

## **Evidence Paper in advance of the Public Accounts Committee Scrutiny Session – 20.05.2019**

### **Auditor General for Wales Report on ‘The Welsh Government’s youth discounted bus fare scheme – ‘MyTravelPass’**

The purpose of this paper is to provide Written Evidence to the Public Accounts Committee on the Auditor General for Wales’s fact-only Report on ‘The Welsh Government’s youth discounted bus fare scheme – ‘MyTravelPass’.

**Section 1:** Key findings

**Section 2:** Development and introduction of MyTravelPass

**Section 3:** Operation of MyTravelPass between September 2015 and March 2017

**Section 4:** Operation of MyTravelPass since April 2017

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#### **Section 1: Key findings**

In the absence of legislation enabling the Welsh Government to require bus operators’ participation, the MyTravelPass scheme was introduced as and remains a voluntary arrangement between the Welsh Government and over 80 independent bus operators.

The Wales Audit Office (WAO) fact-only Report recognises that the amount of funding for the scheme in 2015-16 (£5m September 2015 to March 2016) and 2016-17 (£9.75m for the full financial year) was announced as part of a political agreement between Welsh Labour and the Welsh Liberal Democrats for the 2015-16 budget.

The announcement of the quantum of funding preceded Welsh Government negotiations with bus operators about the compensation to which they would be entitled for carrying 16 to 18 year olds at a discount. Those negotiations between the Welsh Government and the bus industry, represented by the Confederation of Passenger Transport (CPT), were undertaken against the background of an insistence by the CPT that the full amounts of funding already announced would be paid to them to secure the bus operators’ participation.

Officials were nevertheless able to negotiate a scheme which both fulfilled and expanded on the original announcement without requiring funding additional to that already announced. Those enhancements secured one-third fare discounts not only for 16 and 17 year olds for bus journeys to and from training and employment, but for all 16, 17 and 18 year olds and for any journeys.

These negotiations also ensured that the already-announced funding would also be used to meet the associated administrative costs of Traveline Cymru (MyTravelPass), and for marketing & promotion.

The AGW Report correctly identifies that take-up of the MyTravelPass was lower than had initially been estimated. At that time, there was no equivalent scheme and by introducing a new and innovative offer to encourage more bus travel by younger people, the Welsh Government's estimates were inevitably broad.

As the scheme was voluntary and without a commitment to fund beyond 31 March 2017, operators were reluctant to withdraw their own commercial discounted fare schemes for younger people, fearing that they would lose touch with a key cohort of existing and potential future customers.

The retention of these operators' own schemes meant that younger people were able to obtain discounted fares for journeys on those operators' services, and had no immediate incentive to obtain a MyTravelPass instead – unless they habitually travelled on the buses of more than one operator. The Report acknowledges that when an operator ceased to offer its own products to this age group, there was a significant increase in the number of MyTravelPasses issued.

In addition to the AGW discussions with the Welsh Government's Internal Audit Service (IAS), the Welsh Government asked IAS to review the MyTravelPass arrangements for 2017-18, after the scheme had ceased to be a pilot. The IAS report was completed in November 2018 for the use solely by the Welsh Government. The report was clear that lessons could be learned, and the Welsh Government quickly implemented a number of actions – including reimbursing bus operators on the basis of the actual number of journeys undertaken. The Welsh Government continues to comply with and monitor the implementation of the IAS report, and officials are working closely with the WAO and IAS to identify and implement further opportunities to improve the scheme's management.

The CPT has welcomed the introduction of the 16 to 18 pilot, and its more recent extension to include 19 to 21 year olds. The CPT acknowledges that “discounted bus travel for more young people is a great incentive for customers to choose the bus over the car with all the environmental and active travel benefits adding further value to this excellent scheme for young people in Wales”.

## **Section 2: Development and introduction of MyTravelPass**

The AGW Report notes that the Welsh Liberal Democrats had published in March 2014 a report “A concessionary fare Scheme for Young People in Wales”. This report recommended a national concessionary fare scheme based on a blanket reduced fare rate for 16-18 years olds and students to help reduce the cost of public transport and improve access to education, employment and training opportunities. The report estimated that such an initiative would cost between £2.4m to £40.6m depending on the level of concession offered and the age groups included.

The then Minister for Finance and Government Business announced in September 2014 a commitment to introduce by September 2015 a discounted bus fare scheme

for 16 and 17 year olds for travel to and from work or training. The amount of funding announced was £5m in 2015-16 (September 2015 to March 2016) and £9.75m in 2016-17 (for the full financial year).

Prior to that announcement the Bus Policy Advisory Group, in June 2014, had provided the then Minister for Economy, Science and Transport with recommendations about sustainable transport services in Wales, including that a youth concessionary fares policy be developed through further research and consultation.

In September 2015, the commitments made by Welsh Ministers in September 2014, were fulfilled in their entirety, which included the successful negotiation of enhancements that included extending the offer to all 16, 17 and 18 year olds, and for all of their journeys by bus, irrespective of purpose and for administration & marketing of the scheme.

These negotiations also enabled the Welsh Government to use the announced funds for 2015-16 and 2016-17 for the administration and marketing of the scheme. In those negotiations the CPT confirmed they expected the full amount announced for the pilot to be given to the bus industry for their volunteer participation in the pilot.

To ensure that a compliant scheme was in place by 1 September 2015, officials explored with local authority officers and the Confederation of Passenger Transport a range of ways to achieve and extend Ministers' original objectives. Extending the announcement to include all journeys by 16 to 18 year olds overcame the potential difficulties for bus drivers in verifying that pass holders were in fact travelling for the purposes of training or work. To attempt to do so could have led to disputes and delays, partly compromising the benefits of the offer and other passengers' experiences.

These negotiations with the bus industry were carried out at two levels – strategically with managing directors of Welsh bus companies (who were also CPT representatives) by members of the Welsh Government senior civil service, and a technical group consisting of Welsh bus companies operational staff, representatives of the Welsh Association of Transport Coordinating Officers (representative body of lead transport official from each the Welsh local authority) and the Welsh Government team members tasked with implementing the initiative.

In the absence of any existing schemes, officials were inevitably required to make certain assumptions about the potential take up and use of MyTravel Pass based on the mandatory free concessionary bus travel scheme. While recognising that the youth scheme was not free and provided one third fare discounts, rather than free journeys, we remain satisfied that the estimates were reasonable at that time and in the absence of an equivalent comparator scheme elsewhere in the UK. Experience has shown that younger people are less interested in discounted bus travel than was originally thought, and that relatively few of them travel on more than one bus operator's services.

As has been previously reported, the CPT in negotiations was determined to ensure that all of the funds that had been announced by Ministers would be used to support the bus network under what was, and remains, a voluntary arrangement.

### **Section 3: Operation of MyTravelPass between September 2015 and March 2017**

The bus operators' firm conviction that the bus network must benefit from the full allocation of the funding announced did not waver during the pilot phase of the initiative.

In the absence of suitable ticketing machines during the pilot, it was not possible to record all journeys electronically and so link each journey to an appropriate payment. In the circumstances, negotiations with the CPT concluded that the funding should be allocated to each operator in accordance with two factors:

- first, the number of free concessionary bus journeys; and
- second, the registered mileage operated by each bus company.

In this way, operators were allocated shares of the total funding available for compensation according to how big a part each played in Wales's bus network.

For the reasons already described, operators also continued their own commercial discounted fare scheme for young people, reducing the number of MyTravelPasses issued and journeys undertaken under the scheme. Additionally, the bus operators declined to share details of the take up and use of their own schemes, citing the commercial sensitivities of such data.

The Welsh Government has acknowledged that the detailed mechanism for compensating bus operators during the pilot phase developed and agreed with the CPT during negotiations should formally have been reported to Ministers. There was nothing in the Ministers' original announcement which specified how Welsh Government funding would be allocated, so the use of mileage and concessionary journeys did not contradict anything that Ministers had said. While there was nothing inconsistent in this arrangement, it would have been better practice to have notified the Minister of the actual mechanism utilised for distributing the funding.

As the pilot phase came to a close, Ministers made it clear that they wished it to continue to offer one-third discounts for 16 to 18 year olds for all of their journeys until a new and better scheme could be devised. There then followed a detailed consultation during 2017-18 seeking views about what a new scheme might include.

Although the quantum of funding allocated in 2015-16 and in 2016-17 was significantly higher than in 2017-18, the bus industry has reported that the overall level of funding allocated under MyTravelPass pilot "helped operators to stabilise the bus network, making it more attractive to new and existing passengers". The CPT has added that "there was no question of bus operators making excess profits, still less of taking them from Wales and using them to compete unfairly elsewhere in Europe". During 2016 three bus companies went into administration: one factor that supported the Cabinet Secretary for Economy and Transport's five point plan to support the bus industry in Wales.

The CPT has reported "If the pilot had shown that level of reimbursement to operators was insufficient, we would not have been entitled to ask for more in retrospect. It is

inevitable that major initiatives like MyTravelPass will involve an element of risk on both sides, given the various uncertainties involved, and the impossibility of defining the “counterfactual” with complete precision”.

#### **Section 4: Operation of MyTravelPass since April 2017**

The change in the level of compensation, marketing and administration to £1m from 1 April 2017 after the pilot phase and its associated Ministerial undertakings about the levels of funding reflects the use of data that was collected during the pilot phase, which confirmed a lower than expected take-up of MyTravelPass and fewer than expected journeys.

It also reflects improvements in the provision and capability of the electronic ticket machines operating in the Welsh bus fleet. These improvements allowed the Welsh Government and bus operators to agree that funding claims for compensation would be based upon the actual number of recorded journeys.

For marketing the scheme during 2017-18, the then Cabinet Secretary decided in response to criticism by the CPT of efforts to date that it, the CPT (representing organisations who are marketing bus services to attract passengers) should be invited to assume responsibility for marketing the scheme for the period 1 April 2017 to 31 March 2018 utilising funding from Welsh Government.

Officials convened discussions between the CPT and Traveline Cymru about the content of a new marketing campaign, and the CPT agreed with officials to a target of doubling the number of passholders and doubling the number of journeys year-on-year, and how funding would be claimed. The contractual arrangement for marketing and promotion plan and content was between the CPT and Traveline Cymru only.

During 2018-19 while the consultation responses were being considered, only a low level marketing of the scheme was undertaken. Following the Cabinet Secretary’s decision to enhance the age range to include those aged 19, 20 and 21 years, and for marketing to be taken in-house, an extensive social media and promotional campaign was developed to coincide with the launch of the extended scheme.

The Committee may wish to note, that since the extension to the scheme went live, on 14 February 2019 for 19 – 21 year olds, 1,554 applications had been received as of 22 April 2019.

The Welsh Government continues to work closely with the CPT and our partners in local authorities to encourage more young people to use the bus for more of their journeys. The negotiations to implement the pilot, and the lessons learned from it, have been part of the process of establishing a fair long-term basis for the scheme. The Welsh Government has achieved a popular and growing scheme which demonstrates the benefits of working with our partners and that complies with the findings of the WAO and IAS reports.