



## Buses: CfIT's proposal to end free travel, 2002

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This note briefly outlines a proposal in 2002 to limit bus concessions for older and disabled people to a half fare. The proposal was not taken forward by the government of the day.

The Commission for Integrated Transport (CfIT) was set up following the 1998 transport White Paper to provide independent advice to government on the implementation of an integrated transport policy and to monitor developments across transport, environment, health and other sectors.

In December 2002 the Commission published a report in which it argued that the bus could compete with the car in certain circumstances if subsidy were increased and re-focused. It suggested that free travel for pensioners was not the best way to spend the limited subsidy available for buses. The Commission did not argue that pensioners should lose what was then the statutory minimum (a half fare on local services) but the money spent in addition, in such areas as the large metropolitan centres and Wales, could be better used supporting groups such as college students and the unemployed.

The then Labour Government did not act on the Commission's recommendation and in 2007 legislated to extend the statutory concession for older and disabled people to cover the whole of England.

More information on concessionary bus fare policy can be found in HC Library standard note [SN/BT/1499](#), available on the [Buses Topical Page](#) of the Parliament website.

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## 1 Overview of concessionary bus fares

There are essentially two types of concessionary bus fares – statutory concessions (i.e. those which local authorities must provide in accordance with national legislation) and non-statutory, discretionary concessions (i.e. those which local authorities can provide from their own funds if they so wish). The basic statutory concession is free bus travel for the over 60s (rising to 65 between 2010 and 2020) and prescribed disabled people. In addition to this, local authorities may provide other concessions in accordance with their local priorities – these extend only to the local authority area borders, unless a cross-border agreement has been reached with a neighbouring authority.

*At the time CfIT made its recommendations, the minimum concession was a 50 per cent discount on local services for the over 60s and disabled people.*

## 2 Commission for Integrated Transport

The [Commission for Integrated Transport \(CfIT\)](#) was set up by the Labour Government to provide “independent advice to Government on the implementation of integrated transport policy, to monitor developments across transport, environment, health and other sectors and to review progress towards meeting our objectives”.<sup>1</sup> The 1998 transport White Paper identified the following roles for the Commission:

- Reviewing and monitoring progress towards objectives and target laid out in the White Paper;
- Continuing and refreshing the transport policy debate;
- Fostering consensus among practical providers;
- Identifying and disseminating examples of best practice from home and abroad;
- Advising on developments in Europe, including relevant EU initiatives; and
- Advising on the role of existing and emerging technologies.<sup>2</sup>

One of the studies it was asked to undertake was how to secure long term best value from public subsidy for the bus industry.

### 2.1 Bus subsidy report, 2002

Following a three year study CfIT published its report on public subsidy for the bus industry in December 2002.<sup>3</sup> It argued that its proposals for bus industry funding and reform would:

- deliver a 35 per cent increase in passengers within seven years;
- promote social inclusion and encourage people out of their cars;
- see an extra 850 million bus journeys a year or 2.3 million per day; and
- put the bus “firmly in the front line of the battle against traffic congestion, transport social exclusion and pollution”.

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<sup>1</sup> DETR, [A new deal for transport: better for everyone](#), Cm 3950, July 1998, para 4.4

<sup>2</sup> *ibid.*, para 4.4

<sup>3</sup> CfIT, [Public subsidy for the bus industry](#), 2 December 2002

CfIT concluded that the bus could compete with the car in certain circumstances “if subsidy is increased and re-focused”.<sup>4</sup> The report called for a change to the way the bus operators receive funding from government. Instead of a fuel duty rebate based on the bus mileage run, the Commission wanted to see an incentive-based on the number of passengers carried, with more money as passenger numbers increase. The report stated, however, that it could not recommend such a change unless the government pledged an increase in funding to local authorities to allow them to support ‘socially necessary services’ that would otherwise suffer as operators switch resources to routes with higher growth potential.<sup>5</sup>

The report focused on four key areas:

- Encouraging passenger growth - by switching operator support from fuel duty rebate to an incentive per passenger carried;
- Boosting modal shift - through quality bus partnerships and park and ride schemes; extra benefits for those in education and operator led initiatives introduced because of incentivised support;
- Supporting social inclusion - by extending concessionary fares to people on benefit and more support for rural areas; and
- Contribute to reduced pollution - by removing disincentives to more fuel-efficiency and alternative fuel vehicles.

The proposals included:

- Extra £87 million per annum revenue funding for operators in return for increased patronage;
- Extra £94 million for local authorities to support bus priority measures, “park and ride” facilities and rural and inter-urban services;
- Extra £192 million in half fare concessions for people on means tested benefits;
- Extra £73 million in half fare concessions to those in education;
- Local authority incentives to introduce bus priority measures;
- Comprehensive introduction of smart cards;
- More pilots for home to school transport to reduce the need for the school run - for both entitled and non-entitled children;
- An appraisal framework for subsidised services; and
- Encouragement of demand responsive services in rural areas.

## **2.2 Pensioner concessions**

The suggestion that free travel for pensioners was not the best way to spend the limited subsidy available for buses was a relatively small part of the report. The Commission did not

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<sup>4</sup> CfIT press notice, “CfIT puts bus at heart of transport delivery”, 2 December 2002

<sup>5</sup> for more information on bus subsidies and fuel duty rebate (now Bus Service Operators' Grant), see HC Library standard note [SN/BT/1522](#)

argue that pensioners should lose the statutory minimum (i.e. the 50 per cent concession specified in the *Transport Act 2000*) but that the money spent on the extra 50 per cent provided in some areas, including the metropolitan areas and Wales, could be better used supporting other groups such as college students and the unemployed. The relevant section of the report stated:

#### Better Value From Existing Subsidies

We believe better value can be obtained from existing subsidies (the LEK “constrained funding” scenario) by incentivising local authorities to develop more, and more effective, Quality Partnerships, and implement them sooner. We believe sufficient capital funds are already available within the 10 Year Plan for this. **Restriction of concessions for the elderly and disabled people, where currently more generous, to no more than the 50% statutory minimum would release funds that could bring patronage growth and better value. We acknowledge that this may be politically sensitive, but it has already been done in some places.** More rigorous appraisal of the need for subsidised services would ensure that funds were used most effectively and where most needed. This would also apply to Challenge funding, which we would prefer to see integrated into the local transport plan process as projects expire, and used for potentially sustainable services.

These proposals will provide a framework for moving forward, but will barely deliver sufficient extra patronage (3.4% in the short-term to 3.7% in the medium-term) to offset natural decline. We think the other shortcomings of this option are:

- it would only offer limited improvements in social inclusion
- it would fail to acknowledge the industry’s declining profitability
- it would not provide funding for genuine innovations that may have significant potential
- it would not provide for additional Park & Ride schemes, a key component of modal shift

We do not therefore recommend the move from FDR to IPP in this scenario, because we do not think the level of incentive available (either financial or political) would drive growth sufficiently to justify the uncertainty, the upheaval or the attendant changes to audit requirements.<sup>6</sup>

The report consequently recommended that:

Where more generous concessions are currently applied, concessions for elderly and disabled people should be restricted to the statutory minimum of 50%, with funds saved re-allocated to where they can achieve better value.<sup>7</sup>

Epolitix reported at the time that:

... pensioners groups say that the elderly are already socially excluded and would only suffer more if the CfIT’s proposals were implemented. The National Pensioners Convention say that under four million pensioners get free passes at present.

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<sup>6</sup> op cit., [Public subsidy for the bus industry](#), para 6.3

<sup>7</sup> [ibid.](#), [recommendation 6](#)

A Help the Aged spokeswoman said she was "horrified" by the proposal to remove free bus passes. "It will hit one of the poorest groups in society. Free transport gives people independence and allows them to travel to hospital".<sup>8</sup>

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<sup>8</sup> "Grey vote revolts against bus pass plan", *ePolitix.com*, 2 December 2002