

Transport and the Environment Board

Thursday, 09 February 2023

Transition from the £2 Fare Cap

Is the paper exempt from the press and public?	No
Reason why exempt:	Not applicable
Purpose of this report:	Discussion
Is this a Key Decision?	No
Has it been included on the Forward Plan of Key Decisions?	Not a Key Decision

Director Approving Submission of the Report:

John Dowie, Executive Director for Infrastructure and Place

Report Author(s):

Tim Taylor

Tim.taylor@southyorkshire-ca.gov.uk

Executive Summary

This report provides the Transport and the Environment Board (TEB) with an update on the delivery of the SYMCA funded £2 fare cap, the transition to the nationally funded scheme in 2023 and regional plans for what happens when the national scheme ends in April 2023.

What does this mean for businesses, people and places in South Yorkshire?

Given the importance of the bus and tram network in South Yorkshire and the affordability of access to the network, any interventions which make public transport cheaper and more affordable both encourage usage but also assist during a cost-of-living crisis.

Recommendations

It is recommended that TEB members:

1. Endorse and recognise that the scheme provided essential support to those most in need during a cost-of-living crisis;
2. Support the recommendation to engage with bus operators to agree a viable exit strategy from the fare cap when it ends in March 2023;
3. Request that a final evaluation of the locally-funded fare cap scheme is shared with TEB members when complete.

Consideration by any other Board, Committee, Assurance or Advisory Panel

None

1. Background

- 1.1 As part of wider Bus Service Improvement Plans (BSIP) and following award of BSIP funding, a number of regions in England implemented a cap of fares for bus travel in 2022. These typically took the form of a single trip or day ticket fare cap.

The price limit was launched in Greater Manchester, West Yorkshire and Liverpool City Region in September, with Greater Manchester fares for single bus journeys capped at £2 for adults and £1 for children and the charge for unlimited journeys in a day at £5 for adults and £2.50 for children. In West Yorkshire, single bus journeys are capped at £2 with the daily cap at £4.50.
- 1.2 South Yorkshire took the decision to launch its own fare cap at £2 on 1 November 2022 in the absence of BSIP funding. This was also extended to tram single tickets and complemented by the existing notified fare of 80p for young people.
- 1.3 DfT announced in September 2022 that they would be introducing a national scheme to cap bus fares at £2 in England (outside of London). This scheme went live as planned on 1 January and will run to 31 March 2023.
- 1.4 There has been a seamless transition from the SYMCA-funded scheme to the national scheme with passengers on bus and tram seeing no difference in the tickets that are covered by the fare cap.
- 1.5 Assuming the national scheme ends on 31 March as planned, in the absence of any alternative agreed approach, customers will be forced to revert to paying the previous fare above £2, noting that most operators except First in South Yorkshire applied a fare increase of between 7% and 10% at the start of January, so they will face the impact of both the removal of the cap but also the application of the fare increase which is currently masked by the fare cap.

2. Key Issues

- 2.1 On the basis of costs and trips generated, the SYMCA-funded scheme has been a success. Initial forecasts were that the scheme for November and December would generate 1.1m trips with a total cost of £651,000.

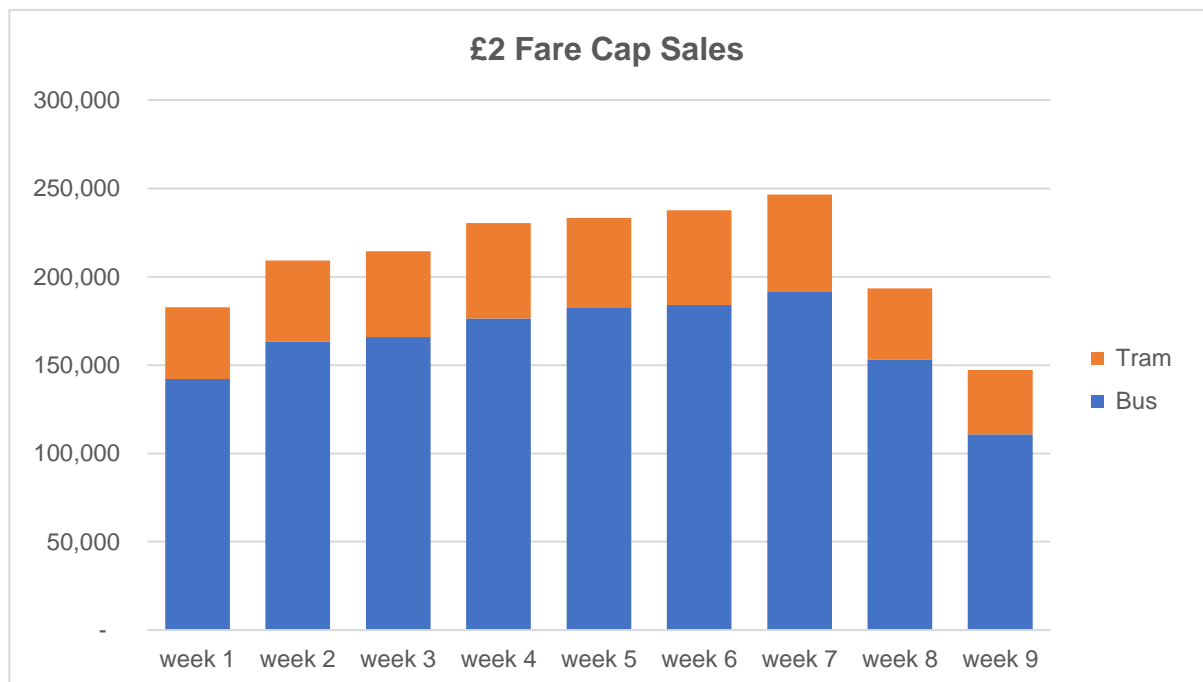
Thus far, following the end of the eight-week scheme in South Yorkshire nearly 1.9m trips were made across bus and tram at a total cost of £810,000.

We are still preparing a full evaluation of the scheme, but early indications are that:

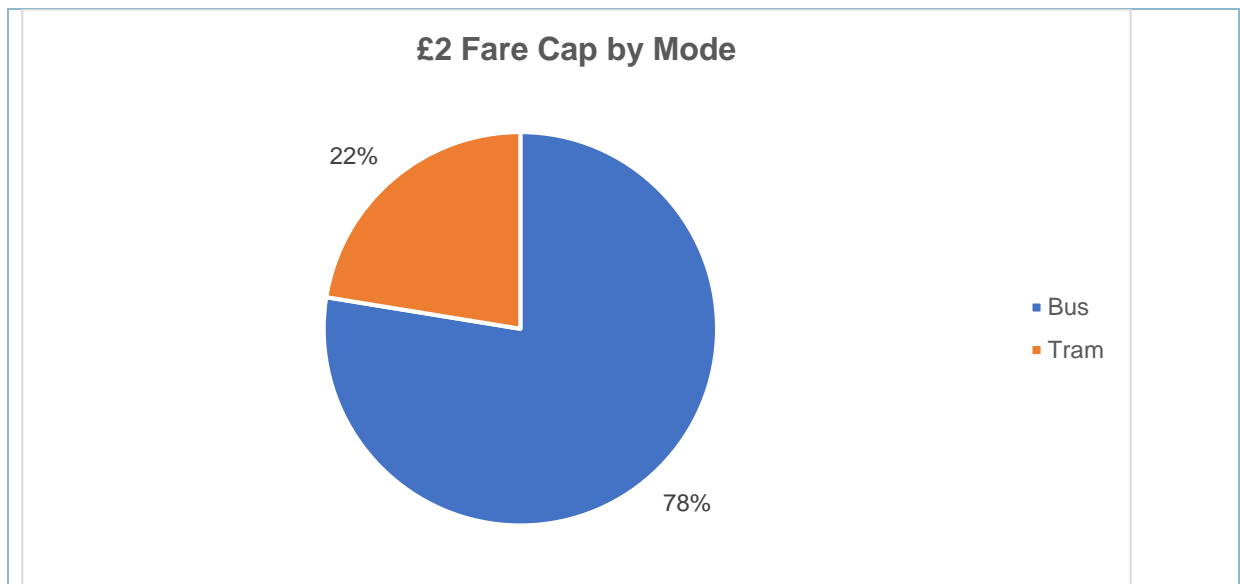
- It generated higher than anticipated levels of uptake by passengers;
- A greater proportion of those using (and hence benefiting from) the scheme lived in the lower quartile of deprived wards (using the IMD scale) in South Yorkshire, indicating that those that are most susceptible to cost of living pressures are benefiting from the scheme the most;
- An increase in single fare sales has been offset by a reduction in the number of day and weekly tickets sold, indicating that customers are price sensitive and picking the products (or collection of tickets) which is cheapest for them;
- Anecdotally, there is no measurable uplift in overall patronage particularly on the main bus operators in South Yorkshire, though separating out the impact of the scheme from seasonal variations, especially in the first December without Covid restrictions for two years, is challenging;
- We have however had some feedback from smaller operators who have seen growth on certain routes, and in particular operators who run longer routes (with potential leisure destinations) are seeing an increase in patronage;
- Nonetheless, the scheme has made (and continues to make) bus and tram travel cheaper for passengers and could be argued as being an effective targeting of subsidy for those that need it;
- Even though people clearly are benefiting from the scheme, they are likely travelling because they have to (for work) and that a more pronounced reduction in fares of itself would not generate significant patronage growth as supported by the lack of growth post-Covid by ENCTS passengers who continue to enjoy free travel on bus and tram.

2.2

Below are some charts outlining the week-on-week growth in ticket sales and the market split between bus and tram.



Note that week 8 included Christmas Day and Boxing Day and week 9 was a partial week.



- 2.3 We plan to align our evaluation criteria to that being used by DfT on their national scheme and will in due course share with TEB members both the local results and the findings published for the national scheme.
- 2.4 Assuming the scheme does end as planned on 31 March 2023, unless we accept that passengers simply return to paying the previous fare, we have a number of options available to us.
- 2.5 Simply continuing to fund the existing scheme from April 2023 using the existing approach would incur an unbudgeted cost of around £4.7m per year, which would continue to face increased pressure as the shadow fare (i.e. the fare the operators would charge in the absence of the scheme) continues to rise with their annual fare rises.
- There is an opportunity to look to either an increased fare cap (which would require less subsidy) or a single fare structure across the region. A single fare structure would inevitably mean that whilst some passengers see a reduction in their single fares, there will also be a proportion of passengers for whom the single fare would rise potentially by a significant margin. Modelling on what this fare would be is being prepared by SYMCA and will form part of discussions with operators through the Enhanced Partnership Board during early 2023.
- It is therefore likely that unless there is a desire by DfT to continue to fund a national scheme beyond March, that single fares will rise by a margin from April, though the scale of the rise has yet to be determined.
- Consideration should also be given as to the benefit of local investment in fare subsidy, relative to the funding being used for protection of at-risk bus services through tendered service expenditure (the cost estimate above represents around 40% of the net revenue budget for 2022/23 for tendered services).
- 2.6 Whilst the £2 fare cap has clearly been successful in saving passengers money during a cost-of-living crisis, as noted above it is more difficult to demonstrate that such schemes are effective in driving modal shift.

For this to be successful, any fares initiative (such as a fare cap, product range simplification, tap on/tap off schemes) need to be complemented by a bus service which is both punctual, reliable and competitive in terms of journey time.

There is a necessary dialogue required through the Enhanced Partnership to explore what other policy decisions can be used to encourage modal shift whilst providing bus services with further support (such as longer hours of bus lane operation, enforcement and signalling prioritisation).

Without these other complementary measures, fares subsidy (the continuation of the £2 fare after government funding ceases) is unlikely to be a cost-effective approach, unless (as for the Mayor's fare) it is justified by cost-of-living benefits rather than for the purposes of modal shift and generating patronage growth.

3. Options Considered and Recommended Proposal

3.1 Option 1

Continue to engage with bus operators through the Enhanced Partnership Board, and develop a range of options for fares and ticketing simplification to implement where possible from April 2023 to minimise the impact of the end of DfT funding on the £2 fare cap.

3.2 Option 1 Risks and Mitigations

The primary risk is the lack of available funding locally along with the likelihood that DfT will not extend funding specifically for a fare cap nationally beyond the end of March 2023.

Furthermore, given that Greater Manchester, West Yorkshire and Liverpool City Regions all received BSIP funding, they will continue to have a funded fare cap following the end of the national scheme, and South Yorkshire will face pressure to extend our scheme.

3.3 Option 2

Do nothing and wait on any announcement from DfT regarding the continuation of funding for bus services. We should note that there may be no funding or that funding will be limited and provided in such a way that it cannot easily be used for capping fares.

3.4 Option 2 Risks and Mitigations

Dependent on the timescales for any announcement from DfT, it is possible (and probable) that the timing would not allow for a meaningful dialogue and negotiation with local operators to allow a scheme to be implemented in time for the end of the national scheme. This would mean the outcome would result in fares reverting to their shadow price and passengers facing an uncontrolled (or at least dictated by operators) rise in their fares where they were previously capped.

3.5 Option 3

Seek further funding to extend the local scheme from April 2023 to continue the scheme in South Yorkshire. We should note that with BSIP funding, this will occur in any event in Greater Manchester, West Yorkshire and Liverpool, though the lack of BSIP settlement in our region means that this would have to be funded from SYMCA revenue or reserves.

3.6 **Option 3 Risks and Mitigations**

As outlined above, the potential costs of such an extension for the duration of the financial year 2023/24 is estimated to be £4.7m per year. There is no budget allocation for such an extension locally and there is already significant pressure on the transport budget to protect bus services through an increase in the number of tendered services required from July 2023.

Furthermore, there is a need to recognise that there is no current means of mandating operators to participate in any form of fare capping or single fare scheme. The current arrangements are entirely voluntary, and operators are entitled to set their own fares and range of products at their discretion. The only existing control is an agreement as part of the Enhanced Partnership Agreement that fares should not rise more than once in any 12-month period.

3.7 **Recommended Option**

Option 1

4. **Consultation on Proposal**

- 4.1 Engagement with Local Authority elected members and officers is recommended during the process of agreeing an exit strategy from the current fare cap arrangements to ensure the arrangements are both clear and in keeping with local and regional expectations. We propose to use both Transport and Environment Board as well as Enhanced Partnership Board, Development Group and Operating Group as a mechanism to communicate progress on this matter.

5. **Timetable and Accountability for Implementing this Decision**

- 5.1 As outlined above, the current expectation is that the £2 fare cap will end on 31 March 2023 and any agreed scheme which may follow will need to be confirmed ahead of this date.

There remains significant uncertainty on the future funding arrangements, if any, from DfT to support bus services beyond the end of March so SYMCA officers will continue to press DfT for confirmation on these arrangements. An update, and approval as required, will be brought to the next TEB meeting on 17 March 2023.

6. **Financial and Procurement Implications and Advice**

- 6.1 As noted in the main body of the report, uptake on the £2 fare cap has been considerably in excess of the original projections. This is leading to forecast outturn overspend against the budget by c. £0.40m by end of March 2023. This pressure will be accommodated within the balance of funding set aside for cost-of-living mitigations.

7. **Legal Implications and Advice**

- 7.1 As outlined in 2.5 above, there is no legal mechanism for SYMCA to mandate operators to participate in a fare capping or single fare scheme. The setting of fares is bound by competition law and requires careful navigation between SYMCA and operators to ensure that the operators are not seen to be breaching competition law.

Any continuation of a capped fare scheme would utilise the MCA's General Power of Competence and would need agreements putting in place with each operator.

8. Human Resources Implications and Advice

8.1 Not applicable for this paper.

9. Equality and Diversity Implications and Advice

9.1 Not applicable for this paper, though should there be a need to consider any amendment to the current arrangements to implement a locally funded scheme (or replacement), an assessment will be made on the need for an Equality and Diversity Impact Assessment and this will accompany the approval paper and follow the governance process required.

10. Climate Change Implications and Advice

10.1 Not applicable for this paper.

11. Information and Communication Technology Implications and Advice

11.1 Not applicable for this paper.

12. Communications and Marketing Implications and Advice

12.1 SYMCA was very public about the implementation of the Mayor's £2 fare across the region and the benefit to public transport users. Any change 'back' to higher fares will likely result in unfavourable coverage and will need careful handling to explain the temporary nature of the activity and the reliance on central funding to continue beyond the end of March.

List of Appendices Included:

None

Background Papers

None