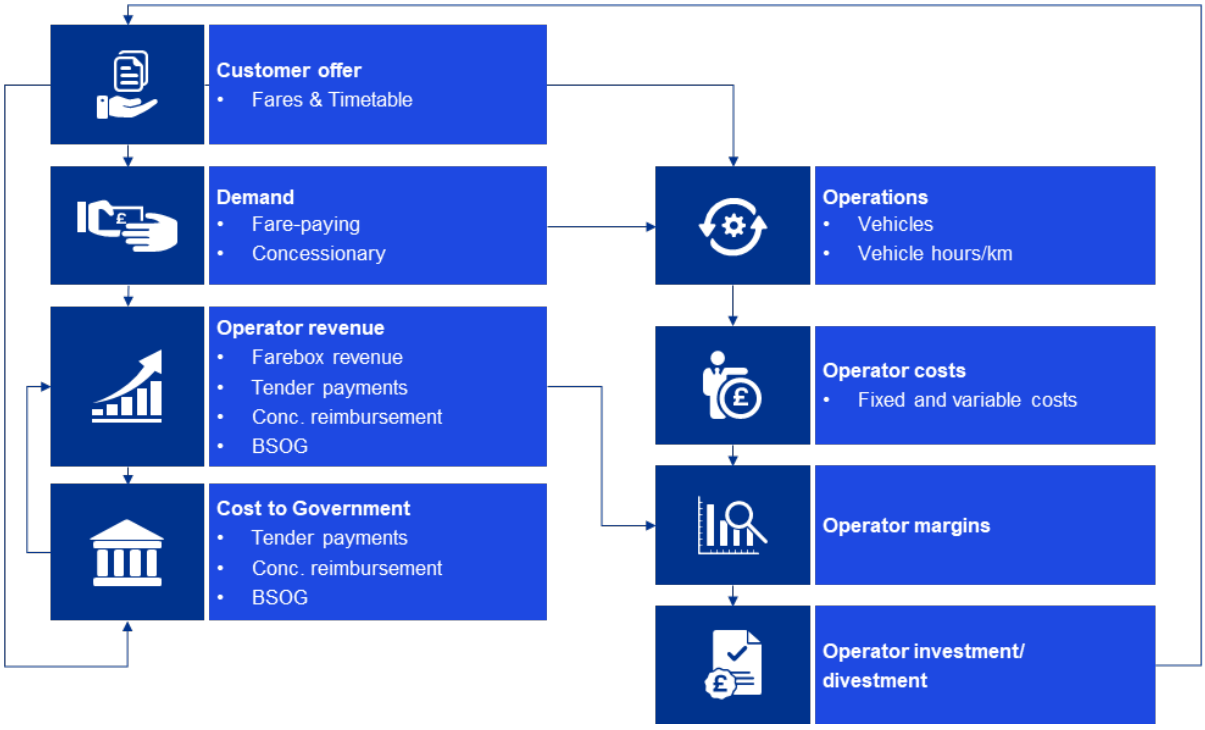
Using these outputs, it explores the impacts of each option on bus users, non-users, and wider impacts. The output of the analysis is a Benefit Cost Ratio (BCR) to enable for comparison of the efficiency of the interventions.

6.2.1 Analytical structure

The changes to local bus markets brought about by the proposed options are assessed in relation to the analytical framework shown in Figure 8, which represents the relationships including financial flows between customers, operators and government.

The options impact different components of this illustrative market, and through understanding these relationships it is possible to estimate how demand will change, operator financials will be affected, and the level of government support required will vary within each of the options assessed.

Figure 8: Analytical structure for the bus market analysis



The analysis is split by geography (metropolitan areas, non-metropolitan), market type (commercial, tendered) and customer type (fare paying (Single, Day, Season), concessionary (Elderly/Disabled, other).

6.2.2 Scenarios

The analysis is based primarily on the baseline market using published data from DfT for 2021/22 (the latest year of published data), calibration and modelling assumptions with good provenance.

Figure 9 below provides a summary of the Baseline and Do-Something scenarios.

Figure 9: Baseline and Do-Something scenario summary

Scenario	Baseline	Do-Something scenarios
Description	Current demand, revenue and costs are based on overall DfT statistics with assumptions made as required to calibrate specific customer/fares.	Estimates the impact of the alternative options reflecting changes in GJT and costs, covering users, non-user and wider impacts, including changes in required subsidies and government funding.
Modelling assumptions	• Passenger trips and journey purpose • Ticket shares: singles/returns, daily, season, elderly concession, other concession • Average revenue per trip • Other income: BSOG income, Concessionary reimbursement, Tender payments • Operating output • Operating costs • Government expenditure	• Demand elasticities • Journey attributes – assumptions • Market coverage, Fares impacted and level of impact, Service level impacts & other GJT impact assumptions (for example delay) • Additional cost assumptions • Non-users impacts • Wider impacts

For each of the eight options an illustrative 'Do-something' scenario has been defined that reflects the specific features of the policy, including change in fares, services, and costs.

To define the scenarios, insights from the survey around uptake of specific policies such as the mobility credits and the tax benefits, have been incorporated.

Given potential uncertainty associated with demand impacts post-COVID, two alternative scenarios have been considered:

- *'Central' scenario* – elasticities specified for metropolitan areas, and non-metropolitan areas (Rural and Urban) markets differentiated by leisure and commuting markets.
- *'Low demand impact' scenario* – a scenario where elasticities are set 25% lower than the 'central' scenario which reflects customers may not react to changes in fares as much as expected.

Further details on the assumptions and scenarios are set out in Appendix 3.

6.2.3 Appraisal

The appraisal focuses on the impact of fare changes and associated changes in demand and supply on the economic wellbeing of customers, communities, and society, and includes:

- Impacts on bus customers from changes to fares and service quality.
- Impacts on other members of the community through changes to highway congestion, air quality, noise, and transport safety.
- Wider economic impacts in the longer term from increased participation in economic activities with increased levels of employment and productivity.
- Wider social impacts arising from increased participation in education, healthcare and other social activities leading to improvements in wellbeing.

- Costs and benefits falling to bus operators in the form of changes to operating costs and revenues.
- Changes to government taxes and expenditure because of changes in infrastructure investment, changes in direct and indirect taxes, expenditure on concessionary travel and revenue support in the form of BSOG.

6.3 Findings

The estimated BCRs for each of the eight options are presented in Table 8, these include user, non-user and wider impacts relative to cost.

Table 8: Economic appraisal outputs – Benefit Cost Ratios (BCRs)[20]

Benefit-Cost Ratio		Option 1 Single fare cap	Option 2 Day fare cap	Option 3 Proportional reduction	Option 4 Additional BSOG funding	Option 5 Employment Tax benefit	Option 6 National free travel for certain groups	Option 7 Local concession travel for certain groups	Option 8 Mobility credits
Met	'Central' scenario	4.7	4.0	3.9	4.2	3.9	4.4	3.2	4.0
	'Low demand impact' scenario	3.4	3.0	3.0	2.7	2.9	2.9	2.8	3.2
Non-Met	'Central' scenario	5.3	4.3	4.1	2.8	4.3	3.9	1.9	4.1
	'Low demand impact' scenario	3.6	3.1	3.0	2.3	3.4	3.0	1.8	3.3

Value for money key: Very high | High | Medium

The analysis shows that all the initiatives present positive value for money, with BCRs values typically between 2 and 5. This means that for every £1 spent, the economic benefits will be between £2 and £5:

- In metropolitan areas, Option 1 (Single fare cap), Option 4 (BSOG increase) and Option 6 (National free travel for certain groups) present the highest value for money.
- In non-metropolitan areas, Option1 (Single fare cap), Option 2 (Day fare cap), and Option 5 (Tax benefit) present the highest value for money.

The positive BCRs reflect that in general stimulating new bus usage or supporting modal shift to bus is beneficial for society and the economy.

For context, the DfT review of Major Bus Schemes in 2016 estimated an average BCR of 4.2 across 33 schemes which is a very high value for money,[21] and the DfT review of tendered services in 2016 found a BCR of between 2.9 and 3.2 in metropolitan areas and between 1.5 and 2.1 in non-metropolitan areas, which is a medium to high value for money.[22]

[20] TAG Guidance provides value for money (VfM) categories: Low VfM (BCR is between 1.0 and 1.5), Medium VfM (BCR is between 1.5 and 2.0), High VfM (BCR is between 2.0 and 4.0), and Very high VfM (BCR is greater than 4.0)
[21] DfT, Value for Money Assessment for Major Bus Related Schemes, 2016 (link)
[22] DfT, Value for Money of Tendered Bus Services, 2016 (link)

6.4 Insights from the economic analysis

The analysis shows there are four drivers of the BCRs:

Driver 1: Higher elasticity markets

- Leisure customers have higher elasticities and policies that target this market will have a higher demand response driving benefits, this is relevant for those options which;
  - Target specific fares that leisure customers use, such as the Single or Day fare caps, where the demand impacts will therefore be higher.
  - Conversely target commuters over leisure customers, such as through the employment tax benefits and mobility credits, where the demand impacts will therefore be lower.
- Rural markets have higher elasticities than urban markets and demand impacts are therefore expected to be greater in these markets across the policy interventions.

Driver 2: Facilitate longer term modal shift

- Certain policies will create a higher ongoing level of demand even when the funding is withdrawn, such as Mobility credits where customers have been required to trade in a vehicle, and hence their long-term choices between modes are impacted.

Driver 3: Enable non-user and wider impacts

- All policies will create non-user and wider impacts as they support more people travel which is beneficial for society and the economy, however targeted policies in general will have higher non-user and wider impacts, specifically:
  - Free travel for certain groups delivered either nationally or locally will create societal benefits from improvements in wellbeing and education.
  - Mobility credits and Employment tax benefits will lead to a more significant reduction in congestion and higher wider economic impacts through supporting commuters engage with and access the labour market.
- Urban and rural markets have different underlying characteristics including the number of commuters, and individuals potentially eligible for a new free travel scheme, with higher levels of job seekers and young people in urban areas, and as such the level of benefit across these markets will vary.

Driver 4: Lower administrative costs

- Policies that require ongoing processing or commission payments tend to have lower BCRs, this is the case for all the targeted schemes.
- For the locally delivered concession travel for certain groups there is likely both a national and local cost to deliver which increases the cost.

Important to recognise these BCRs need to be considered in the context of the specific groups the policy targets, the sustainability of longer-term modal shift and the commercial limits placed on the market more generally.

The scope and scale of the alternative options can vary as well as delivery mechanisms, as the options are further developed a more refined assessment will be required.

The policies have different distributional impacts at an individual customer and local level including non-user impacts such as congestion, noise, and environmental impacts.

6.5 Funding allocation between options

The Government has made £300 million available to fund the Single fares cap this year. In future, it could continue to fund the cap, chose an alternative set of initiatives, or withdraw funding. The latter, will of course, lead to a significant price shock for customers.

All the options considered here are expected to provide good value for money for the taxpayer, due to the role of local bus services in supporting economic, social, and environmental aims. Finding the right level of investment for each initiative (including zero) will need to balance strategic objectives and funding availability in the short, medium, and longer term.

To support these policy considerations, the text below provides an indicative analysis of the potential cost of the options.

Fare changes (Options 1, 2 and 3)

Revenue from fare-paying passengers in England (outside London) was a little over £2bn per year in 2022. All else equal, £300 million could fund a reduction in all fares by approximately 15%. If this funding was targeted on specific products (e.g., Single and Day tickets) the proportionate fare reduction could be greater. If, in turn, the fare reduction stimulates new passenger demand, the revenue from new journeys could be used to support further fare reductions or free up funding for other initiatives.

Targeting products with the greatest potential to generate new journeys will therefore provide the greatest value for each £1 of support. We know that it takes time for passengers to adjust their behaviours to respond fully to fare changes. Committing to lower fares over the medium to longer term could therefore help stimulate lasting changes in demand which in turn could reduce the annual cost of support.

Increased BSOG payments (Option 4)

Funding for BSOG and BSOG+ in England (outside London) totals approximately £270 million per year. All else equal, this helps to keep fares approximately 7% lower and service miles 7% higher that they would be without the grant. Increasing BSOG and BSOG+ payments by £300 million per year could be targeted on service miles (increasing service levels to close to pre-pandemic levels) or on further fare reductions (by approximately 15%) or some combination of the two. Where BSOG funding is devolved to LTAs, this funding could be specifically targeted to contribute to local policy objectives.

Employment tax benefits (Option 5)

The cost to government of the employment tax benefit will be governed by the structure of the scheme, the tax rates covered including income tax and national insurance contributions, and uptake. Previous analysis, undertaken by Greener Journeys, suggested that an employment tax scheme for bus commuters could cost in the region of £110 million (adjusted to today's prices).[23] This could benefit approximately half a million bus commuters. If more people participate, the cost to government would naturally increase.

Free and discounted travel (Options 6 and Option 7)

The cost to government of the English National Concessionary Travel Scheme is approximately £700 million annually. This provides 8.7 million bus passes and 567 million journeys.[24] An additional £300 million in funding could feasibly extend eligibility by 3.7 million people. For reference, there are 1.4 million people receiving Universal Credit who are 'searching for work' and 2.9 million students at UK higher education institutions.[25]

Mobility credits (Option 8)

The cost of a Mobility credit scheme will vary based on the level of payment to individuals including variants for different vehicles or other factors and the administrative cost to deliver. A £300 million mobility credit scheme with a £2,000 payment could potentially enable payments to 142,500 people assuming a 5% administrative fee, however if the overall scheme only had £100 million available it could help 47,500 people, alternatively if the payment was £1,000 instead 285,000 people could be helped. For reference the TfL Ultra Low Emission Zone (ULEZ) scrappage scheme which provides

[23] Greener Journeys, Tax Incentives for Bus Commuters, 2017 (link)
[24] DfT, Bus Statistics: Concessionary travel statistics, 2023
[25] House of Commons Library, Higher education student numbers, 2024 (link)

varying payments depending on vehicle size of up to £11,500 has allocated £158.2 million between January 2023 and January 2024 to 46,616 applications.[26]

6.6 Economic analysis conclusions

The analysis shows that all the initiatives present positive value for money, with Benefit Cost Ratios typically between 2 and 5. This means that for every £1 spent, the economic benefits will be between £2 and £5.

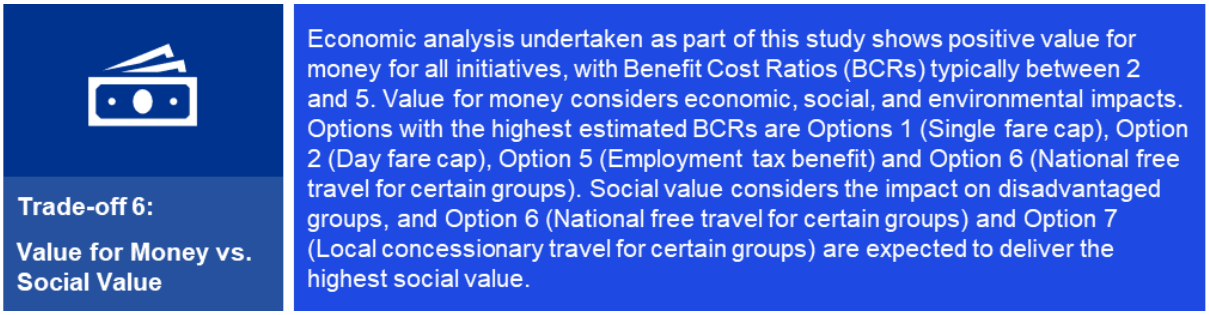
The policies with the highest BCRs are set out below:

- In metropolitan areas, Option 1 (Single fare cap), Option 4 (BSOG increase) and Option 6 (National free travel for certain groups) present the highest value for money.
- In non-metropolitan areas, Option1 (Single fare cap), Option 2 (Day fare cap), and Option 5 (Tax benefit) present the highest value for money.

The key drivers of these BCRs are higher elasticity markets, longer term modal shift, non-user and wider impacts as well as additional administrative costs.

In terms of economic efficiency, it would make sense to invest in the options that provide the greatest value for money, but this alone ignores distributional impacts. Both need to be considered against strategic objectives and available funding.

The key trade-off for future policy development is set out below.



[26] TfL, ULEZ (Ultra Low Emission Zone) Scrappage Key Stats - 30 January 2023 to 14 January 2024 (link)

7 Conclusions

7.1 Summary

This study has examined eight policy options identified by the Confederation of Passenger Transport as areas of interest. For each of these policy options, we have assessed them through three components: strategic review, customer view, and economic analysis.

7.2 Implications for policy-makers

Interventions in the bus markets should benefit customers, operators, and align with public policy objectives. The bus market is recovering from the pandemic, and ensuring long-term commercial sustainability is crucial. This requires a comprehensive evaluation of fares, service levels, and commercial viability.

Ultimately, it is the Government's responsibility to determine the funding level available, which will impact the overall scale of policy options and allocate funding among them. Based on insights gained from the assessment of options through the strategic review, customer view, and economic analysis, six key trade-offs have been identified.

Trade-off 1: Single vs. Multiple Policies

A Single policy focuses limited resources and is potentially easier for customers to understand. However, combining policies, such as a targeted discount and an increase in BSOG, could enable the meeting of a broader set of objectives. It is important to note that when packaging potential options in a multi-policy scenario, some policies may be more appropriate to package together than others.

Trade-off 2: National vs. Regional Variation

Many options, such as fare caps, can be structured as a national or regional scheme. A national scheme benefits from widespread publicity and understanding but does not account for differences in underlying price levels between areas. Regional schemes are likely to require more local administration and may be more complex for customers to understand when traveling across different areas.

Trade-off 3: Short-term Impacts vs. Sustainable Modal Shift

Certain options, like Option 1 (Single fare cap) and Option 2 (Day fare cap), tend to support leisure customers and those with more choice around mode usage, as those travelling more regularly or for commuting reasons tend to use better value season products. These policies are unlikely to result in long-term behavioural changes as these leisure customers may no longer make this journey or use an alternative mode when fares return to commercial levels. Other options, such as Option 5 (Employment tax benefit), Option 6 (Free travel for certain groups), and Option 8 (Mobility credits), have the potential to lead to longer-term behavioural changes by encouraging a shift to bus travel.

Trade-off 4: General vs. Targeted Discounts

General discounts, such as Option 1 (Single fare cap), Option 2 (Day fare cap), Option 3 (Proportionate fare reduction), and Option 4 (Additional BSOG funding), distribute benefits widely across the market. Targeted discounts, such as Option 5 (Employment tax benefit), Option 6 (National free travel for certain groups), Option 7 (Local concessionary travel for certain groups), and Option 8 (Mobility credits), focus benefits based on socio-economic characteristics or commuting groups. Targeted policies received less support among survey respondents, possibly due to the sign-up process and relevance to only a subset of respondents.

Trade-off 5: Fares vs. Service Improvements

Fares are one component of customers' bus market experience. The new customer research indicates that service levels, reliability, journey times, and fares are all crucial for determining demand and maintaining a commercially sustainable service. Future funding considerations should weigh the focus on fares against delivering improvements across these different components.

Trade-off 6: Value for Money vs. Social Value

Economic analysis undertaken as part of this study shows positive value for money for all initiatives, with Benefit Cost Ratios (BCRs) typically between 2 and 5. Value for money considers economic, social, and environmental impacts. Options with the highest estimated BCRs are Options 1 (Single fare cap), Option 2 (Day fare cap), Option 5 (Employment tax benefit) and Option 6 (National free travel for certain groups). Social value considers the impact on disadvantaged groups, and Option 6 (National free travel for certain groups) and Option 7 (Local concessionary travel for certain groups) are expected to deliver the highest social value.

7.3 Final thoughts

Government support to bus customers generates wider economic, social, and environmental benefits. There are therefore good reasons to support bus users by increasing services and keeping fares lower than they would be otherwise.

The £2 Single bus fare cap has been successful in supporting people to access bus services through the ‘cost of living’ crisis, but it is a short-term measure with some drawbacks.

The longer the fare cap policy is retained, the more challenging the transition away from the cap will be, with some customers facing material fare increases when funding is no longer available.

To avoid long-term damage to patronage, policy-makers will need to consider how best to manage the transition back to commercial fares. This will likely involve some combination of initiatives to sharpen the focus of the fare cap whilst simultaneously switching funds to more *targeted* initiatives that continue to protect vulnerable bus users and initiatives that lead to lasting changes in bus use, particularly those that encourage mode switching.

In doing so, policy-makers will need to consider the objectives they want to achieve from bus services, and the different options and trade-offs that exist between policies for achieving these. They also need to consider potential unintended consequences of interventions such as adverse impacts on competition and market efficiency. Those who hold revenue risk should be able to control fares, whether that is the operator or franchise/tendering authority to support longer term efficiency and investment.

Appendix 1. Scope of services

The Confederation of Passenger Transport (CPT) would like to understand if there are alternatives to the Single fare cap that would have the potential to be more popular with customers and to provide better outcomes.

The scope of the study will focus on England given this is where the £2 fare is currently in place, but it will also consider the impact of the policy options in Scotland and Wales.

Specifically, CPT would like to undertake economic analysis on the following options:

- Reducing all bus fares by a percentage
- Implementing a tax-free salary sacrifice scheme which would entitle users to a bus pass
- Implementing free or discounted travel for groups such as under 22s, job seekers, Universal Credit recipients
- Implementing a Day fare cap
- Mobility credits
- Differential fare caps for urban and rural areas
- Increasing the Bus Service Operators Grant (BSOG) by the amount of funding available for the Fare Cap – additional funding would go to operators
- Increasing the English National Concessionary Travel Scheme (ENCTS) budget by the amount of funding available for the Fare Cap – additional money would go to LTAs to fund subsidised travel for certain groups.

We may consider other alternative policy options if considered relevant as part of our analysis.

The economic analysis will need to consider the impact on customers, operators, the wider community and taxpayers. It will need to be appropriately segmented and specified to reflect the provision of local bus services in England outside London, and in Scotland and Wales.

This economic analysis is to be supplemented by customer research through surveys to understand, for example:

- How different market segments could respond to the different options
- What resonates and motivates respondents to use bus
- What is the relative importance of low fares, money off, simplicity
- Does the periodicity of tickets matter
- Is a scheme for ‘people like me’ or ‘my area’ more resonant than a national scheme
- Do people identify more with operator or government messaging.

The customer research will be specified to compliment the economic analysis and will be brought together under a prioritisation framework to answer the: how can the next government make bus travel more affordable for more people, whilst also:

- Supporting modal shift to bus
- Levelling up local communities
- Managing a sustainable transition from a flat £2 fare

Appendix 2. Customer survey

Overview

Potloc Inc conducted a survey of 1,549 bus users between 10th and 20th November. The following quotas for the sample were applied.

People who take the bus at least once a month – 1,200 respondents

- 18+ individuals in Great Britain (England-Wales-Scotland)
- AND they take the public bus at least once a month
- AND they are not living in London

People who take the bus at least once a year (but not once a month or more) – 300 respondents

- 18+ individuals living in Great Britain (England-Wales-Scotland)
- AND they live outside London
- AND they take the public bus at least once a year and less than once a month

Strict quotas on the overall sample size

- n=300 Wales
- n=300 Scotland
- n=900 England

Minimum quotas

- Types of areas & natural fall out for the rest:
  - n=75 min. rural areas/small urban areas (approx. below 30,000 inhabitants)
  - n=300 min. medium urban area: town or city (approximately between 30,000 and 500,000 inhabitants)
  - n=450 min. Large urban area: major cities (approx. above 500,000 inhabitants)
- Gender & natural fall out for the rest:
  - n=450 male
  - n=450 female
- Age & natural fall out for the rest:
  - 18 to 34: n=375
  - 35 to 49: n=225
  - 50+: n=375

Key results

£2 fare cap insights

Table 9: Are you aware of the £2 Fare Cap?

Options	Frequent Users		Non-Frequent		Total	
	Number	%	Number	%	Number	%
Yes, I am aware	664	*87%*	116	*70%*	780	*84%*
No, I am not aware	50	*7%*	34	*21%*	84	*9%*
I might have heard something	51	*7%*	15	*9%*	66	*7%*

Sample size 930

Table 10: Does the £2 fare cap make any difference to your use of buses?

Options	Frequent		Non frequent		Total	
	Number	%	Number	%	Number	%
I am using buses more	263	*34%*	17	*10%*	280	*30%*
It made me start using the bus	50	*7%*	12	*7%*	62	*7%*
I am considering using buses more but haven't yet	63	*8%*	25	*15%*	88	*9%*
It makes no difference	389	*51%*	111	*67%*	500	*54%*

Sample size 930

Table 11: The £2 fare cap made your use of buses increase. Which of these describes how you are using buses more?

Options	Number	%
Using bus instead of using the car	148	*24%*
Going more often to places I already go	151	*24%*
Using bus instead of walking or cycling	102	*16%*
Going places I wouldn't have gone before	132	*21%*
Using bus instead of using the train or tram	83	*13%*
Other	9	*1%*

Sample size 342

Table 12: You said you've used the £2 fare cap. How has the £2 fare cap impacted the type of ticket that you buy?

Options	Number	%
I used to buy a bus pass for a week/month/Season	86	*11%*
I used to buy discounted tickets (i.e., a student ticket)	31	*4%*
I used to buy return tickets	276	*37%*
It has not impacted the type of ticket that I buy	297	*40%*
Other	58	*8%*

Sample size 748

Table 13: To what extent do you agree with the following statement on the £2 bus fare?

Options	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
The £2 fare will help some people with the cost of living	48%	34%	10%	4%	4%
The £2 fare will encourage people to try using the bus	36%	38%	15%	7%	4%
The £2 fare will encourage people to visit new places by bus	34%	35%	18%	9%	4%
The £2 fare might personally save me money	38%	28%	16%	8%	9%

Sample size 930

Alternative option insights

The £2 fare cap scheme is due to finish at the end of 2024. If a new government kept this funding for the bus market, we would like to understand how you would like it to be spent when the £2 fare cap ends. Details of the options has been discussed in section 4 of this report.

Results of this are set out below covering England.

Table 14: What is your opinion on these initiatives?

Options	Very good	Quite good	Quite poor	Very poor
Single Fare Cap	62%	31%	6%	2%
Day Fare Cap	52%	38%	8%	2%
Proportional reduction	42%	43%	11%	3%
Service improvements	54%	36%	8%	2%
Employment tax benefit	21%	36%	27%	16%
Free travel for certain groups	45%	34%	12%	8%
Mobility credits	26%	37%	21%	16%

Sample size 930

Table 15: Would you use the following initiatives?

Options	Yes, definitely	Yes, probably	No, probably not	No, definitely not
Employment tax benefit	20%	24%	30%	26%
Free travel for certain groups	45%	24%	17%	14%
Mobility credits	20%	20%	28%	32%

Sample size 930

Table 16: Would you use the bus more or less than you do now?

Options	A lot more	A little bit more	Same	A little bit less	A lot less
Single Fare Cap	30%	25%	45%	0%	0%
Day Fare Cap	30%	32%	36%	2%	0%
Proportional reduction	27%	32%	39%	2%	0%
Service improvements	34%	29%	33%	3%	1%
Employment tax benefit	31%	27%	39%	3%	1%
Free travel for certain groups	49%	25%	24%	1%	1%
Mobility credits	33%	29%	34%	3%	2%

Sample size 930

Appendix 3. Economic analysis

Introduction

This appendix describes the modelling framework used to calculate the costs and benefits of each intervention assessed.

Inputs & assumptions

Inputs are derived from the Department for Transport and National Travel Survey (NTS) data except where specified.

The model calculates impacts in the following geographical zones:

- English metropolitan Areas
- English non-metropolitan Areas (Rural & Urban)

The analysis separates commercial and supported services. Bus patronage is further broken down by ticket type categories, which are: Ordinary Adult; Day Ticket, Season Ticket; Concessionary Fare; and Concessionary Other. The allocation of these and the average revenue per ticket is calibrated using overall market statistics.

The model estimates a Do Minimum and Do Something scenario to derive the expected impacts of the policy being assessed.

One of the key assumptions which impacts the analysis is the relationship between bus trips with respect to changes in bus fares and journey times. This is because the demand impact associated with change due to the initiative impacts the level of support needed to fund a given initiative, or for a fixed level of funding requires a different level of fare impact.

Key to the 'Do Something' is therefore the allocation of the fare or journey time impact within an option to a given market segment and the corresponding elasticities of these impacts.

The table below identified the linkages between the options and the assumption areas.

Table 17: Fare and Service impact assumptions

Assumptions		Option 1 – Single fare cap	Option 2 – Day fare cap	Option 3 – Proportional reduction	Option 4 – BSOG increase	Option 5 – Employment Tax benefit	Option 6 – Free travel for certain groups	Option 7 – Increased concession payments	Option 8 – Mobility credits
Fares impact	Single/Return	✓	-	✓	✓	-	✓	-	-
	Day	-	✓	✓	✓	-	✓	-	-
	Seasons	-	-	✓	✓	✓	✓	-	✓
	Concessions – elderly	-	-	-	-	-	-	-	-
	Concessions - other	-	-	✓	✓	-	✓	✓	-
Service impact		-	-	-	✓	-	-	-	-

TAG appraisal suggests an elasticity typically in the range of –0.7 to -0.9 for fare paying customers,[27] with leisure travellers and those in rural markets observed to have higher elasticities than commuters and those in PTE and urban markets.[28]

[27] DfT, TAG Unit M2.1, May 2020
[28] RAND, Bus fare and journey time elasticities and diversion factors for all modes, 2018

The Covid pandemic has had counteracting impacts on customers relationships with bus travel and prices. This reflects the wider recovery in passenger transport, changes in working from home patterns, increased levels internet shopping, as well as changes in the reason for travel.

Given this uncertainty two alternative scenarios have been developed:

- *'Central' scenario* – elasticities specified for metropolitan areas, and non-metropolitan areas (Rural and Urban) markets as per Table 17.
- *'Low demand impact' scenario* – a scenario where elasticities are set 25% lower than the 'central' scenario which reflects customers may not react to changes in fares as much as expected.

The 'central' scenario key input assumptions are set out in the table below.

Table 18: Input assumptions

Input			Value	Source
Generalised journey time factors				
In-vehicle-time elasticity			-0.60	Balcombe et al (2004)
Wait time Value of Time factor			-1.50	TAG A1.3
Fares factors				
	PTE	**Urban**	**Rural**	
Fare elasticity - Ordinary Adult	-0.85	-0.89	-1.09	Wardman (2014)
Fare elasticity - Day	-0.75	-0.79	-0.96	Weighted average - 50% Ordinary and 50% Season
Fare elasticity - Season Ticket	-0.64	-0.68	-0.83	Wardman (2014)
Fare elasticity - Concessionary Pass (elderly)	-	-	-	-
Fare elasticity - Concessionary Pass (other)	-0.85	-0.89	-1.09	Wardman (2014)

The other key assumption is additional costs associated with delivery of a policy. For example, additional processing, system set up and commissions. This is often to ensure only those with relevant characteristics can assess the support and prevent fraud.

Examples of these processes and costs are set out below:

- Concessionary travel passes usually require an application with relevant information to be submitted, reviewed and a specific pass issued. In the recent under-22s scheme in Scotland there was a 71% approval rate on these applications.[29] Many areas apply a cost for replacement for

[29] BBC, Free bus travel for under-22s in Scotland begins, 2022 (link)

travel which reflects the administrative cost, for example per pass, this is £15 in Wiltshire,[30] and £10 in Greater Manchester.[31]

- Scrappage and mobility credit schemes, such as the West Midland's Clean Air Zone Vehicle Scrappage and Travel Credit Scheme also require applications and processing. Notably, the recent TfL Ultra Low Emission Zone (ULEZ) scrappage scheme which provides payments of up £11,500 per vehicle and has allocated £158 million between January 2023 and January 2024 had over 115,246 applications, with 46,616 applications being approved, at a 40% approval rate.[32] The setup of new systems and process such as for mobility credits is expected to incur costs and these are usually budgeted for at the onset. For example, the administrative costs for a major scrappage US scheme in 2009 had 5% of the overall budget allocated to administration of the scheme.[33]
- Benefits through tax systems, such as the Cycle to Work scheme, often have a commission between those organisations that provide and process the vouchers and the end retailers, these vary from 5-15% for the Cycle to Work scheme, the largest provider 'CycleScheme' set a commission rate of 8.33%.[34]

For those options were these are relevant additional costs have been incorporated into the analysis.

Benefits and costs methodology

The demand model is the driver of the entire modelling framework. Changes in demand for bus services lead to economic benefits, changes in revenue and changes in costs as a result of service level changes.

The model is based on a demand curve, where the price of travel is the generalised cost of travel. This model keeps the impact of fare changes and the impact of generalised journey time changes separate:

Generalised Cost = Fare + Generalised Journey Time

Changes in either element of generalised cost will affect demand. The magnitude of the impact on demand is determined by the elasticity of demand for the relevant elements of generalised cost:

Change in Demand (%) = Fare elasticity x Change in Fare (%) + Generalised Travel Time elasticity x Change in Generalised Journey Time (%)

Changes in demand directly drive any changes in revenue. Revenue is calculated as demand multiplied by fare for each individual geographical area. Concessionary travel reimbursement reflects both changes in fares and demand. Benefits and disbenefits are experienced by those directly affected by the policy and also by third parties who have acquired some sort of benefit as a result of the policy. The benefits are grouped as follows: bus-user benefits, non-bus-user benefits, private sector provider impacts and wider impacts.

In addition, there is a financial impact for the Government who funds the policy and supports bus services through BSOG and concessionary fares.

User benefits

User benefits are formed of two separate elements:

- Fare benefits: the change in fares enjoyed by all customers who are affected by policy, including generated customers. This is calculated using the rule of a half:

[30] Wiltshire County Council, Concessionary bus pass: Apply for a concessionary bus pass (link)
[31] TfGM, Travel pass for older people: Free travel for older people (link)
[32] TfL, ULEZ (Ultra Low Emission Zone) Scrappage Key Stats - 30 January 2023 to 14 January 2024 (link)
[33] IHS Global, Assessment of the Effectiveness of Scrappage Schemes for Vehicles, 2010 (link)
[34] CycleScheme, Statement on commission, 2020 (link)

Fares benefits = ½ x – change in fare x (Demand under Do Minimum + Demand under Do Something)

- Generalised Journey Time (GJT) benefits: the change in generalised journey time caused by changes in frequency, in-vehicle time and delay times. This is also calculated using the rule of a half and values of time as included in WebTAG A1.3.1 according to the following formula:

  GJT benefits = ½ x – change in GJT x Value of Time x (Demand under Do Minimum + Demand under Do Something)

Non-user benefits

Non-user benefits are calculated on principles set out in TAG unit A5.4. Whilst this unit is usually used for rail appraisal, we have adapted it for use in this context, covering congestion, noise, local air quality, accidents, and indirect tax revenue.

Private sector impacts

Private sector provider benefits are based predominantly on the financial impacts on the bus companies. This includes the difference between the Do Something scenario and the Do Minimum scenario in:

- Operating costs: these forecasts are based on changes in demand and vehicle kilometres.
- Revenue: based on fares and estimated demand.
- Total government support: concessionary reimbursement, BSOG and other relevant forms of government support

Government impacts

Government impacts include the cost of the scheme, and changes to BSOG and concessionary fares as a result of demand changes.

Wider benefits

The wider impacts calculated in this analysis correspond to a set of wider social and economic benefits identified in the literature. This includes adjustments for health and wellbeing, volunteering contributions, taxes, and educations. Although some of them may be subject to high uncertainty, most of these benefits are increasingly accepted by the Department for Transport in economic appraisals.

Contact us

Gerard Whelan
Director, Infrastructure Advisory Group
T +44 7747 021002
E Gerard.Whelan@kpmg.co.uk

www.kpmg.com/uk