

**WEST MIDLANDS INTEGRATED
TRANSPORT AUTHORITY**

**TRANSPORT ACT 1985
Travel Concession Scheme**

To be valid

From 1st April 2010

WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY

1985 ACT TRAVEL CONCESSION SCHEME

1ST APRIL 2010

The Scheme

1. This Travel Concession Scheme subsequently referred to as “the Scheme” has been established by the West Midlands Integrated Transport Authority (“ITA”) , in pursuance of its powers under:-
 - i. the Transport Act 1985 (as amended) (“1985 Act”);
 - ii. Travel Concession Scheme Regulations 1986 (“TCSR”);
 - iii. and all other relevant statutory regulations.
2. The Scheme will be administered by Centro, the West Midlands Passenger Transport Executive (“the Executive”).
3. The Scheme covers the discretionary concessions to be provided by operators under the 1985 Act as detailed in clause 7 below;
4. Unless otherwise defined in this Scheme words or terms used in the Scheme shall have the same meaning as given to such words or terms in the 1985 Act, and TCSR.

Operative Date

5. The Scheme shall come into operation in its entirety on 1st April 2010 and be in operation until 31 March 2011 (inclusive).

Principal Area

6. The principal area covered by the scheme is the Passenger Transport Area of the West Midlands, which consists of the administrative areas of Birmingham City Council, Coventry City Council, Wolverhampton City Council and the Metropolitan District Councils of Dudley, Sandwell, Solihull and Walsall (“Principal Area”).

Scheme Applicability

7. The Scheme shall apply:
 - (a) to eligible persons listed in Schedule 1 who tender to the operator on a Scheme Service (as defined below) the applicable permit or pass and notified fare (if any) for that category of concessionary passenger referred to in Schedule 1;
 - (b) when travelling on eligible services (as defined in section 94 (4) of the 1985 Act and as further defined in the Travel Concession (Eligible Services) (Amendment) Order 2009) which have been admitted or required to participate in the Scheme; but

- (c) only on journeys between places in the Principal Area.

For the purpose of this Scheme "journey" means a trip between two points without a change of vehicle or service and "Scheme Services" means services referred to in paragraph 7(b) above.

Eligible Persons and Nature of Concession

8. Operators participating in the Scheme will be required on all Scheme Services to allow the concessions detailed in Schedule 1 to persons who satisfy the requirements set out in paragraph 7 above.
9. The Executive may from time to time by giving a minimum of 28 days notice in writing vary the class of eligible person or nature of the concessions to be provided or the reimbursement arrangements by notice and where relevant such notice should comply with the provisions of section 97(6) of the 1985 Act.

Notified Fare

10. The notified fare shall be the fare as notified to operators by the Executive from time to time being the fare to be charged by an operator to a person travelling as a concessionaire under the Scheme in respect of a 1985 Act Concession. There may be more than one notified fare applying at any time.

The operator shall admit any eligible person who tenders a valid permit or pass referred to in Schedule 1 and pays the notified fare to travel on any Scheme Service it provides and shall not charge any class of pass or permit holder more than the notified fare for any journey.

Entry of Operators to the Scheme

11. Subject to paragraph 13 an operator shall be admitted into the Scheme from the next admissions date at least 28 days prior notice in writing from the operator to the Executive that it wishes to participate in the scheme (the admission dates being 1 April, 1 July, 1 October and 1 January after expiry of such notices). At the Executive's discretion, operators may be admitted into the Scheme in advance of these admission dates.
12. In accordance with Sections 96(4) and (5) of the 1985 Act, the Executive may make admission to or continuation by an operator in the Scheme conditional on the operator agreeing appropriate modifications to the reimbursement arrangements where it appears to the Executive that the operators current or proposed fares for any eligible service include a "special amenity element" as defined in Section 96(6) of the 1985 Act.
13. If the Executive serves on the operator a participation notice, the operator shall participate in the Scheme in respect of the services specified from the date stated in and for the duration of such notice, and the operator may not give notice to withdraw from the Scheme whilst such notice remains in force.

Removal or Withdrawal of Operators from the Scheme

14. An operator who is participating in the Scheme, in respect of any of its Scheme Services, other than pursuant to a participation notice, must give the Executive at least 42 days notice in writing of withdrawal from the Scheme in respect of all or any of such Scheme Services.

The ITA may terminate the Scheme by giving the operator not less than 3 months notice in writing.

Objective for Reimbursement of Operators

15. The objective of the Scheme (which is not a duty) in relation to reimbursement of operators under the 1985 Act is to provide that such operators both individually and collectively are no better and no worse off financially than they would be if they did not participate in the Scheme in accordance with the principles set out in the TCSR but the ITA and Executive shall not be liable for any failure to achieve such objective.

Payment Periods and Dates

16. The “payment periods” under the Scheme are as set out in Schedule 8 or as notified to the Operators from time to time by the Executive in writing.
17. Subject to paragraph 24, the Executive will make a payment to operators not later than the day which is half-way between the first and last days of each payment period, equal to not less than 85% of the sum the Executive estimates to be due to the operator in that period.
18. Subject to paragraph 24, the Executive will make a further payment to operators, not later than 3 months after the end of the relevant payment period, equal to the difference (if any) between:
 - (i) The sum already paid to the operator for the relevant payment period as set out in Paragraph 17 and,
 - (ii) The actual amount calculated as due to the operator for that relevant payment period.

If the amount paid under paragraph 17 above exceeds the amount calculated under paragraph 18(ii) such that the Executive has made an over payment for the relevant period the Executive shall commence, as soon as is reasonably practicable, to recover the over-payments by a deduction against a reasonable number of future interim payments as agreed between the Executive and operator. The Executive reserves the right to demand full repayment of any over-payment at any time, and the operator shall be obliged to make such repayment within 14 days of receiving such demand

Standard Method of Determining Passenger Journeys and Fare Values/Reimbursement Arrangements

19. The standard method for assessing the total number of journeys made by eligible persons under the Scheme is set out in Schedule 2. The standard method for assessing the fares value to be attributed to those journeys is set out in Schedule 3. The standard method for calculating the reimbursement due to the operator will be on the basis of the formula and parameters set out in Schedule 4. In calculating the reimbursement due to the operator, the

Executive will take into account any data supplied by the operator if it can be shown that the data supplied is more accurate than the standard method and is more likely to enable the Executive to meet its objective for reimbursement set out in paragraph 15.

20. By agreement between the operator and the Executive the standard method need not be applied in respect of calculating the reimbursement of that operator if any one of the following conditions are satisfied:-
- (a) the vehicles normally used by the operator in providing services on which concessions are available have 8 or less seats available for fare-paying passengers;
 - (b) the mileage run by vehicles is less than 150,000 miles per annum within the area covered by the Arrangements or there are fewer than 100,000 free concessionary journeys per annum during the times at which concessions are available;
 - (c) the services provided by the operator run outside of the West Midlands county boundary to a significant extent and where it is not possible to survey the whole of the bus journey;
 - (d) except during the first 3 months of operation of the Arrangements, there has not expired a period of 3 months commencing with the date on which the operator is admitted to participation in the Arrangements in respect of a service or (if appropriate) becomes subject to the obligation imposed by a participation notice to provide concessions on a service.

Data

21. When an operator is first admitted or becomes obliged to participate in the Scheme, it shall supply to the Executive within 7 days:
- (a) a list of Scheme Services to be operated by that operator;
 - (b) all relevant fares and fare tables and a list of the ticket types valid for travel on such services; and
 - (c) the running boards/drivers duties applicable to such Scheme Services;
 - (d) if operators are involved in data matching between survey data and electronic ticket machine (ETM) data, they should provide ETM information as soon as possible but no later than 28 days after the end of the period concerned.

to enable surveys to be scheduled and assessment of its entitlement to reimbursement.

22. The operator shall inform the Executive of the introduction or cessation of any Scheme Services, changes to the times at which and routes on which Scheme Services operate and any circumstances leading to the temporary cessation or major disruptions to such services, within 7 days of such event occurring.

23. An operator shall provide data to the Executive in accordance with the provisions of Schedule 6 for the purpose of calculating the average fare.
24. If the operator fails to provide such information or data as is referred to above, or to allow such access for surveys as is required pursuant to schedule, then the Executive may in its discretion either defer all or part of any payment otherwise due to the operator until such omission is fully rectified or reimburse the operator on the basis of such estimated reimbursement as it considers appropriate in the absence of such data or survey information.
25. Where it becomes apparent to the Executive that any Scheme Service is or has been subject to material disruption, or has not been operated in accordance with the registered timetable, then the Executive may, after giving the operator the opportunity to comment on the effects of the same on the journeys being taken by eligible persons on such services, make such adjustments to the reimbursement due to such operators as it considers necessary to reflect the effects of such disruption or non-operation.

Review of Reimbursement

26. At the end of each financial year, the Executive and operators shall review the reimbursement calculations made in accordance with these reimbursement arrangements during the previous financial year. This review shall include consideration of any more accurate information that may have become available, which may result in a recalculation of reimbursement applicable to each operator. Such review shall be concluded within 3 months.

The review shall exclusively cover concessionary fares patronage estimates, the calculation of the operators' average fare (not including a review of the method of calculation), the reimbursement factor applicable at that average fare (again not including a review of the method of calculation) and any necessarily incurred additional costs. The review will not incorporate any changes to the standard methods of determining reimbursement as defined in this document.

If following the review it is determined by the Executive that the amount of reimbursement paid during the previous financial year should have been higher the Executive shall pay the difference to the operator within 3 months of the date of recalculation.

If following the review it is determined by the Executive that the amount of reimbursement paid during the previous financial year should have been less the Executive shall commence, as soon as is reasonably practicable, to recover the over-payments by a deduction against a reasonable number of future interim payments as agreed between the Centro and operator. Centro reserves the right to demand full repayment of any over-payment at any time, and the operator shall be obliged to make such repayment within 14 days of receiving such demand.

Dispute Resolution Procedure

27. In the circumstances where participation in the Scheme by an operator is by virtue of a valid participation notice then if, following the review of the

reimbursement calculations in accordance with the provisions of paragraph 26 above, there is a dispute between an operator and the Executive in respect of the level of reimbursement paid to that Operator then if such dispute relates to either:-

- (a) the fares value to be attributed to journeys by persons eligible to receive concessions on the operator's Scheme Services ;
- (b) the total number of journeys made by persons eligible to receive concessions on such services; or
- (c) the number of additional journeys generated in consequence of the availability on such services of such concessions;

then such dispute shall be the subject of the dispute resolution procedure set out in Schedule 7.

Survey Facilities

28. The provisions of schedule 5 shall apply in respect of surveys.

Entitlement Rules for 1985 Act Concessionary Travel

29. For information purposes only the current rules for entitlement of a person to be issued with a travel concessions permit are attached hereto at the Appendix.

Additional Costs

30. An operator shall be entitled to additional reimbursement payments in accordance with regulation 5 of TCSR where the operator demonstrates (in accordance with paragraph 31 below) to the Executive:-
- (a) that the operator has necessarily incurred marginal and/or capacity costs additional to basic operating costs and attributable to its participation in the concessionary fares scheme.
 - (b) that necessarily incurred capacity costs are attributable to an increase in the number or the capacity of the vehicles used in providing services on which concessions are available in order to meet the extra demand created by the availability of those concessions; and
 - (c) that those costs are such that they will not be met by reimbursement payments made in accordance with the standard method during the year in which the costs are incurred or during the 3 months immediately following the end of that year.
31. Any operator claiming additional reimbursement payments pursuant to paragraph 30 above (increase in the capacity or number of vehicles) shall, in making such a claim, provide the Executive with sufficient information supporting their claim for additional costs to satisfy the criteria set out in paragraph 30(a) and 30(b), including, but not limited to:
- (a) details of the additional number or capacity of vehicles used in providing Scheme Services as a result of concessions being available;

- (b) information demonstrating that the additional capacity was required on those services, and is not spare capacity, and showing the extent to which the reason for requiring such additional capacity was due to the availability of concessionary travel;
 - (c) details of the cost of additional vehicles deployed (or provision of additional capacity) and details of how these have been utilised less any benefit realised by the operator from disposal (or other use) of vehicles previously used to provide such services and any other benefits e.g. generated commercial patronage; and
 - (d) any other information that the operator believes is relevant to its claim for additional reimbursement payments arising from providing additional vehicles or capacity to meet demand created by the availability of the concessions;
32. The Executive shall use all data provided by the operator in conjunction with any further information that the Executive may itself have (including, but not limited to survey data) to assess the additional costs incurred by the operator and assess the additional reimbursement payments to be made.
33. Payment of additional reimbursement payments shall be paid within 3 months of the date of calculation by the Executive/ITA of the costs additional to the basic operating cost carried out in accordance with regulation 5 of TCSR.

Other Requirements of the Scheme

34. All operators participating in the Arrangements shall display on his vehicle any sign, supplied by the Executive, for the purpose of showing that concessions are available on those vehicles.
35. Operators shall not discriminate against eligible persons or any class of eligible persons in the provision of Scheme Services or associated services and facilities.

Contact for Communications

36. All notices, data and other information required to be given to the Executive under the Arrangements shall be provided to the following contact point (or such other contact point as may be nominated by the Executive to operators in writing from time to time):

Matthew Lewis
Concessions & Commercial Ticketing Manager
Centro
Centro House
16 Summer Lane
Birmingham
B19 3SD

telephone 0121 214 7025
fax 0121 214 7426
e-mail matthewlewis@centro.org.uk

37. On first giving notice to be admitted to the Scheme or, if earlier, becoming obliged to participate in the Scheme, the operator shall provide to the Executive details of the name, address, telephone number and fax number of its official contact for communications in relation to these arrangements, and shall by notice in writing inform the Executive of any changes to the same.
38. Any notice or communication sent to the last such address, e-mail address or fax number as is referred to above shall be deemed to be duly served on the recipient. If an operator has failed to give notice in writing to the Executive of such an official contact, then the Executive may send any notice or other communication to any address set out in the most recent correspondence from the operator concerned, which shall be deemed to be its address for service.

SCHEDULE 1

Eligible Person and Nature of Concession under 1985 Act (paragraph 8)

1. Bus

| Class of Eligible Persons | | Nature of Concession to be Provided On Scheme Services Provided by Bus |
|----------------------------------|---|--|
| (i) | <p><u>Children</u> Persons whose age is 5 years or greater but does not exceed 15 years.</p> | <p><u>Cash fare at time of travel:</u> Approximately half adult cash fare on Monday to Friday from start of daytime services to before 0930, and from 1530 to before 1800</p> <p><u>Scholar's ticket:</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, any time up to 2215</p> <p><u>Child rate season ticket:</u> Monday to Friday</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800</p> |
| (ii) | <p><u>Students aged 16-18</u> Permanent residents of the Principal Area who are in full-time education as defined by Section 14 of the Education Act 2002, not in receipt of direct income and aged under 18 on the 31 August immediately before the Academic Year concerned. The concession then applies to the end of that Academic Year.</p> | <p><u>16-18 photocard and cash fare at the time of travel</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, outside these times</p> <p><u>16-18 photocard and scholar's ticket</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and, if in connection with the school or college curriculum, any time up to 2215</p> |

| | | |
|------|---|--|
| | | <u>16-18 photocard and child rate season ticket</u> Monday to Friday term time only and journeys to and from the school or college only from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, outside these times |
| iii) | <u>Older Persons</u> Women and men who have attained the age of entitlement as defined in the Statutory Instrument 459 Travel Concession (Eligibility) (England) Order 2010. <u>Disabled Persons (as defined in section 146 Transport Act 2000)</u> | On production of a statutory travel concession permit carrying a logo identifying it as being issued by the West Midlands Passenger Transport Executive (Centro), or any other permit as agreed by the PTE, a person shall be carried without charge on services to which the Arrangements apply, provided that the actual time of boarding falls between the following hours: (a) Monday to Friday from 2300 to end of daytime service (except when the day is a Bank Holiday) |

2. Train

| Class of Eligible Persons | | Nature of Concession to be Provided On Scheme Services Provided by Train |
|----------------------------------|---|--|
| (i) | <u>Students aged 16-18</u> Permanent residents of the West Midlands County who are in full-time education as defined by Section 14 of the Education Act 2002, not in receipt of direct income and aged under 18 on the 31 August immediately before the Academic Year concerned. The concession then applies to the end of that Academic Year. | <u>16-18 photocard and cash fare at the time of travel</u> Monday to Friday term time only and journeys to and from the school or college only from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, outside these times <u>16-18 photocard and scholar's ticket</u> Monday to Friday term time only and journeys to and from the school or college only from start of daytime services to before |

| | | |
|------|---|---|
| | | <p>0930 and from 1530 to before 1800 and, if in connection with the school or college curriculum, any time up to 2215</p> <p><u>16-18 photocard and child rate season ticket</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, outside these times</p> |
| iii) | <p><u>Older Persons</u> Women and men who have attained the age of entitlement as defined in the Statutory Instrument 459 Travel Concession (Eligibility) (England) Order 2010.</p> <p><u>Disabled Persons (as defined in section 146 Transport Act 2000)</u></p> | <p>On production of a statutory travel concession permit carrying a logo identifying it as being issued by the West Midlands Passenger Transport Executive (Centro), or any other permit as agree by the PTE, a person shall be carried without charge on services to which the Arrangements apply, provided that the actual time of boarding falls between the following hours:</p> <p>(a) Monday to Friday (except when the day is a Bank Holiday) 09.30 to end of daytime service</p> <p>(b) Any time on Saturdays, Sundays and bank holidays.</p> |

3. Metro

| Class of Eligible Persons | | Nature of Concession to be Provided On Scheme Services Provided by Metro |
|----------------------------------|--|--|
| (i) | <p><u>Children</u> Persons whose age is 5 years or greater but does not exceed 15 years.</p> | <p><u>Cash fare at time of travel:</u> Approximately half adult cash fare on Monday to Friday from start of daytime services to before 0930, and from 1530 to before 1800</p> <p><u>Scholar's ticket:</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, any time up to 2215</p> |

| | | |
|------|---|--|
| | | <p><u>Child rate season ticket:</u> Monday to Friday</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800</p> |
| (ii) | <p><u>Students aged 16-18</u> Permanent residents of the West Midlands County who are in full-time education as defined by Section 14 of the Education Act 2002, not in receipt of direct income and aged under 18 on the 31 August immediately before the Academic Year concerned. The concession then applies to the end of that Academic Year.</p> | <p><u>16-18 photocard and cash fare at the time of travel</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, outside these times</p> <p><u>16-18 photocard and scholar's ticket</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and, if in connection with the school or college curriculum, any time up to 2215</p> <p><u>16-18 photocard and child rate season ticket</u> Monday to Friday term time only and journeys to and from the school or college only</p> <p>from start of daytime services to before 0930 and from 1530 to before 1800 and only if in connection with the school or college curriculum, outside these times</p> |
| iii) | <p><u>Older Persons</u> Women and men who have attained the age of entitlement as defined in the Statutory Instrument 459 Travel Concession (Eligibility) (England) Order 2010.</p> <p><u>Disabled Persons (as defined in section 146 Transport Act 2000)</u></p> | <p>On production of a statutory travel concession permit carrying a logo identifying it as being issued by the West Midlands Passenger Transport Executive (Centro), or any other permit as agreed by the PTE, a person shall be carried without charge on services to which the Arrangements apply, provided that the actual time of boarding falls between the following hours:</p> <p>(a) Monday to Friday (except when the day is a Bank Holiday) 09.30 to end of daytime service</p> <p>(b) Any time on Saturdays, Sundays and bank holidays.</p> |

Schedule 2

Standard Method of Determining Passenger Journeys (paragraph 14)

- 1 The Executive will determine its reimbursement payments to the operator on the basis of the estimates it makes of the total number of passenger journeys made by concessionary passholders using the concession on the operator's eligible services.
- 2 The estimates of passenger journeys are calculated using the survey methodology described in the document 'SCEPTRE Operators' Guide'. The Executive reserves the right to, following agreement with an operator, implement alternative arrangements for passenger journey calculations including the use of smartcard ETM data.
- 3 The survey methodology requires that the operator provides the Executive with full details of the eligible services on which concessionary passengers may use the designated concession, as specified in Paragraphs 16 to 20 of the Arrangements. The details of the information to be provided are set out in Schedule 6.
- 4 The operator is required to allow surveyors employed by the Executive or its agents access to all passengers using its eligible services, as specified in Schedule 5.

Output from the Standard Method

- 5 As specified above, the Executive will estimate for each of the payment periods and dates set out in Schedule [8] the total number of passenger journeys made by concessionary passholders using the designated concession on the operator's eligible services. This is the quantity of concessionary journeys represented in the formulae set out in Schedule 4 by J_{conc} .

Estimates to be made in the absence of information from the operator

- 6 In the event that the operator fails to provide sufficient information to enable the Executive to operate its survey procedures as specified in the SCEPTRE Operators' Guide, or, in the Executive's reasonable opinion, not sufficiently reliable, the Executive may at its discretion make such estimates as it thinks fit of the concessionary journeys carried by the operator, subject to correction as and when better information becomes available.

Children & Students aged 16-18 years

7. In the case of the concessions for children aged 5-15 and students aged 16-18, the level of travel is taken from the operator's period OP1 submission. In any case where an operator's submission is unavailable, or, in Centro's reasonable opinion, is not sufficiently reliable, survey or other appropriate estimates are used.

Schedule 3

Standard Method of Determining Fares Values (paragraph 14)

1 The Executive will determine its reimbursement payments to the operator so as to satisfy the objectives set out in the Travel Concession Scheme Regulations 1986 on the basis of the estimates it makes of the average commercial adult fare that would be paid, in the absence of a concessionary fares scheme, by eligible persons using the concession on the operator's eligible services. This quantity is represented in the formulae set out in Schedule 4 by F_{adult} , and will be calculated on an annual basis or where an operator can provide accurate fares analysis on a more regular basis but not more than once per payment period.

2 Notionally, the average commercial adult fare is related to the average cash single fare F_{cash} by the application of two discount factors:

- the Ticket Discount Factor (TDF) which reflects the likelihood that in the absence of the concession, a proportion of concessionary passengers' journeys would be made using discounted ticket products currently offered or accepted by operators such as daily tickets and weekly tickets, assuming the current mix and price of ticket products; and
- the Commercial Discount Factor (CDF) which reflects the extent to which in the absence of the concession, operators would modify the mixture and pricing of ticket products relative to the current offer.

3 The average commercial adult fare would therefore be calculated from

$$F_{\text{adult}} = F_{\text{cash}} * \text{TDF} * \text{CDF}$$

4 The Executive will establish the value of $F_{\text{cash}} * \text{TDF}$ by undertaking an assessment of operator supplied adult commercial fares and patronage data (where available and robust) to identify the proportion of adult non-concessionary passengers using each ticket type valid on that operator's services, and to identify the value associated with the use of such ticket types. This will allow the Executive to calculate the yield that an operator receives from each ticket type and therefore the operators average adult fare.

5 The Executive will establish the value of the CDF by forming a view with regard to the operators' likelihood of offering further discounts to the eligible concessionary passenger group (as defined in Schedule 1) in the absence of a concessionary fares scheme. However, unless significant evidence is available to suggest that the operator would offer a further discount in the absence of a concessionary fares scheme the Executive will set the CDF at a value of 1 (resulting in its non application). If the Executive deem that the application of a CDF is appropriate it will first discuss its view with an operator prior to its implementation.

6. The Executive reserves the right to audit the operator supplied adult commercial fares and patronage data. Failure to provide auditable supporting documentation, upon request to support supplied adult commercial fares and patronage data may result in the Executive formulating its own estimate of the operators average fare which may be different from that calculated using data supplied by the operator but unsupported by appropriate documentation.
7. Schedule 6 represents the minimum information that the operator is obliged to provide to the Executive on revenues and passenger journeys as specified in the Travel Concessions Scheme Regulations 1986. However, in order for the Executive to accurately calculate the average fare (F_{adult}) operators are encouraged to provide additional information beyond this legal minimum. If the operator is unwilling or unable to provide this additional information then the Executive will make an estimate of the average fare using the most appropriate information available.
8. Table 1 sets out the information that the Executive requires in order to formulate an accurate estimate of the TDF. Not all ticket types listed in the table below will be offered by all operators and in the case where an operator does not offer the ticket type the information should be left blank.

Table 1 Data Items for Each Generic Ticket Type

| Ticket Type | Sales Value | Passenger Usage |
|---|--|---|
| Adult single | The total revenue received for the sale of adult single tickets | The number of adult passengers recorded using the adult single ticket |
| Adult return | The total revenue received for the sale of adult return tickets | The number of adult passengers recorded using the adult return ticket |
| Adult Supplement given with use of other operator pass | The total revenue received from adult passengers presenting rival operators ticket and paying a discounted supplementary value | The number of adult passengers recorded that present rival operators tickets and pay a discounted supplementary value |
| Operators own adult 1 day ticket (all applicable varieties) | The total revenue received for the sale of the operators own 1 day ticket | The number of passengers recorded using the operators own 1 day ticket. |
| | | |

| | | |
|--|--|---|
| Operators own adult 1 week ticket (all applicable varieties) | The total revenue received for the sale of the operators own 1 week ticket | The number of passengers recorded using the operators own 1 week ticket |
| Operators own adult 4 week ticket (all applicable varieties) | The total revenue received for the sale of the operators own 4 week ticket | The number of passengers recorded using the operators own 4 week ticket. |
| Adult other | The total revenue from any other applicable adult product issued by the operator with validity of 4 weeks or less. | The number of passengers recorded using any other applicable product issued by the operator with validity of 4 weeks or less. |

- 9 The Executive will also include its multi-operator and multi-modal ticket types, namely nBus and nNetwork in its calculation of an operators' average fare. However, as the data relating to the patronage and values associated with the use of these products is already available to the Executive operators will not be asked to re-supply this information.
- 10 For avoidance of doubt the definition of an applicable ticket type is any adult ticket, of 4 weeks validity or less, that would be available to a commercial customer when boarding the operators' service within the Principal Area.
- 11 Operators who run cross boundary services should only include adult commercial patronage and revenues from passengers boarding with the Principal Area.

Children & students aged 16-18 years

12. The Executive will set the value of F_{child} at the value of the cash fare actually paid. Where Children and students are travelling using pre-paid season tickets, Centro discusses with each operator concerned the appropriate value to use in the reimbursement calculation.

METRO

13. The standard method of determining fares values for Metro is described in a separate document.

TRAIN

14. The standard method of determining fares values for Train is described in a separate document.

Schedule 4

Standard Method of Determining Reimbursement (paragraph 14)

Calculation of Reimbursement Payments

- 1 The Executive will calculate reimbursement payments in accordance with the principles set out in the Travel Concession Scheme Regulations 1986 ("TCSR") and any subsequent applicable regulations. This Schedule describes the detailed implementation of those principles.
- 2 Calculation of the reimbursement due will be made in accordance with the payment periods and dates set out in Schedule 8.
- 3 For each payment period and for each operator, the calculation of reimbursement for Revenue Forgone will be as set out below.
- 4 Reimbursement for revenue forgone is taken to mean the Executive's estimate of the revenue by way of fares that the operator would have earned if the concession did not exist.
- 5 The revenue forgone will be calculated using a formula in which the variables are defined as follows:
 - (a) the total number of passenger journeys made by concessionary passholders using the concession on the operator's eligible services, as estimated by the Executive using the procedures described in Schedule 2. The quantity of concessionary journeys is represented in the formulae below by J_{conc} ;
 - (b) the average commercial adult fare that concessionary passholders would pay on the operator's eligible services in the absence of the concessionary scheme, as estimated by the Executive using the procedures described in Schedule 3. The average adult fare is represented in the formulae below by F_{adult} ;
- 6 It is helpful also to define:
 - (c) the estimated number of concessionary journeys that would be made by passholders on the operator's eligible services if the average commercial adult fare had to be paid rather than the concessionary fare. This quantity is estimated by the Executive using the Reimbursement Factor as calculated in the formula below, and is represented by J_{adult} .
 - (d) the Reimbursement Factor, which is the ratio of the estimated concessionary journeys that would be made if commercial adult fares had to be paid, to the actual number of passenger journeys made

using the concession. The Reimbursement Factor is represented by RF, and equals J_{adult}/J_{conc} .

- 7 For a given payment period, the reimbursement due to the operator for revenue forgone will be calculated using the formula:

$$\text{Revenue Forgone} = J_{conc} * RF * F_{adult}$$

- 8 The Reimbursement Factor will be calculated on the assumption that the relationship between journeys and fares can be defined by the following demand model:

$$\text{Journeys} = k * \text{Exp}^{(b * F)}$$

in which k is an arbitrary scale factor and b is a constant that defines a proportional relationship between the value of the point elasticity at a given fare and that fare. The product (b * F) is the point elasticity at the fare of F. This form of model is recommended by the Department for Transport in its guidance on concessionary travel reimbursement. "Exp" represents the exponential constant e. For ease of notation, in this Schedule the expression "Exp(x)" should be taken to mean the exponential constant e, which for this purpose is regarded as having the value 2.7183, raised to the power of x.

- 9 Given a strictly proportional relationship between the point elasticity and the fare, the Reimbursement Factor, which represents the relationship between journeys at the commercial adult fare F_{adult} , and the journeys made at a given concessionary fare F_{conc} can be calculated. When the concessionary fare is zero, as in the statutory off-peak concession for older and disabled passengers, this expression simplifies to:

$$\text{Reimbursement Factor} = RF = \text{Exp}(E_f)$$

where E_f is the point elasticity at the commercial adult fare.

- 10 E_f will be calculated for each operator on an annual basis or where an operator can provide accurate fares analysis on a more regular basis but not more than once per payment period. The value of E_f will depend on the average commercial adult fare for that operator and the nature of services operated. The E_f of Operators whose services predominantly run in metropolitan areas will be based on a short term elasticity value of -0.45 whereas the E_f of Operators whose services predominantly run in other urban or rural areas will be based on a short term elasticity value of -0.5. These elasticity values are taken from Table 2 of the DfT's Guidance on Reimbursing Bus Operators published on 4 January 2008. The values quoted refer to point elasticities at the average adult fare as at April 2006. In the West Midlands the Executive estimates that the adult average fare at April 2006 was £1.04.

- 11 Therefore the short term elasticity constant based on £1 as at April 2006 is;

$$-0.45 \times (1/1.04) = -0.4327 \text{ for Operators whose services predominantly run in metropolitan areas}$$

And

$-0.5 \times (1/1.04) = -0.4808$ for Operators whose services predominantly run in other urban.

- 12 The values quoted in this Table of the DfT Guidance are short run elasticity values. DfT's guidance states that once changes to concessionary trips arising from changes to the concessionary fare have matured, short run elasticities should be uplifted by 50% to reflect long run elasticities. Since there has been a substantially free scheme in the West Midlands since before deregulation in 1986, it is appropriate to use long-run elasticities, however, the Executive only intends to uplift the short term elasticity constants detailed in paragraph 11 by 35%. This results in the following long term elasticity constants;

$-0.4327 \times 1.35 = -0.5841$ for Operators whose services predominantly run in metropolitan areas

And

$-0.4808 \times 1.35 = -0.6491$ for Operators whose services predominantly run in other urban.

- 13 These values are based on a fare of £1.00, which is taken to be at April 2006 prices. These values are known as the Base Elasticities, notated as B_0 for the metropolitan calculation and B_1 for the other urban / rural calculation. Hence $B_0 = -0.5841$ and $B_1 = -0.6491$.

EXAMPLE 1

If at April 2006 Operator x, whose services were predominantly metropolitan, had an average fare of £0.95, the appropriate full fare elasticity at April 2006 would be;

$$-0.5841 \times 0.95 = -0.5549$$

EXAMPLE 2

If at April 2006 Operator y, whose services were predominantly other urban, had an average fare of £1.12 the appropriate full fare elasticity at April 2006 would be;

$$-0.6491 \times 1.12 = -0.7270$$

- 14 DfT guidance is that changes to the full fare in real terms lead to a less than proportionate change in the point elasticity at the full fare level. Its default assumption is that a 20% factor should be used, so that a 1% real fares rise would lead to an increase in fare elasticity by 0.2%, rather than by 1% as would be consistent with the negative exponential demand curve. The Executive has strong reservations about this aspect of the Guidance, but has decided to apply this concept in its reimbursement calculations until there is a clearer basis for adopting an alternative.

- 15 To implement this concept, it is necessary to identify a base "full fare" for an operator that can be applied to calculate a base full fare elasticity. This will be taken as the average commercial adult fare for the operator as at April 2006. Where an operator was not in existence or is unable to provide this fare the

Executive will estimate an appropriate fare based on the average of other similar operators. Changes in the average commercial adult fare from this date will be used to calculate the full fare elasticity for the operator on the basis that the “full fare elasticity” used in the Reimbursement Factor calculation for the operator will increase at 20% of the rate of increase in the full fare in real terms.

16 For convenience, it is proposed that a standard inflation adjustment R_i is calculated and used throughout each financial year, using the value of the All Items Retail Price Index at January before the beginning of the financial year against that at April 2006. The value of this Index in April 2006 was 196.5. Consequently, for reimbursement calculations in 2010-11, the value of $R_i = 196.5 / RPI_i$, where RPI_i equals the value of RPI at January 2010.

17 These assumptions lead to the following formula for calculating the full fare elasticity E_f that will be used to calculate the Reimbursement Factor:

$E_f = B_0 * F_0 * (1 + 0.2 * ((F_i / F_0) * R_i - 1))$ for operators whose services predominantly run in metropolitan areas.

And

$E_f = B_1 * F_0 * (1 + 0.2 * ((F_i / F_0) * R_i - 1))$ for operators whose services predominantly run in other urban.

Note that $(B_0 * F_0)$ is the point elasticity at F_0 ; the subsequent part of the formula simply increases this at 20% of the rate of increase in the full fare, in real terms.

18 As the Executive has chosen to use the default elasticities as detailed in Table 2 of the DfT guidance, it also intends to limit its' maximum and minimum elasticities to the stated short term ranges, uplifted by the 35% long term effect. Therefore, for operators whose services are predominantly metropolitan their full fare elasticity will not exceed -0.8875 or drop below -0.4725. For Operators whose services are predominantly other urban or rural these maximum and minimum values will be -1.0125 and -0.405 respectively.

19 For clarity the Executive will deem any operator who operates more than 50% of its registered mileage outside of the Principal Area as 'predominantly other urban' in its classification of an appropriate elasticity. However, the Executive will consider on a case by case basis the submission of any operator who declares dissatisfaction will its elasticity classification.

20 The calculation of Reimbursement for Revenue Forgone will make use of values of B_0 (or B_1) and RF rounded to no more than 4 decimal places of precision.

21 Table 1 provides a practical illustration of the calculations for revenue forgone as applied to example data for journeys and fares. It has no legal significance and is provided only to assist understanding of the Executive's calculation process.

Table 1 Illustration of Calculations of Reimbursement for Revenue Forgone

Assume that the Executive's estimate of the free concessionary journeys made on the eligible services of Operator X, whose services are predominantly metropolitan, in period n is 120,000. Assume that the Executive's estimate of the average commercial adult fare at period n is £1.10 and RPI is at 211.5. Also assume that at April 2006 the Operator's average fare was £1.00 with RPI at 196.5. The increase in fares in current prices is therefore 10%, but a 2% increase in real terms. $R_i = 196.5/211.5 = 0.929$.

The elasticity to use in the elasticity calculation is therefore

$$\begin{aligned} E &= -0.5549 * 1.00 * (1 + 0.2 * ((1.10/1.00) * 0.929) - 1) \\ &= -0.5549 * (1 + 0.2 * (1.0219 - 1)) \\ &= -0.5549 * (1 + 0.00438) \\ &= -0.5573 \end{aligned}$$

The Reimbursement Factor is calculated as:

$$RF = \text{Exp}(-0.5573) = 0.5728$$

Consequently the revenue that the operator would have received by way of fares in the absence of the concession would have been:

$$\text{Hypothesised Commercial Revenue} = 120,000 * 0.5728 * £1.10 = £75,609.60$$

Since the concession is free and no direct revenue is paid to the operator by concessionary passengers, this is the value of revenue forgone.

Children's and Students Concessions

Calculation of Reimbursement Payments

22. The Executive will calculate reimbursement payments in accordance with the principles set out in the Travel Concession Scheme Regulations 1986 ("TCSR") and any subsequent applicable regulations. This Schedule describes the detailed implementation of those principles.
23. Calculation of the reimbursement due will be made in accordance with the payment periods and dates set out in Schedule 8.
24. For each payment period and for each operator, the calculation of reimbursement for Revenue Forgone will be as set out in Section 2 of this Schedule.

Reimbursement factor (RF)

25. For children's and students aged 16-18 years concessions, a reimbursement factor of 0.87 shall apply. A reimbursement factor of 1 shall apply to all journeys undertaken by holders of nNetwork Scholars products.

Reimbursement calculation

26. The reimbursement calculation for children and scholars journey will be undertaken according to the following methodology

$$\text{Reimbursement} = (\text{volume} * (F_{\text{child}} * \text{RF}) * 2) - (\text{volume} * F_{\text{child}})$$

METRO

27. The Standard Method of Determining Reimbursement on Metro is described in a separate document.

TRAIN

28. The standard method of determining reimbursement on Train is described in a separate document.

Schedule 5

Survey Facilities (paragraph 23)

1. An operator shall allow the PTE's/ITA's officers servants or agents to have access to (including the right to travel free of charge) the vehicles of the operator on which concessions are available for the purpose of:-
 - (a) surveying or counting or estimating the number of passengers (whether generally or of any particular description) and the fares paid by those passengers; and
 - (b) obtaining information on other matters relating to the journeys made by passengers who are eligible to receive concessions and necessary to the calculation by the Executive of reimbursement payments.
2. The survey data will be utilised by the Executive in calculating the reimbursement payable to the operator and validating the data supplied by the operator for the purpose of enabling the Executive to calculate the reimbursement due to the operator.
3. Without prejudice to the generality of 1 above, the information to be obtained from passengers may include the following:-
 - (a) whether or not the passenger is a concessionary passenger;
 - (b) if the passenger is a concessionary passenger, what category of concessionary passenger he or she is;
 - (c) if the passenger is not a concessionary passenger, whether the passenger is an adult, a child or an elderly person;
 - (d) if the passenger has paid on-bus or is using a pre-paid ticket;
 - (e) if the passenger has paid on-bus, the fare paid and the type of ticket bought;
 - (f) if the passenger is using a pre-paid ticket, the type of ticket;
 - (g) the stage or stop at which the passenger boarded the bus and the stage or stop at which the passenger is to alight from the bus;
 - (h) permit or ticket fraud or mis-use on the relevant services; and
 - (i) such other information as the Executive may from time to time reasonably consider it necessary or desirable to obtain in order to enable the Executive to reimburse each operator in accordance with this Arrangements.
4. Each operator is requested to ensure that each driver of its vehicles will make available to any survey staff who request the same, the total value of cash fares shown, on the relevant vehicle's electronic ticketing machine, to have been collected on any journey surveyed by such surveyor.
5. Further information about the Executive's survey processes is provided in the SCEPTRE Operators' Guide.

Schedule 6

Data Provision (paragraph 18)

- 1) Every operator claiming reimbursement under the Arrangements is required to submit to the Executive a data statement within 28 days of the end of each payment period or on timetable to be agreed with the Executive. The data statement is to contain the following:-
 - i. the total number of passenger journeys made on the operators services on which concessions are at any time available during the preceding payment period.
 - ii. within 28 days of the end of each payment period the total amount of fares received by the operator for the passengers referred to in i above (whether received on or off bus).
 - iii. within 28 days of the end of each payment period the total number of passenger journeys made on the operators services by eligible persons in each of the concessions categories set out in Schedule 1.
- 2) The Executive may require that each such statement must be certified, in accordance with Regulation 16 of the Travel Concession Scheme Regulations 1986 by a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland or the Chartered Association of Certified Accountants and be provided in the form from time to time specified by the Executive.
- 3) The Executive reserves the right to audit any item of information provided by bus operators that is used in or is relevant to the calculation of Concessionary Reimbursements. This information includes all data on the form OP1, related prime documents and documentation demonstrating that the information supplied only includes those services on which concessions are available.
- 4) Operators are required to retain this information in an appropriate and accessible form for at least 18 months after the end of the year to which it relates. In addition, the Executive reserves the right to require individual operators, where notified before the end of this time, to retain the information for a longer period, for example, in the case of a current or pending investigation.
- 5) The Executive currently collects the information required utilising form OP1 as set out below. The Executive may reissue form OP1 from time to time as necessary.

Period _____

4 weeks ending Saturday



Smartcard & Ticketing
 Centro, Centro House
 16 Summer Lane
 Birmingham, B19 3SD
 Telephone: 0121 214 7045
 Email:
concessionaryfares@centro.org.uk

OPERATOR RETURN ON TRAVEL CONCESSIONS AND TRAVELCARDS

Data on this form to include all West Midlands County registered local bus services on which Centro travel concessions are available, whether tendered or commercial. Exclude minimum cost contracts. This form should be read in conjunction with the explanatory notes

| Note | | Cross Boundary Services | Services Wholly Within West Midlands County |
|-------|--|-------------------------|---|
| a | Total of cash collected on bus. | £ _____ | £ _____ |
| | Total number of journeys made by :- | | |
| b | All Passengers | _____ | _____ |
| c | Fare Paying Passengers | _____ | _____ |
| d | Holders of Senior Citizens / B & D' concessionary passes (Boarding WITHIN Centro Area) <i>(Free Travel)</i> | _____ | _____ |
| E | Children at Half Fare - Peak only | _____ | _____ |
| F | Holders of Child nNetwork - <u>Peak only</u> | _____ | _____ |
| G | Holders of Child nBus - <u>Peak only</u> | _____ | _____ |
| H | Holders of Operators Own Child passes - <u>Peak only</u> | _____ | _____ |
| I | Holders of nNetwork Scholars passes | _____ | _____ |
| J | Holders of Operators Own Scholars passes - <u>Peak only</u> | _____ | _____ |
| ----- | | | |
| L | Holders of All nNetwork / Centrocards - <u>Peak & Off Peak</u> (i) <u>ADULT</u> | _____ | (ii) <u>CHILD</u> _____ |
| M | Holders of All nBus / Busmasters - <u>Peak & Off Peak</u> | _____ | _____ |

I certify that this information is complete and accurate to the best of my knowledge & belief.

Submitted by _____ Date _____

Name in Capitals _____ Company _____

Position _____

Schedule 7

Dispute Resolution Procedure (paragraph 27)

1. In the event of any dispute arising in connection with any matter arising from paragraph 27 which cannot be resolved by agreement between the parties representatives within 20 working days of the dispute arising, senior representatives of the parties shall, within 20 working days of a written request from either party to the other, meet in good faith to attempt to resolve the dispute.
2. If the dispute is not resolved as a result of such meeting, either the Executive or the Operator may (at such meeting or within 20 working days of its conclusion) propose to the other in writing that the dispute be referred to an independent expert ("Independent Expert")
3. If the parties are unable to agree on a Independent Expert or if the Independent Expert agreed upon is unable or unwilling to act then any party may within 20 working days from the date of the proposal to appoint a Independent Expert or within a further 20 working days of notice to either party that he or she is unable or unwilling to act, apply to the President of the Law Society to appoint an Independent Expert.
4. If any matter is referred to the Independent Expert for determination in accordance with paragraph 3 above, then:
 - (a) the Independent Expert shall determine the matter, subject to the remaining provisions of this paragraph 4, on a basis that is fair and reasonable in all respects as between the Operator and the Executive and that takes into account all relevant factors and circumstances;
 - (b) the Independent Expert shall act as an expert and not as an arbitrator and his determination of the dispute shall be final and binding on the parties (save in the case of manifest error);
 - (c) the Executive and the Operator shall ensure that the Independent Expert has full access to all books, information and records in their possession or in the possession of their auditors and accountants that are relevant to the dispute and to his determination thereon; and
 - (d) the Independent Expert's fees shall be borne equally by the parties unless he shall decide that one party has acted unreasonably (in which case his fees shall be borne as he shall direct).
5. No part of this procedure affects (a) any statutory right of an operator to make an application to the Secretary of State under The Transport Act 2000 as amended by The Concessionary Bus Travel Act 2007; or (b) the right of any person to apply for judicial review.

Schedule 8

Payment Periods (paragraph 12)

| Period number | Start date | End date | Date for submission of operator data (OP1) | Payment date for 85% of interim amount estimated for period | Payment date for balance of interim amount estimated for period | Target settlement date for end-year reconciliation |
|---------------|------------|----------|--|---|---|--|
| 1 | 28/03/10 | 24/04/10 | 21/05/10 | 10/04/10 | 06/06/10 | 04/06/10 |
| 2 | 25/04/10 | 22/05/10 | 18/06/10 | 08/05/10 | 04/07/10 | 05/07/10 |
| 3 | 23/05/10 | 19/06/10 | 16/07/10 | 05/06/10 | 01/08/10 | 30/07/10 |
| 4 | 20/06/10 | 17/07/10 | 13/08/10 | 03/07/10 | 29/08/10 | 27/08/10 |
| 5 | 18/07/10 | 14/08/10 | 10/09/10 | 31/07/10 | 26/09/10 | 27/09/10 |
| 6 | 15/08/10 | 11/09/10 | 08/10/10 | 28/08/10 | 24/10/10 | 22/10/10 |
| 7 | 12/09/10 | 09/10/10 | 05/11/10 | 25/09/10 | 21/11/10 | 22/11/10 |
| 8 | 10/10/10 | 06/11/10 | 03/12/10 | 23/10/10 | 19/12/10 | 17/12/10 |
| 9 | 07/11/10 | 04/12/10 | 31/12/10 | 20/11/10 | 16/01/11 | 17/01/11 |
| 10 | 05/12/10 | 01/01/11 | 28/01/11 | 18/12/10 | 13/02/11 | 11/02/11 |
| 11 | 02/01/11 | 29/01/11 | 25/02/11 | 15/01/11 | 13/03/11 | 14/03/11 |
| 12 | 30/01/11 | 26/02/11 | 25/03/11 | 12/02/11 | 10/04/11 | 15/04/11 |
| 13 | 27/02/11 | 02/04/11 | 29/04/11 | 12/03/11 | 08/05/11 | 16/05/11 |

Proposed dates for the period from 03 April 2011 will be advised in due course.