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**MAXIMUM RECOMMENDED FARESCALE FOR COUNCIL SUPPORTED BUS SERVICES**

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**1. SUMMARY**

- 1.1 The Council sets a maximum fare which applies on local bus services operated on the Council's behalf. The scale was last revised with effect from July 2010. A revised scale is now necessary to keep pace with inflation generally and also to permit the Council's contractors to maximise their income in the hope of avoiding large cost increases or reduced services in future tender rounds.

**2. RECOMMENDATION**

- 2.1 This paper recommends that the Council approve the revised maximum permitted farescale in accordance with Appendix 1.

**3. BACKGROUND**

- 3.1 Since assuming responsibility for supported bus services outwith the Strathclyde Partnership for Transport (SPT) area in October 1997, the Council has maintained a policy of advising public transport contractors the maximum fare which they may charge on the Council's supported bus services.
- 3.2 Until 2004, the setting of the maximum permitted fare was included in the Council's overall budgetary procedure but this was discontinued because the farescale does not have an immediate and direct effect on Council budgets.
- 3.3 The presence of the farescale does not necessarily mean that operators must charge that scale. It is a discretionary scale which sets an upper limit and operators are free to charge any fare they choose up to that maximum. It is hoped that this gives operators sufficient scope to maximise the revenue which they can earn from these services with the indirect effect that it may have a beneficial impact on future tender prices for schools/local contracts.

3.4 There are other factors which also need to be taken into consideration:

- 3.4.1 In areas where commercial services operate without Council support and Council supported services operate on the same route; it is not advisable to have two different fare levels. An example would be the Soroba – Dunollie route in Oban which is mostly commercial but with Council supported journeys in the early morning, evenings and on Sundays. If the Council farescale is set too low, passengers would be charged a higher fare on the commercial journeys and then a lower fare on Council supported journeys. The alternative is impractical in that the operator lowers their commercial fare with a potential

loss of revenue and the possibility of the service being reduced or the Council bearing the cost of additional journeys. If the market can bear the commercial fare and it is not seen as excessive, then there should be no reason for the Council to be promoting a lower fare.

- 3.4.2 The majority of passengers on Council supported services are not paying an adult single fare. Based on estimates arising from fares data in 2008, 40% of passengers on services within Argyll and Bute outwith the SPT area, are adult concessionary passengers who travel free. 20% are juveniles or have the Scottish Government's Young Person's Concessionary card entitling them to a one third discount on the adult fare. Of the remaining 40% who pay a fare, it is estimated that 10% are paying a reduced fare through the use of return or multi journey tickets and in the case of West Coast Motors through use of their PriceBuster card, which gives a third off on payment of an initial fee. This leaves only 30% of passengers paying the standard adult single.
- 3.4.3 It should also be noted that with effect from April 2010 the Scottish Government reduced the level of compensation paid to operators under the national concessionary travel scheme from 73.6% to 67% and this undoubtedly had an impact on routes with a high proportion of concessionary card holders.
- 3.4.4 Other factors which have an impact on bus operator's revenue are causing concern at a national level and the operator's trade association, the Confederation of Passenger Transport (CPT), drew attention to these earlier this year. A further reduction in the level of concessionary compensation paid to operators is being proposed by the Scottish Government. A 20% reduction in Bus Service Operators Grant (BSOG) came into effect on 1<sup>st</sup> April 2012 and operating costs rose by 7.8% during 2011. Fares on commercial services provided by most major operators were increased from that date. However, if operators of Council supported tendered services cannot recover some of these costs through increased fares then one of the options open to them is to do so through increased tender prices for schools/local services.

#### **4. CONCLUSION**

- 4.1 There has been a general movement in favour of flat rate fares in towns and cities throughout the country. As the largest local operator, West Coast Motors already adopt this policy, without complaint, and maintain that a large proportion of their income is generated from such fares as opposed to the longer distance fares. Accordingly it would be counterproductive for the Council to seek to set a lower fare for tendered journeys.
- 4.2 It is recommended that the present flat rate maximum figure of £1.10 should be increased to £1.20 to tie in with the fare being charged by West Coast Motors on their commercial town services.
- 4.3 The table below gives examples of some fares currently being charged and compares them with the current and proposed maximum farescale.

Journey	Operator	Adult Single Fare Being Charged	Miles	Charge Permitted by Current Maximum Farescale	Actual Fare as Percentage of Current Maximum Permitted Fare	Charge Permitted by Proposed Maximum Farescale
Bowmore - Port Charlotte	Ben Mundell Ltd	£2.50	11.0	£2.50	100.00%	£2.60
Bowmore - Port Ellen	Ben Mundell Ltd	£2.50	10.3	£2.50	100.00%	£2.60
Craignure - Salen	Bowmans Coaches (Mull) Ltd	£2.50	11.1	£2.50	100.00%	£2.60
Craignure - Tobermory	Bowmans Coaches (Mull) Ltd	£4.20	23.7	£4.20	100.00%	£4.40
Craignure - Fionnphort	Bowmans Coaches (Mull) Ltd	£5.00	35.1	£5.00	100.00%	£5.20
Ardrishaig Upper Glenfyne Park - Lochgilphead Hospital	West Coast Motors	£1.35	4.2	£1.70	79.41%	£1.80
Lochgilphead - Ormsary	West Coast Motors	£2.40	14.2	£2.90	87.93%	£3.00
Oban - Benderloch	West Coast Motors	£2.30	7.7	£2.40	95.83%	£2.50
Dunoon Argyll Street - Toward Lighthouse	West Coast Motors	£2.60	8.1	£3.20	90.63%	£3.40
Tayvallich - Lochgilphead	IF Anderson Coaches Ltd	£2.00	12.0	£2.50	80.00%	£2.60

The Council's scale ceases at a maximum of 30 miles.

## 5. IMPLICATIONS

- 5.1 Policy – None
- 5.2 Financial – There are no immediate financial implications but possible long term influence on tender prices.
- 5.3 Legal – None
- 5.4 HR – None
- 5.5 Equalities – None
- 5.6 Risk – None
- 5.7 Customer Service – The effect on customers will be minimised by concessionary and multi journey tickets

For further information please contact:

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Executive Director of Customer Services  
23 August 2012

## **Appendix 1**



## **MAXIMUM PERMITTED FARESCALE**

## **for Subsidised Local Bus Services**

**With effect from 1st September 2012**

	July 2010	September 2012	September 2012	September 2012	September 2012
Mileage up to and including	ADULT SINGLE FARE	ADULT SINGLE FARE	ADULT RETURN FARE	CHILD SINGLE FARE	CHILD RETURN FARE
0.5	£1.10	£1.20	£2.10	£0.75	£1.15
1.0	£1.10	£1.20	£2.10	£0.75	£1.15
1.5	£1.10	£1.20	£2.10	£0.75	£1.15
2.0	£1.40	£1.45	£2.40	£0.75	£1.10
2.5	£1.50	£1.55	£2.60	£0.85	£1.35
3.0	£1.50	£1.55	£2.60	£0.85	£1.35
3.5	£1.60	£1.65	£2.70	£0.85	£1.35
4.0	£1.60	£1.65	£2.70	£0.85	£1.35
4.5	£1.70	£1.80	£3.00	£0.95	£1.45
5.0	£1.70	£1.80	£3.00	£0.95	£1.45
5.5	£1.80	£1.90	£3.10	£1.05	£1.65
6.0	£1.80	£1.90	£3.10	£1.05	£1.65
6.5	£1.90	£2.00	£3.30	£1.05	£1.65
7.0	£1.90	£2.00	£3.30	£1.05	£1.65
7.5	£2.30	£2.40	£3.90	£1.25	£2.00
8.0	£2.30	£2.40	£3.90	£1.25	£2.00
8.5	£2.40	£2.50	£4.10	£1.35	£2.20
9.0	£2.40	£2.50	£4.10	£1.35	£2.20
9.5	£2.50	£2.60	£4.40	£1.35	£2.20
10.0	£2.50	£2.60	£4.40	£1.35	£2.20
11.0	£2.50	£2.60	£4.40	£1.35	£2.20
12.0	£2.50	£2.60	£4.40	£1.35	£2.20
13.0	£2.70	£2.80	£4.70	£1.45	£2.30
14.0	£2.70	£2.80	£4.70	£1.45	£2.30
15.0	£2.90	£3.00	£5.00	£1.55	£2.50
16.0	£2.90	£3.00	£5.00	£1.55	£2.50
17.0	£3.20	£3.30	£5.50	£1.80	£2.80
18.0	£3.20	£3.30	£5.50	£1.80	£2.80
19.0	£3.50	£3.65	£6.00	£1.90	£3.00
20.0	£3.50	£3.65	£6.00	£1.90	£3.00
21.0	£3.70	£3.85	£6.50	£2.00	£3.10
22.0	£3.70	£3.85	£6.50	£2.00	£3.10
23.0	£4.20	£4.40	£7.30	£2.30	£3.65
24.0	£4.20	£4.40	£7.30	£2.30	£3.65
25.0	£4.50	£4.70	£7.80	£2.50	£3.95
26.0	£4.50	£4.70	£7.80	£2.50	£3.95
27.0	£4.70	£4.90	£8.10	£2.60	£4.20
28.0	£4.70	£4.90	£8.10	£2.60	£4.20
29.0	£5.00	£5.20	£8.70	£2.70	£4.40
30.0	Plus £5.00	£5.20	£8.70	£2.70	£4.40

## **Director of Customer Services**

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