

**EXPLANATORY MEMORANDUM TO  
THE CONCESSIONARY BUS TRAVEL (PERMITS)(ENGLAND)  
REGULATIONS 2008**

**2008 No. 417**

**1. Introduction**

1.1. This Explanatory Memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1. These Regulations specify the format of the national concessionary bus travel pass for older and disabled people in England. From 1 April 2008 people aged 60 and over and eligible disabled people will be able to travel for free on any local off peak bus in England. A national pass is necessary to ensure that drivers throughout England are able to recognise the pass holder's eligibility for the concession.

2.2. The Regulations set out what the pass looks like. They also specify that the pass must be a smartcard, capable of being read electronically by appropriate readers.

2.3. The Regulations also specify a temporary pass that local authorities who are unable to deliver smartcard passes in time for April 2008 may issue until September 2008.

2.4. The Regulations also allow for authorities within London to either issue passes to the national design, or to re-sticker their existing Freedom passes as a transitional measure until 2010. From 1 April 2010, eligible concessionaires in London will need the national passes.

**3. Matters of special interest to the Joint Committee on Statutory Instruments.**

3.1. None

**4. Legislative Background**

4.1. These Regulations are necessary for the implementation the Concessionary Bus Travel (CBT) Act 2007. The Act introduces free off peak travel on registered local buses anywhere in England. The CBT Act includes provision for the Secretary of State to specify the format of the pass issued by Travel Concession Authorities (TCAs) who administer Concessionary Travel Schemes.

4.2. At present each TCA may issue its passes to any specification they wish. In order to ensure that bus drivers throughout England can recognise the passes it has been necessary to specify a standard format for the passes. This is the first time that this power has been used.

## **5. Extent**

5.1. This instrument applies to England.

## **6. European Convention on Human Rights.**

6.1. As this instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1. Since 2006 there has been a national concession that guarantees free off peak travel on local buses for people aged 60 and over and eligible disabled people, within their local area.

7.2. The CBT Act 2007 introduced free off peak travel on local buses anywhere in England. TCAs will continue to administer local concessionary travel schemes. There are 291 TCAs outside London who are responsible for issuing passes and who can currently issue passes to any design they wish. There are approximately 6.5 million pass holders outside London and we estimate that this will increase due to the greater benefits of the new concession.

7.3. To ensure that bus drivers throughout the country are able to recognise a pass holder's eligibility to the national concession it is necessary to have a standard pass design. The only way to ensure that all TCAs issue passes to the same design is to specify the design in Regulations.

7.4. TCAs are able to offer additional benefits above the statutory minimum concession to their residents (any additional benefits must be funded locally). For this reason it is necessary for the pass design to allow for an element of local customisation so that it is possible to identify which TCA has issued a pass and therefore whether a pass holder is eligible for any additional local benefits.

7.5. The Regulations set out the position and format of the standard elements of the pass - the holder's photograph, their name, the unique identifying number of the pass, the rose logo, and the ribbon background. The expiry date must also be in a standard format and for security reasons the expiry date must be no more than five years from the date of issue.

7.6. The Regulations also specify that there must be a blue coloured band for an older person's pass and an orange band for a disabled person's pass (if a person qualifies for both the pass issuer may choose which pass to issue).

7.7. The Regulations also specify that there must be a hologram, which acts as a security feature and a deterrent to fraud. The hologram is supplied by the Department for Transport to ensure that every hologram is identical.

7.8. In order to identify which authority has issued the pass, the top right hand corner of the pass is for local customisation. There must be a clear identification of who the pass issuer is. This is so that bus drivers can recognise who has issued the pass. The pass issuer may also add additional symbols, logos or words if they wish

for further clarification as to whether the holder is eligible for any additional local benefits above the statutory concession.

7.9. The reverse of the pass is largely for the issuer to do with what they wish. The only requirements are that there must be a telephone number for reporting that a lost card has been found and there must be a statement that the card is issued subject to terms and conditions (the full terms and conditions do not have to be reproduced on the card).

7.10. The pass must be an ITSO compliant smartcard. ITSO is a Member controlled organisation that maintains the ITSO Specification for Members and the Crown. The ITSO Specification is designed to provide a platform for the implementation of interoperable contactless smartcards, public transport ticketing and related services in the UK. The ITSO specification has been kept as open as possible in order to maximise competition in the supply of systems and components to the commercial benefit of the industry as a whole.

7.11. Smartcards have a number of advantages over traditional paper based passes. When used on smart readers, they are highly resistant to fraudulent replication. They can also help to speed up boarding, helping to reduce bus journey times. And in addition to use as concessionary travel passes, smartcards could be used for commercial ticketing on other transport services and additional services at local authorities' discretion, such as allowing access to leisure or library services.

7.12. The Regulations also make contingency provisions for a temporary pass to be issued by local authorities. This is to ensure that every person who is eligible is able to take advantage of the national concession from 1 April 2008. The delivery of smartcards is a challenge for some TCAs, who may have no prior experience of smartcard technology. Although we expect smartcards to be delivered successfully for 1 April, contingency plans are necessary to ensure that everyone who is eligible is able to access the national concession from 1 April 2008. The temporary passes will expire on 30 September 2008.

7.13. The Regulations also allow for transitional arrangements for London. London Councils, who administer the Concessionary Scheme in London on behalf of the London Boroughs, already issue their concessionaires with smartcard passes - the London Freedom Pass. London passes will be re-stickered with the national concession logo. This is to allow time for the existing London smartcard estate to be able to become ITSO compliant.

7.14. These Regulations have been developed in consultation with Travel Concession Authorities and bus operators. There was a public consultation which ran from May to July 2007. 148 responses were received by the Department, of which 92 were from TCAs.

7.15. The majority of responses supported our proposals which form the basis of the Regulations. Over 85% agreed that the design and security feature were appropriate and that the passes should be smartcards, while over 80% agreed that a maximum validity period of 5 years was appropriate.

7.16. The Department has issued a series of Bulletins throughout the past year to inform TCAs about the requirements to produce passes. These included details about what the passes would look like and confirmed that they would need to be issued as ITSO smartcards. The Bulletins also give guidance to TCAs on how they can get their passes produced and how they should be encoded. The Bulletins are all available on the Department's website. In addition to the Bulletins, the Department hosted a series of Regional Seminars in early summer 2007 and has a dedicated in-house team to provide additional support to TCAs. An England-wide campaign to let concessionaires know about the new passes will run from the beginning of February to the end of March 2008.

## **8. Impact**

8.1. An impact assessment has been completed and is attached to this explanatory memorandum.

8.2 The impact on the public sector is around £34m which is being met by grants from the Department of Transport. The Department has paid a grant totalling £31m to TCAs outside London. The grant in respect of London will be paid when the cost falls in 2009-10. It is too early to calculate what this cost will be, but it is anticipated to be around £4m.

## **9. Contact**

Peter Laslett at the Department for Transport, Great Minster House, 76 Marsham Street, London, SW1P 4DR, Tel: 0207 944 5379, email [peter.laslett@dft.gsi.gov.uk](mailto:peter.laslett@dft.gsi.gov.uk) can answer any queries regarding the instrument.

## Summary: Intervention & Options

<b>Department /Agency:</b> Department for Transport	<b>Title:</b> Impact Assessment of Concessionary Bus Travel Passes	
<b>Stage:</b> Final Proposal	<b>Version:</b> 1.0	<b>Date:</b> 18 February 2008
<b>Related Publications:</b>		

**Available to view or download at:**

<http://www.dft.gov.uk>

**Contact for enquiries:** Peter Laslett

**Telephone:** 0207 944 2238

**What is the problem under consideration? Why is government intervention necessary?**

From 1 April 2008, up to 11 million people aged 60 and over or who are eligible disabled people will be able to travel for free on off-peak local buses anywhere in England. Bus passes will be issued to these people by the 291 local authorities outside London (known as Travel Concession Authorities (TCAs)) and by London Borough Councils. A standard pass design is needed so that bus drivers can easily recognise the pass (wherever it is issued) and to reduce the risk of fraudulent passes being produced and used to gain free travel.

**What are the policy objectives and the intended effects?**

The main objectives are to enable bus drivers throughout England to identify at a glance who is entitled to concessionary travel - thus reducing boarding delays, and to reduce the number of fraudulent journeys made - thus saving money. The production of such a large number of smartcards is also intended to encourage TCAs and bus operators to introduce smart-ticketing systems, which would bring additional benefits such as more accurate information on bus use (for the purpose of reimbursement of operators) and allowing people to use the same ticket when travelling by bus, train, tram, etc.

**What policy options have been considered? Please justify any preferred option.**

- A. Do nothing
- B. Specify that existing passes must be re-stickered
- C. Specify a national pass (London to re-sticker until 2010)
- D. Specify a national pass that is an ITSO Compliant Smartcard (London to re-sticker until 2010)

The preferred option is D. This option gives greatest protection against fraud and provides an incentive for TCAs and operators to move to full smart ticketing.

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? 2009**

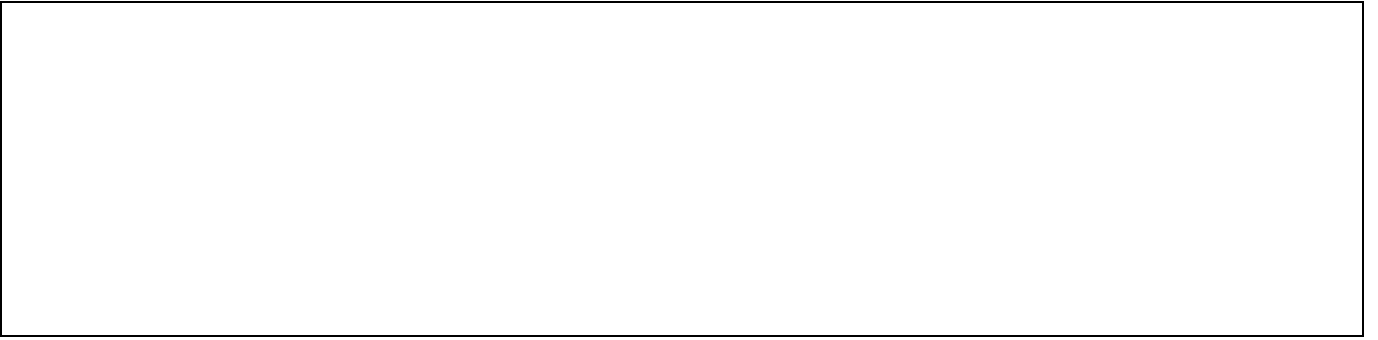
**Ministerial Sign-off** For SELECT STAGE Impact Assessments:

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible Minister:

Rosie Winterton

Date: 20th February 2008



## Summary: Analysis & Evidence

<b>Policy Option:</b>	<b>Description:</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>	<p>Description and scale of <b>key monetised costs</b> by 'main affected groups' Local authorities are responsible for the cost of producing passes. However, as it is a new burden, the one-off costs of moving from local passes to the national smartcard based passes is being fully funded by grants to local authorities by central Government. £31m will fall in year 1, the remainder in year 3.</p>	
	<b>One-off</b> (Transition) <span style="float: right;"><b>Yrs</b></span>		
	£ 35m		1
	<b>Average Annual Cost</b> (excluding one-off)		
	£ 0	<b>Total Cost (PV)</b> <b>£ 35m</b>	
<p>Other <b>key non-monetised costs</b> by 'main affected groups' There may be some ongoing admin costs for bus operators in providing additional training to drivers on the new passes. It is not possible to quantify these as they will vary between operators. Most operators already provide regular driver training so training on the new passes is likely to form part of this.</p>			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>	<p>Description and scale of <b>key monetised benefits</b> by 'main affected groups' The main benefits will be as a result of fewer passes being used fraudulently. It is impossible to say what the reduction in fraudulent journeys will be. However, if preventing fraud led to a 1% reduction in journeys this would equate to savings of about £10m per year for local authorities.</p>	
	<b>One-off</b> <span style="float: right;"><b>Yrs</b></span>		
	£ 0		
	<b>Average Annual Benefit</b> (excluding one-off)		
	£ 10m	<b>Total Benefit (PV)</b> <b>£ £10m per year</b>	
<p>Other <b>key non-monetised benefits</b> by 'main affected groups' Bus operators: Reduction in fraudulent travel and a reduction in "platform conflict" and journey times. Local authorities: Reduction in fraud, incentive to introduce smartcard schemes. Smartcard Producers: increased business of up to 7.5m passes in 07-08 and ongoing order of around 1.5m passes a year.</p>			

**Key Assumptions/Sensitivities/Risks** Concessionary bus travel is worth around £1bn per year, so the potential for fraud is significant. The potential reduction in the number of fraudulent journeys is difficult to predict, but we expect that it would be much higher than 1% of the total journeys made.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
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What is the geographic coverage of the policy/option?	England				
On what date will the policy be implemented?	1 April 2008				
Which organisation(s) will enforce the policy?	Judicial Review				
What is the total annual cost of enforcement for these organisations?	£ 0				
Does enforcement comply with Hampton principles?	Yes/No				
Will implementation go beyond minimum EU requirements?	N/A				
What is the value of the proposed offsetting measure per year?	£ 0				
What is the value of changes in greenhouse gas emissions?	£ 0				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border: none;"> <tr> <td style="width: 25%; text-align: center;">Micro 0</td> <td style="width: 25%; text-align: center;">Small 0</td> <td style="width: 25%; text-align: center;">Medium 0</td> <td style="width: 25%; text-align: center;">Large 0</td> </tr> </table>	Micro 0	Small 0	Medium 0	Large 0
Micro 0	Small 0	Medium 0	Large 0		
Are any of these organisations exempt?	<table style="width: 100%; border: none;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)
Increase of £ 0	Decrease of £ 0	<b>Net Impact</b> £ 0

Key: Annual costs and benefits: Constant Prices (Net) Present Value

## Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

### **Option A - Do nothing**

1. This option was rejected as it would lead to significant ongoing costs for all parties. Fraud is the most obvious cost. It is anticipated that fraudulent use of the passes would rise as the inherent value of the passes increases when they become valid throughout England. At the same time, fraud would become significantly easier to commit as it is unlikely that bus drivers would be able to recognise up to 292 different types of pass. The likelihood of a fake pass from outside the local TCA area being detected would be low.
2. In addition to the cost of fraud, there would be considerable costs for bus operators. Since drivers would be faced with up to 292 different types of passes, they would have to inspect them much more closely to seek to establish validity. This delay in boarding could lead to slower journey times for passengers and higher operating costs.
3. All passengers would be affected by slower journey times. Concessionary passengers could also face additional costs if a driver did not accept their pass, and so did not allow them free bus travel.

### **Option B - Specify that existing passes must be re-stickered**

4. This option was rejected as it would lead to significant ongoing costs for all parties. If there was no national requirement for passes to include a photograph of the concessionaire, an expiry date, a hologram and to be a smartcard, TCAs who currently issue passes without any of these security measures would continue to be able to do so. These passes would then be valid for travel anywhere in England, and bus drivers would be required to accept them. In the absence of a photograph, such passes could, in principle, be used by anyone, whether eligible for concessionary travel or not. And without an expiry date, they would remain "valid" indefinitely. This option would therefore do little to address the potential for fraudulent use.

### **Option C - Specify a national pass (London to re-sticker until 2010)**

5. This option was rejected because, although significantly more effective in preventing fraud than options A and B, specifying a national photopass would not stop all fraudulent travel. There would still be fraudulent use which would impose ongoing costs on TCAs, but at a considerably reduced level than options A and B.
6. The cost difference between Option C and Option D is estimated to be between 72p and £1.07 per pass. As the life of the passes can be up to five years, this equates to an average cost difference of less than 20p per pass per year.
7. This cost difference was not considered sufficient to offset the loss of advantages which Option D would bring in terms of greater fraud reduction and the additional benefits for wider smartcard roll-out.



## **Option D - Specify a national pass that is an ITSO Compliant Smartcard (London to re-sticker until 2010)**

8. The preferred option is D. This option gives greatest protection against fraud and provides an incentive for TCAs and operators to move to full smart ticketing.

### **Description**

9. The Regulations require concessionary travel passes to be produced in the form of ITSO<sup>1</sup> compliant smartcards with a standardised design which includes:
  - a national logo and ribbon design
  - a photograph and name of the concessionaire
  - an expiry date
  - a hologram
  - a unique number
  - an ITSO trademark
  - a coloured strip to show whether the holder is an older person or disabled
  - an identification of the issuing authority
10. ITSO is a standard for smart ticketing that has been developed in partnership between the Department for Transport and the transport industry. Not all existing smartcards are currently compatible with ITSO (for example the London Freedom Pass is not currently ITSO compatible).
11. Due to the size and complexity of the task of making London compatible with ITSO, the Regulations do not require Freedom Passes to be replaced for April 2008. Instead they require existing London Freedom Passes to be re-stickered with the national concessionary travel logo for April 2008. All London Freedom Passes will need to be re-issued to comply with the national design and to be ITSO compliance, from 2010.
12. DfT does not require all TCAs to implement full smart ticketing regimes in their areas by April 2008 (i.e. the installation of smart readers on buses and acquiring capability to record journeys from the smartcard etc) as this could not be done in the time available. In areas without smart systems a smartcard pass will be used exactly as most passes are used today – as ‘flashcards’ shown to the driver on boarding the bus.

### **Benefits**

13. Issuing a national smartcard bus pass will significantly reduce the potential for fraud compared to any other option considered. In areas where TCAs and bus operators have implemented ITSO compliant smart ticketing regimes they would be used as smartcards. Passes which are reported as lost, stolen or otherwise no longer needed, can automatically be de-activated if they are used on a smart reader. They will automatically stop working when the expiry date is reached and fake cards would not, of course, work on the smart readers.
14. Even in non-smart areas, inspectors can be equipped with hand-held smart-readers which can detect passes which are fake, or which are reported as lost, stolen or otherwise no longer needed.

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<sup>1</sup> ITSO is an organisation that maintains the ITSO Specification for Members and the Crown. The Membership of ITSO is broadly based and includes PTE's, Local Authorities, Passenger Transport Operators and Suppliers of equipment, systems and services.

15. The Regulations will therefore reduce fraud to a greater extent than if passes were not smartcards. This benefit will increase significantly over time as more buses are fitted with ITSO smart readers.
16. As the national concession has not begun yet, there are no reliable figures for the level of fraud that could be expected if there were no national passes. However, if preventing fraud leads to a 1% reduction in journeys this would equate to savings of about £10m per year for TCAs.
17. In addition to fraud prevention, there are significant other benefits in requiring passes to be smartcards. In smart areas TCAs and bus operators would receive accurate information about the number of journeys made and the places where people board buses. This can help them in considering future routing and service level options.
18. Accurate information on concessionaires' travel will also help bus operators and TCAs in their annual calculation of concessionary travel reimbursement rates. Each year TCAs calculate how much reimbursement should be paid to bus companies operating in their areas. This is calculated based on estimates of cost and an estimate of likely numbers of concessionary journeys based on previous years figures. If the bus companies and the TCAs don't come to an agreement on the appropriate reimbursement rates, the bus companies are able to challenge their reimbursement rate by appealing to the Secretary of State. In 2007-08 over 100 bus companies submitted appeals, though some were later withdrawn. The provision of smartcard information would help both parties to forecast reimbursement rates more accurately and therefore reduce the number of appeals. This would significantly reduce the administrative burdens on TCAs, bus companies and ultimately the Department for Transport.
19. Since the main advantages of smartcards will be realised in areas with fully smart systems, the Regulations will provide a significant incentive for TCAs and bus operators to introduce smart ticketing systems. Although TCAs and operators in non-smart areas would have to purchase the smart readers and the necessary back office systems, the total cost of introducing a fully smart system would be reduced as they would already have passes in smartcard form.
20. Requiring all passes to be ITSO compliant would be a major step towards fully embedding the UK standard and therefore facilitating integration across transport schemes and transport modes. Passengers will benefit from seamless travel between buses and other transport modes equipped with ITSO compliant technology. Bus operators, particularly those operating in more than one TCA area, will benefit from consistency of smart readers and the ability to introduce other smart ticketing products.
21. TCAs are free, over time, to add additional products to the pass such as library cards and other enhancements. The introduction of smartcards will also pave the way for UK wide pass recognition, if wanted, in the future.

## **Costs**

### **One-off costs**

22. There is a one-off increased administrative burden on the TCAs as they have to:
  - collect and validate data on their concessionaires (if they do not already have a complete set of up-to-date records)
  - set up and maintain a database of concessionaires

- let a contract for the production of passes to a company which is certified to produce ITSO compliant smartcards (the Department has put in place a Framework Agreement which TCAs can use on a call off contract, though they can carry out a full separate procurement exercise if they wish)
  - design the areas of the pass which are for local adaptation
  - inform their concession about the new passes (the Department has produced a communications toolkit for their use and is also carrying out a national communications campaign)
  - issue new passes to all their existing concessionaires and deal with any queries.
23. Outside London, the one-off burden is falling in 2007-08. In London, given that the requirement to issue new passes to the new national standard will not come into effect until April 2010, this will fall in 2009-10. The re-stickering exercise in London in 2008 will coincide with a planned re-stickering exercise. Adding the national logo to this exercise will therefore result in no new costs
24. As this one-off activity represents a new burden on TCAs, DfT paid a grant totalling £31m to TCAs outside London in 2007-08. The grant in respect of London will be paid when the cost falls in 2009-10. It is too early to calculate what this cost will be, but it is expected to be around £4m.
25. The Regulations impose no new requirements on any businesses. Bus operators will have to meet the costs of training drivers to recognise the new national pass. However, these costs will not be substantial and regular training is already provided by bus operators to their drivers.

#### Ongoing costs

26. The passes are valid for a maximum of five years. They will all, therefore, need to be replaced within the next five years. In addition, TCAs will have to issue passes to new applicants, and deal with any lost or stolen passes. These are all activities which TCAs have to do already, but the costs will be slightly higher given the requirement to issue passes as smartcards. The ongoing costs of administering the scheme are covered by the significant funding paid to TCAs for reimbursement and other costs associated with concessionary travel.

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	Yes
Small Firms Impact Test	Yes	Yes
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	Yes	Yes
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

## **Small Firms Impact Test**

Smaller bus operators may be less well-placed than larger firms to invest in smartcard reader equipment on their buses. This may mean that they are less able to take advantage of improvements in concessionary travel data made possible by the new technology. However, these Regulations do not require bus operators to invest in smart readers.

We are already consulting with representatives of bus operators of all sizes on an ongoing basis about the arrangements for concessionary travel.

## **Competition assessment**

Within the bus industry there is unlikely to be any significant impact on market structure. The Regulations would affect bus operators equally. Because ITSO is an open standard, specifying that the passes must be ITSO compliant smartcards will not prevent competition for issuing passes.

## **Disability Assessment**

The pass is for use by disabled and people over 60. Disabled stakeholders were consulted on our proposals for the pass. The design was approved by stakeholders. The Department has also produced a Technical Advice Note to advise local authorities about best practice for ensuring the application process for the pass is accessible for blind and partially sighted people.