



## The effect of bus fare increases on low income families

Bus fare increases have a disproportionate effect on low income families who:

- are most likely to rely on buses to get around
- need to spend a higher proportion of their income on bus travel
- struggle to access the best fare deals
- have the added costs of paying for children's travel
- can find transport costs a barrier to employment

This paper suggests that the following could all help to reduce the effect of bus fare rises on low income families:

- Maintenance of support for bus services
- Introduction of Oyster style ticketing outside of London
- Development of a simple, consistent offer on child fares
- Support for jobseekers through 'WorkWise' schemes
- Use of the powers contained in the Local Transport Act

## Who are low income families?

For the purposes of this paper, a 'family' is defined as a household consisting of one or more adults and one or more children.

The most commonly used threshold of low income is a household income that is 60% or less of the average (median) British household income<sup>1</sup>. The Department for Work and Pensions (DWP) Households Below Average Income (HBAI) publication<sup>2</sup> calculates what this equates to for different family types. At 2007/08 prices:

- a couple with two children aged 5 and 14 would be considered to be on a low income if their household income was **£361 per week or below**<sup>3</sup>.
- a single person with two children aged 5 and 14 would be on a low income if their household income was **£283 per week or below**<sup>4</sup>.

To put these figures in perspective, a couple where one partner works full-time for minimum wage and claims tax credits would fall into the low income category, as would a single parent working part-time for the minimum wage plus tax credits<sup>5</sup>.

## What has been the extent of bus fare increases?

Bus fares in real terms have risen significantly across the country over the past two decades. The problem has been particularly acute in the deregulated bus market outside of London where, since the mid-1980s, bus operators have been able to charge whatever fares they choose. In London, where Transport for London has the power to specify bus fares, increases have been less severe.

As the chart below shows, in London and in England as a whole, bus fares have increased by around half in real terms since deregulation in

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<sup>1</sup> The Poverty Site: <http://www.poverty.org.uk/01/index.shtml>

<sup>2</sup> DWP (2009) *Households Below Average Income 1994/95-2007/08*.

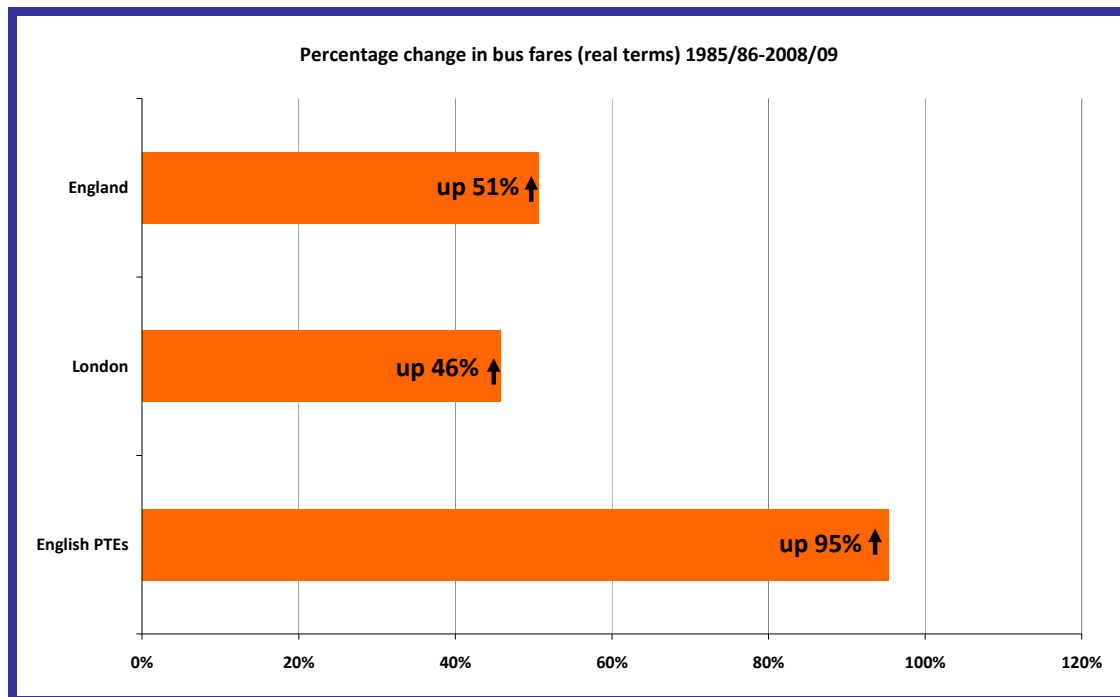
<sup>3</sup> After tax, National Insurance contributions, pension contributions, maintenance/child support payments, student loan repayments and parental contributions to students living away from home.

<sup>4</sup> After tax, National Insurance contributions, pension contributions, maintenance/child support payments, student loan repayments and parental contributions to students living away from home.

<sup>5</sup> For the purposes of comparison, 2007/08 figures have been used. Figures are based on the 2007/08 minimum wage of £5.52 per hour before deductions. Full-time working hours are assumed to be 37 hours per week, part-time 18.5 hours per week. Tax credits are based on HMRC estimates for 2007/08 available from <http://www.hmrc.gov.uk/pdfs/wtc1.htm#3b>.

1986. Meanwhile, in PTE areas, bus fares have risen close to 100 per cent in real terms over the same period.

**Figure 1 Bus fare increases (real terms) 1985/86-2008/09<sup>6</sup>**



PTEs cover some of the most deprived urban areas in the country (see box below), meaning that the bus is frequently the primary means of getting around – residents in these areas have little choice but to accept these inflation-busting fare increases.

<sup>6</sup> DfT *Public Transport Statistics Bulletin GB*

### Deprivation in the PTE areas

- Three quarters of the 20 most deprived Lower Layer Super Output Areas (LSOAs)<sup>7</sup> are in PTE areas<sup>8</sup>.
- Three of the five most deprived local authorities areas in the country are within PTEs<sup>9</sup>.
- Half of the 20 LSOAs where children are most affected by income deprivation are in PTE areas<sup>10</sup>.
- None of the PTE areas feature among the 20 local authority districts with the highest average score on child well-being<sup>11</sup>.
- Over a quarter of districts with the lowest average score on child well-being are in PTE areas<sup>12</sup>.

## Why does this matter for low income families?

### 1. Low income families use buses more than those on higher incomes

#### People in the lowest income quintile make...

- 58% fewer trips as a car driver
- 75% fewer trips by rail
- 50% more trips on foot
- 206% more trips by bus and coach

...compared to people in the highest income quintile<sup>13</sup>.

It should be noted that a significant proportion of households in the lowest income quintile are likely to be pensioner householders rather than low income families, however, as can be seen below, the general trend is that bus and coach trips decrease as income increases. People in the lowest real income quintile make three times as many bus and coach trips as those in the highest real income quintile. Across all income levels, the average number of trips made by bus and coach per year is 66. People on the lowest real income made 107 trips per year – 41 trips

<sup>7</sup> Lower Layer Super Output Areas are groupings of Census Output Areas with a minimum population size of 1,000 people.

<sup>8</sup> Department of Communities and Local Government (DCLG) *Indices of Deprivation 2007*.

<sup>9</sup> DCLG *Indices of Deprivation 2007: Local Authorities Summaries*.

<sup>10</sup> DCLG *Indices of Deprivation 2007: Income Deprivation Affecting Children Index*.

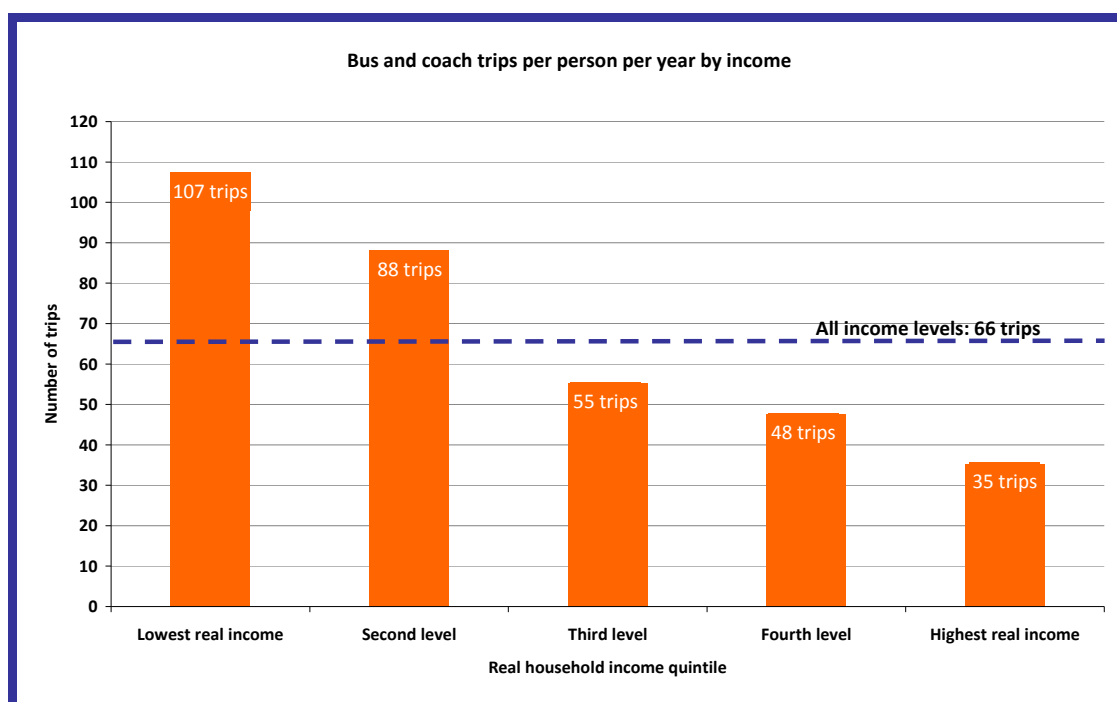
<sup>11</sup> DCLG (2009) *Local Index of Child Well-Being*. Child well-being is measured on income deprivation, health, education, crime, housing, environment and children (at risk of being) in need.

<sup>12</sup> DCLG (2009) *Local Index of Child Well-Being*. Child well-being is measured on income deprivation, health, education, crime, housing, environment and children (at risk of being) in need.

<sup>13</sup> DfT *National Travel Survey 2008*.

above the average. Increases in bus fares are therefore most likely to hit those who can least afford it.

**Figure 2 Bus and coach trips by income**<sup>14</sup>



## ***2. Low income families need to spend a higher proportion of their income on bus travel***

In 2008, the Joseph Rowntree Foundation developed a minimum income standard (MIS) for Britain based on what members of the public thought people need for an acceptable minimum standard of living<sup>15</sup>. Different MISs were developed for different family types, with people from the particular demographic category under discussion deciding the MIS for their own category – e.g. lone parent groups decide what the minimum income standard should be for lone parent families.

The MIS is updated annually. The 2010 update<sup>16</sup> found that the minimum income required for an acceptable standard of living had risen steeply compared to general inflation ‘because of significant rises in the price of certain commodities that are heavily represented in a minimum budget, such as food and public transport.’ (p.9).

<sup>14</sup> DfT *National Travel Survey 2008*.

<sup>15</sup> JRF (2008) *A minimum income standard for Britain: what people think*

<sup>16</sup> JRF (2009) *A minimum income standard for Britain in 2010*

It goes on to state that ‘items such as bus fares and council tax have been rising faster than inflation for a long period: bus fares and council tax have risen by about two-thirds since 2000, a period when RPI [*Retail Prices Index*] has risen by less than a third, and the CPI [*Consumer Prices Index*] by less than a quarter.’ (p.10).

Given that many families on the minimum wage or on basic out of work benefits would be unable to bring in enough money to meet the MIS, these findings suggest that low income families are already struggling to keep pace with rapidly rising bus fares. More fare hikes could push these families still further away from what their peers consider to be a minimum acceptable living standard.

### ***3. The best deals on bus fares are not always accessible to low income families***

Often, the best value bus fares can be found by purchasing weekly, monthly or annual tickets rather than buying a ticket to travel on the day. Buying a daily ticket everyday for a year, for example, would cost £1,460 (£4 a day) with First Leeds, whereas an annual ticket costs £620 (£1.70 a day)<sup>17</sup>.

Many low income families would struggle to pay for the lump-sum costs of purchasing a yearly or even a monthly ticket up-front. Some companies, including First Leeds, allow customers to pay by monthly standing order for an annual ticket, but this arrangement is not universal and requires confidence about forecasting future travel needs when families may be living on a week-to-week basis.

Take-up of season tickets also depends on people being aware of the discounts that are available. Frequently, the array of different tickets, deals and products serves to confuse people and makes it difficult to work out which option offers the best value. In London, it has been possible to develop an easy to understand, affordable ticketing product in the form of Oyster.

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<sup>17</sup> Fares as published on First Leeds website:  
<http://www.firstgroup.com/ukbus/yorkhumber/leeds/fares/index.php> visited on 08/07/2010

### **Oyster – making low cost travel simple**

London's Oyster card means that passengers in the capital no longer have to worry about paying over the odds for their travel or working out which is the best value ticket. Oyster is equipped with daily price capping which automatically calculates the cheapest fare for all the journeys made in a day. There is no large upfront charge (just £3 deposit) and passengers are able to pay-as-they-go – topping up their card with whatever they can afford.

Furthermore, Oyster can be loaded with other discounts for low income groups. For example, London residents aged 18-60 in receipt of Income Support, Employment and Support Allowance or Job Seekers Allowance can use their Oyster to travel for half the adult Oyster fare on buses and trams<sup>18</sup>.

### ***4. Low income families have the added costs of paying for children's travel***

As well as meeting the costs of their own travel, parents must also meet the travel costs of their children.

Many low income families are entitled to free school transport if their children are in receipt of free school meals or if they receive the maximum level of Working Tax Credit and if their child attends school that is a set distance away from home. Furthermore, teenagers aged 16-18 from low income families can use their Education Maintenance Allowance to contribute to the costs of travelling to further education.

Whilst the costs of travelling to school may be covered for many families on the lowest incomes, this still leaves the costs of travel to other activities – seeing friends, participating in sports and attending attainment boosting after school activities, for example – which are important for overall development and well-being.

Local authorities can offer concessionary fares to children and young people on a discretionary basis to help meet these costs. However, these fares are often set as a fraction of adult fares, meaning that when adult fares go up, child fares rise accordingly. Furthermore, because these arrangements are discretionary, they can vary greatly between local

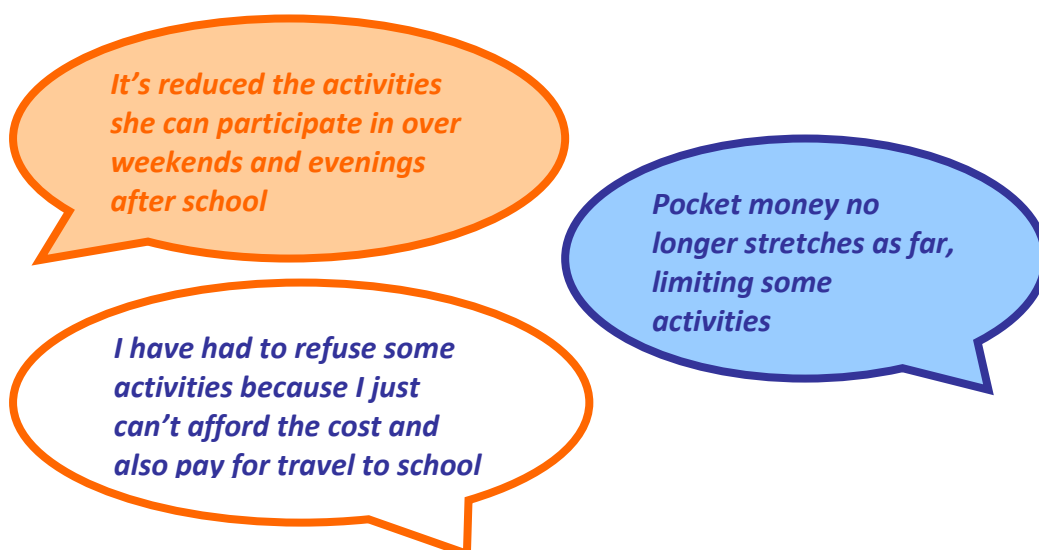
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<sup>18</sup> <http://www.tfl.gov.uk/tickets/14306.aspx>

authorities and can be squeezed as a result of budgetary pressures, leading to fare increases. With local government compelled to dramatically cut their spending to help tackle the budgetary deficit, these pressures look set only to increase.

Whilst all PTEs work hard to keep non-commercial child fares low, sometimes an increase is unavoidable to protect wider services. Unfortunately, even seemingly small hikes in child fares can make a big difference to families on a low income. For example, when child concessionary fares had to rise by 20p in Greater Manchester to cover the cost of free travel for older and disabled people, 65 per cent of parents said the increase had had an impact on their disposable income and 16 per cent said it affected their ability to pay for essentials. Over 75 per cent of parents found cost to be a barrier to their children using public transport<sup>19</sup>.

As shown by the quotes from parents below, the research suggested that the fare increases were causing them to restrict the journeys that their children made, particularly for those activities falling outside of school.



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<sup>19</sup> Greater Manchester Transport Research Unit (2008) *Food or education – the impact of the rise in the concessionary bus fare in Greater Manchester*.



One way to prevent parents from having to 'ration' the journeys that their children make is to introduce capped daily fares, such as the Child All-day Ticket (CAT) introduced by Nexus in Tyne and Wear.

#### **Nexus – CAT (Child All-day Ticket)**

The Nexus CAT has simplified fares for children and young people in Tyne and Wear, offering flat fares of £1 for an all-day ticket (allowing unlimited journeys) and 50p for a single. This represents a considerable saving, given that commercial child fares can be as much as 80p one-way on Tyne and Wear buses.

The CAT has been a great success – children under 16 made almost a million extra journeys on bus and Tyne and Wear Metro in the first 6 months alone, representing an 11 per cent increase in child patronage<sup>20</sup>. The CAT gives children and young people the freedom to make more journeys to the places they want to go and also leaves their families with more money in their pockets.

Nexus have calculated that by ensuring their children have a free Nexus Under 16 card (which allows access to the CAT fares) parents can save up to £36 per child compared to the full commercial fare – more than enough to pay for a new school uniform, including shoes and spare shirts and trousers<sup>21</sup>.

South Yorkshire PTE (SYPTe) has pursued a similar strategy, with a consistent and attractive cash fare offer for children and young people, contributing to impressive child patronage increases.

#### **SYPTe – 40p cash child fare**

In South Yorkshire, the child fare has been frozen at 40p per journey since October 2003. Since then, child patronage has steadily risen from about 17 million passengers per year to around 18.5 million per year. This equates to around a 9 per cent increase in child patronage at a time when patronage overall in South Yorkshire fell by over 2 per cent between 2003/04 and 2007/08<sup>22</sup>.

<sup>20</sup> Nexus press release *Children make a million more journeys by bus and Metro*, 15 June 2009.

<sup>21</sup> Nexus press release *Save for a school uniform with an Under 16 Card*, 24 August 2009.

<sup>22</sup> DfT Transport Statistics Bulletin: Public Transport Statistics Bulletin GB

Promotion and marketing of affordable fares for children and young people can be used to alert children and their families to the positive activities that they can reach by public transport so that they can make the most of the opportunities the fares open up. Metro ran a campaign of this kind in Summer 2009.

### **Metro – Metro Active**

In time for the 2009 summer holidays, Metro – in partnership with local bus operators – introduced Metro Active – a special £1 a day ticket allowing off-peak travel throughout West Yorkshire for under 19s during August. The marketing campaign focused on the positive activities children and young people could access using their £1 ticket. The accompanying website contained a wealth of inspiring ideas for activities available locally from ‘a bit of culture’ to free swimming at local pools.

### ***5. High transport costs can be a barrier to employment***

If a member of the household is unemployed, the cost of travelling to an interview or expectations of what it will cost to reach a particular employment opportunity can limit job search activity and the number of vacancies an individual is willing, or able, to consider. High transport costs can also prevent people already in employment from accessing a better paid job or a job with more prospects because of concerns that the cost of getting there will outweigh the benefits. Lack of affordable transport can therefore limit earning potential and keep family incomes low.

The following statistics from various studies, brought together in a 2003 report by the Social Exclusion Unit<sup>23</sup> serve to illustrate the problem:

- Almost 40 per cent of jobseekers say that their job search has been limited because of the costs involved. For 63 per cent of them, this results from the cost of travelling to interviews;
- 14 per cent of unemployed lone parents say they can't afford the cost of transport to work;
- 13 per cent of people say they have not applied for a particular job in the last 12 months because of transport problems. This rises to 18 per cent for people living in low income areas.

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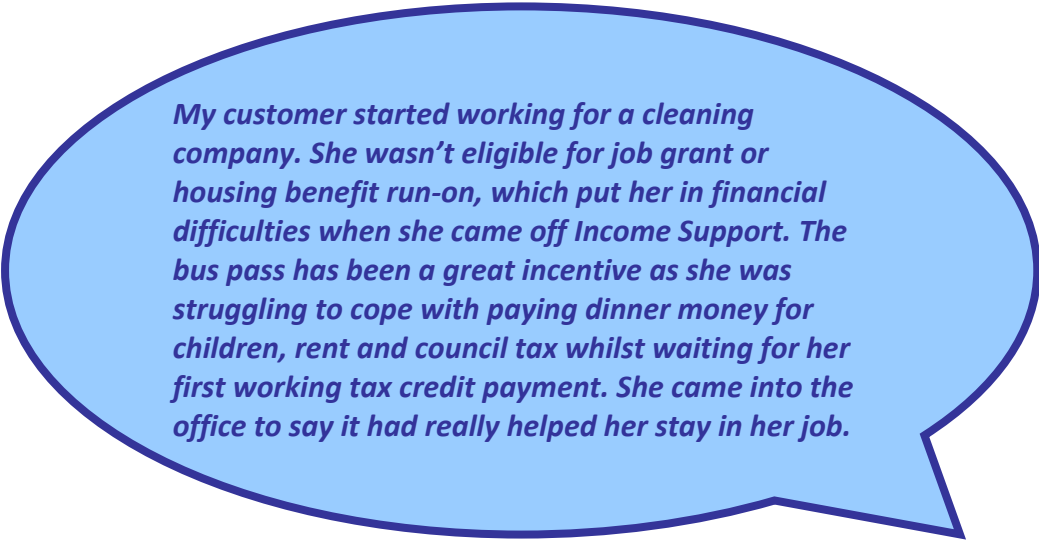
<sup>23</sup> Social Exclusion Unit (2003) *Making the Connections: Final Report on Transport and Social Exclusion*

- 5 per cent of people say they have been offered a job but turned it down in the last 12 months because of transport problems. This proportion doubles to 10 per cent for people living in low income areas.

All PTE areas offer support to make transport more affordable for jobseekers, for example, by offering discounted ticketing products. Nexus and South Yorkshire PTE, for example, provide discounted versions of their season tickets for people on the New Deal. In West Yorkshire, a £5, 28 day permit allows unemployed people to access half fares on almost all bus and train services in the area.


Some PTEs also offer 'WorkWise' schemes which provide free or discounted tickets for travel to interviews and to meet the costs of travelling to a new job in the weeks before the first pay packet arrives. WorkWise customers also receive expert travel advice to help them plan their journey to work and identify the best value tickets.

Evidence suggests that this support is very much needed, particularly when there are competing demands on family income, as this quote from a Jobcentre Plus Advisor in support of a WorkWise-type scheme in West Yorkshire illustrates:




*My customer started working for a cleaning company. She wasn't eligible for job grant or housing benefit run-on, which put her in financial difficulties when she came off Income Support. The bus pass has been a great incentive as she was struggling to cope with paying dinner money for children, rent and council tax whilst waiting for her first working tax credit payment. She came into the office to say it had really helped her stay in her job.*

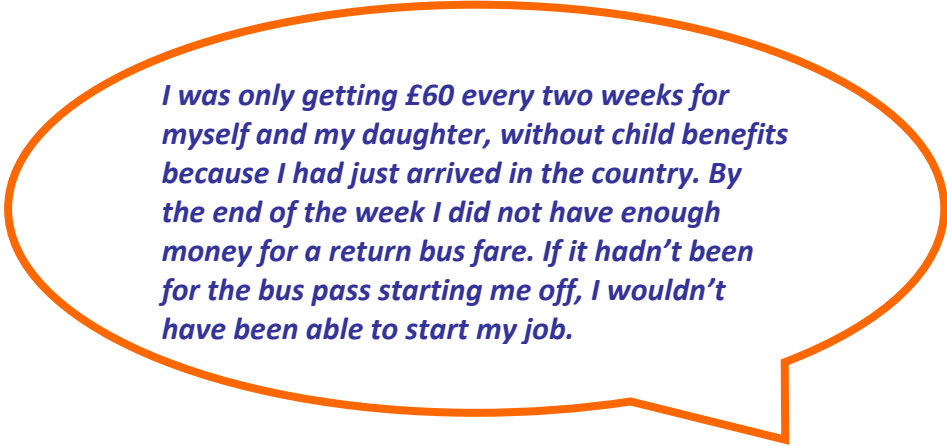
This customer is not alone. In the West Midlands, for example, more than 80 per cent of customers said they would have struggled to get to interviews or their new job without the free travel passes provided by WorkWise. Quotes from WorkWise customers illustrate the potential difference these schemes can make to low income families:



*I have no other means of transport and have relied on the bus passes available...without this assistance I would not have been able to attend interviews and ultimately obtain a job.*



*The free MetroCard was great, I catch 4 buses a day and am paid monthly, so it really helped until first pay day.*



*I was only getting £60 every two weeks for myself and my daughter, without child benefits because I had just arrived in the country. By the end of the week I did not have enough money for a return bus fare. If it hadn't been for the bus pass starting me off, I wouldn't have been able to start my job.*

WorkWise schemes are also concerned with saving people money in the longer term. In West Yorkshire, newly employed customers received a letter from the scheme once their free travel ran out, advising them of available tickets and passes. As a result, some 74 per cent of employed former customers now save money by purchasing tickets in advance and report having a better understanding of the tickets and passes that are available.

### **What action could be taken to reduce the effect of bus fare rises on low income families?**

The evidence presented above has shown that rising bus fares have a disproportionate effect on low income families. They are amongst those most likely to rely on buses to get around and so have been hit particularly hard by inflation-busting increases to fares. Furthermore,

low income families frequently do not have the means to meet the upfront sums required to purchase season tickets that would save them money in the long run. The situation is exacerbated still further by the added costs of paying for children's travel and the high cost of reaching employment opportunities that could boost family income.

Both central and local government agencies must now recognise, and take seriously, the effect of bus fare increases on low income families and look at ways of making bus travel more affordable for this group.

There are a number of actions that could help:

**1. *Maintain support for bus services.*** A key source of support is the Bus Service Operators Grant (BSOG). BSOG is the payment made to bus operators which offsets around 80 per cent of the duty they pay on fuel consumed. In doing so, it reduces the cost of providing a bus service and so keeps fares lower and bus services on the road.

According to DfT, BSOG means that fares are 6.5 per cent lower outside London than they would have been if BSOG were completely withdrawn<sup>24</sup>. This is a national average figure and is considered to be a conservative estimate. Industry experts calculate that if BSOG were withdrawn fares would increase by around 10 per cent overnight<sup>25</sup>. This paper has shown how such increases would hit the poorest hardest.

Support for bus services should, therefore, be maintained. However, there is scope for reform - better outcomes and value for money could be achieved if BSOG were devolved in the PTE areas. PTEs could ensure that the funding was targeted in a way that best meets local circumstances and priorities and avoids the unintended consequences and waste that can occur when funding is allocated on the basis of flat national criteria.

## **2. *Introduce Oyster style ticketing outside of London***

As described above, London's Oyster card has made travel in the capital simple and more affordable, ensuring people get the best value fares

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<sup>24</sup> House of Commons Hansard Written Answers, 15 June 2010.

<sup>25</sup> Letter sent to MPs in England, 9 July 2010 on behalf of Campaign for Better Transport, the six Integrated Transport Authorities, Confederation of Passenger Transport UK, RMT, Campaign to Protect Rural England, UNITE, Community Transport Association, Guide Dogs, Greenpeace UK, UNISON and Bus Users UK.

without having to stump up large sums for season tickets and allowing for additional discounts for low income groups.

DfT has pledged to unlock the benefits of Oyster style ticketing throughout England, with an immediate goal for integrated, multi-modal smart ticketing to be in operation in major urban areas by 2015. This would form the basis for further expansion covering most, if not all, of the country by 2020<sup>26</sup>.

In meeting this goal, it will be important to ensure that the roll out of smart ticketing is designed to ensure maximum benefit for low income families. Transport for London has shown how this can be delivered.

Upfront fees should be kept to a minimum, and consideration given to further discounts that could be added to the standard offer. Products developed should also strike the right balance between choice and complexity. Ways of ensuring take-up by low income families should also be considered, for example, running events through schools and Children's Centres where cards are given away free, or preloaded with credit.

The maintenance of BSOG could help Government meet their target for rolling out smart ticketing. BSOG is currently encouraging the introduction of smart Oyster style ticketing outside London by supporting the fitting of smartcard readers to buses. Without it, a key incentive for the introduction of smart ticketing, and the opportunities for cheaper, simpler, more inclusive travel, would be lost.

### ***3. Develop a simple, consistent offer on child fares***

Initiatives like the CAT in Tyne and Wear and the 40p child fare in South Yorkshire have shown that a simple, affordable and consistent fare offer for children can dramatically increase the number of journeys they make and save money for their families. A capped daily fare means that families no longer have to restrict journeys, making it more likely that their children will be able to attend valuable activities outside of school hours. Such offers are also easily communicated, further increasing the likelihood that children and families will make full use of them.

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<sup>26</sup> DfT (2009) *Smart and Integrated Ticketing Strategy*.

PTEs are keen to work with DfT to look at ways of developing a simple and more consistent fare offer for children and young people. Such an offer should be combined with efforts to promote to access positive activities, as well as measures to improve service quality so that children and young people, whatever their household income, are encouraged to make full use of the public transport network.

#### ***4. Support WorkWise schemes***

The cost of travelling to interviews and new jobs can pose a considerable barrier to finding, and accepting, employment. This is particularly the case for low income families, where bus fares are just one of many competing demands on limited household budgets. Central and local government should get behind WorkWise as something that offers the financial help jobseekers need to broaden their job search net and sustain employment during those first 'make or break' weeks of a new job.

#### ***5. Use the powers contained in the Local Transport Act***

The Local Transport Act, passed in November 2008, allows partnership schemes agreed between local authorities and bus operators to specify maximum fares that operators can charge. In return, local authorities provide improved facilities for buses in the area covered by the partnership scheme, such as better bus stations and shelters and highway improvements. Prior to the Act, fares were excluded from the scope of these partnership agreements.

The Act also makes Quality Contracts – where the local authority specifies the bus services that are to be provided in a particular geographical area – a more realistic option. These allow the local authority to set the fares that will be charged to passengers in the area covered by the scheme.

Before the Act came into force, local authorities outside of London had very limited powers available to them to influence what bus operators charged to passengers. Local Authorities should now make use of these new powers to benefit low income families.