# Fare Concessions For Older People

## Identifying the numbers

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intergenerational foundation
Fairness for Future Generations

**The Intergenerational Foundation (www.if.org.uk) is an independent, non-party-political charity that exists to protect the rights of younger and future generations in British policy-making.**

**Whilst increasing longevity is to be welcomed, our changing national demographic and expectations of entitlement are placing increasingly heavy burdens on younger and future generations. From housing, health and education to employment, taxation, pensions, voting, spending and environmental degradation, younger generations are under increasing pressure to maintain the intergenerational compact whilst losing out disproportionately to older, wealthier cohorts.**

**IF questions this status quo, calling instead for sustainable long-term policies that ensure younger and future generations are better protected by policy-makers.**

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# Foreword

*"The bus pass is a cherished iconic reward for surviving so long. I think old people find it acceptable to cling on to that,"* Joan Bakewell, The Times, 2012.[1]

This report questions whether free travel passes are intergenerationally fair when increasing numbers of people claiming their free travel passes are not using them for what they were originally intended, leisure travel, but instead commuting to work for free.

The number of people of state pension age and above in employment has nearly doubled over the past two decades, from 753,000 in 1993 to 1.4 million in 2011.[2] The figures released in this report reveal that the subsidy given to these older people commuting to work for free is worth more than £100 million a year.

The trend towards longer working lives is set to continue. A February 2013 Prudential report found that 24% of people questioned were reluctant retirees with more than half (57%) of those surveyed considering working past the state pension age.[3]

This surely raises the question of why older people should be subsidised to go to work, whilst younger generations, hit by a juggernaut of housing, rent, and education liabilities should have to pay for them to do so.

Current estimates reveal that in London 10,000 extra people each month, over the age of 60 years, will be claiming their free travel pass.[4] The State is therefore subsidising commuting for our older generation at the expense of younger generations who may well question why the person sitting beside them gets to travel to work for free.

There is strong evidence that over the last several decades older people have become wealthier. According to figures from the ONS, mean gross pensioner incomes grew by an estimated 50% in real terms between 1994/95 and 2010/11.[5] Whilst not all pensioners who live above the poverty threshold are spectacularly well-off, figures released by IF in October 2012[6] also demonstrate that there are two million people aged over–60 who live in households which have an asset wealth greater than £1 million.

These older generations are eligible for universal benefits such as free travel passes, winter fuel allowance, free prescriptions, free eye tests and free TV licences totalling more than £8 billion annually. Young people on the other hand have had their housing benefit removed, their EMA abolished and their free university education withdrawn.

IF calls for the abolition of all universal benefits or, at the very least, the immediate up-rating of the age at which universal benefits become automatic to 75 years of age. Many older people take these benefits without realising it is their children and grandchildren who are picking up the bill.

**Angus Hanton, IF Co-founder**

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[1] [1] http://www.thetimes.co.uk/tto/money/consumeraffairs/article3567324.ece
[2] http://www.ons.gov.uk/ons/rel/lmac/older-workers-in-the-labour-market/2012/older-workers-in-the-labour-market.html
[3] http://www.pru.co.uk/pdf/presscenter/1_in_4_dont_want_to_stop_work_yet.pdf
[4] http://www.guardian.co.uk/money/2012/oct/05/60-oyster-card-free-public-transport-londoners
[5] Office for National Statistics (2012) "Summary for Pension Trends Chapter 11, 2012 Edition" *ONS*, 24/10/12
[6] http://www.if.org.uk/press-information/2-million-pensioner-millionaires-in-receipt-of-winter-fuel-allowance

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# Summary

The starting point for the Intergenerational Foundation's study into the use older people in the UK make of fare concessions and its value are two major studies produced by the Department For Transport (DfT). The DfT's National Travel Survey details the reasons that people travel and the modes they use. The DfT's Bus Statistics research looks at all aspects of concessionary travel under the umbrella of the English National Travel Concessionary Scheme (ENTCS). Using these studies in combination with other data sources we can estimate that:

- **The total cost of fare concessions for older people in England was almost £900 million in 2011/12 and almost £1.1 billion across the whole of the United Kingdom.**

- **After adjusting for inflation, the total cost of concessionary travel in England has almost doubled since the year 2000.**

- **In England, almost £60 million of the costs of fare concessions for older people is spent on travel to and from work. Across the United Kingdom this figure exceeds £71 million. Taking account of the fact that this is a tax-free benefit the value to recipients is over £100m each year.**

- **Of those over-60s using the London Underground or Overground rail in London, one in four is travelling to work free of charge.**

- **The value of these concessions to an older person working full-time and travelling to work by public transport as their main mode can be significant. For an average commuting journey by bus outside London, fare concessions will have an average tax-free value of £740 per year. This is the equivalent of £14 per week. For someone using the London Underground or Overground Rail as their main mode, this rises to an average tax-free value of £1,250 per year or equivalent to over £24 per week.**

IF sets out how we have arrived at these estimates in the detailed findings below.

In summary, the DfT's Bus Statistics provide the total costs of concessionary travel in England and how those costs have changed since 2000. Research by the governments of the devolved nations provides estimates of the costs in Scotland, Wales and Northern Ireland. Analysis of the DfT's National Travel Survey allows us to estimate the value of journeys made for work purposes by older people. Further analysis of the National Travel Survey allows us to estimate the value of these concessions to an older person working full-time on an annual basis.

The structure of concessionary travel in the United Kingdom is outlined briefly in Appendix 2.

**Principal Data Sources**

1. Data from the National Travel Survey can be found at:

https://www.gov.uk/government/organisations/department-for-transport/series/national-travel-survey-statistics

2. National Travel Survey data can be found at:

https://www.gov.uk/government/organisations/department-for-transport/series/bus-statistics

# The Detailed Findings

These findings should be read in combination with the attached Appendix.

## 1. The Overall Cost of Travel Concessions For Older People

### a) England

The DfT's Bus Statistics provide a detailed breakdown (Table BUS0811b) of net current expenditure (adjusted for inflation to give expenditure at 2011/12 prices) on all forms of concessionary travel in England since 2000.

| Financial Year | London | Index (2000/01 =100) | England excl London | Index (2000/01 =100) | Total-England | Index (2000/01 =100) |
|---|---|---|---|---|---|---|
| 2000-01 | £ 204,569,000 | 100 | £ 402,784,000 | 100 | £ 607,353,000 | 100 |
| 2001-02 | £ 206,389,000 | 101 | £ 414,732,000 | 103 | £ 621,121,000 | 102 |
| 2002-03 | £ 203,934,000 | 100 | £ 401,235,000 | 100 | £ 605,169,000 | 100 |
| 2003-04 | £ 215,176,000 | 105 | £ 405,381,000 | 101 | £ 620,558,000 | 102 |
| 2004-05 | £ 211,384,000 | 103 | £ 425,365,000 | 106 | £ 636,749,000 | 105 |
| 2005-06 | £ 217,736,000 | 106 | £ 396,570,000 | 98 | £ 614,305,000 | 101 |
| 2006-07 | £ 229,803,000 | 112 | £ 652,148,000 | 162 | £ 881,951,000 | 145 |
| 2007-08 | £ 244,191,000 | 119 | £ 713,694,000 | 177 | £ 957,886,000 | 158 |
| 2008-09 | £ 300,721,000 | 147 | £ 819,081,000 | 203 | £ 1,119,802,000 | 184 |
| 2009-10 | £ 259,232,000 | 127 | £ 852,856,000 | 212 | £ 1,112,087,000 | 183 |
| 2010-11 | £ 269,469,000 | 132 | £ 856,168,000 | 213 | £ 1,125,638,000 | 185 |
| **2011-12** | **£ 299,230,000** | 146 | **£ 810,174,000** | 201 | **£ 1,109,404,000** | 183 |
| 2012-13 Budget | £ 319,030,000 | 156 | £ 861,708,000 | 214 | £ 1,180,738,000 | 194 |

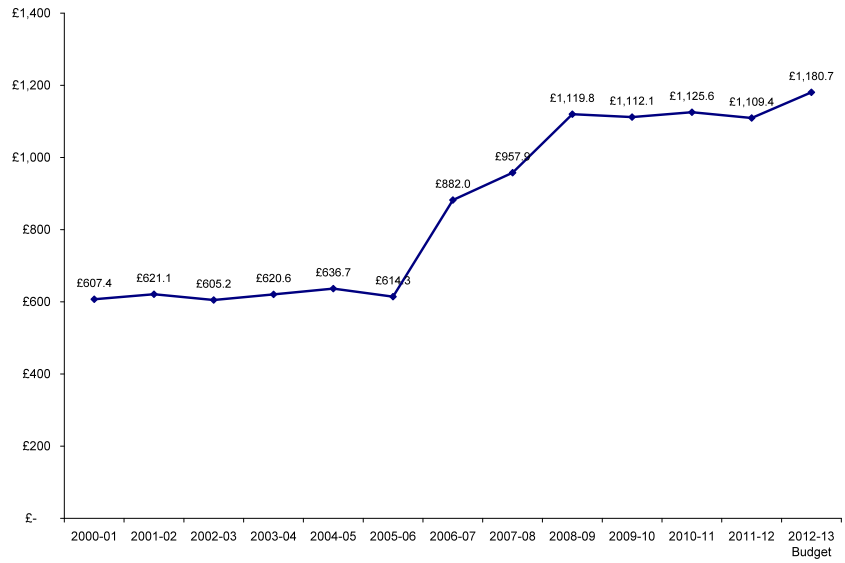
(see following page for corresponding chart)

It is not possible to identify the exact make-up of the principal elements of the costs of schemes for older people, disabled people and concessions for young people so certain estimates need to be made.

An adjustment is required to reduce the total value of concessions to take into account usage by disabled people. The Bus Statistics (Table BUS0890) found that in 2011/12 there were a total of 7,882,000 older passes (92.13% of all concessionary and disabled passes) and 673,000 disabled passes (7.87% of all concessionary and disabled passes).

In terms of other concessions, the Bus Statistics (Table BUS 0840) found that, of the 89 Travel Concession Authorities (TCAs) outside London, 27 offered concessions to young people and 64 offered pre-9.30am start to concessions. It is estimated, therefore, that most over 60s can make use of concessions for their journey to work and, with the exception of London (where free bus travel for under 16s is offered), significant estimates for the value of young people's concessions are not required.

**Chart. Net Current Expenditure on Concessionary Travel* in England annual from 2001 (adjusted for inflation to give expenditure at 2011/12 prices). Source: DfT – Bus Statistics BUS0811b.**




(*all aspects of concessionary travel, including ENCTS, discretionary concessions - e.g. travel outside the statutory time period or on other modes, youth concession schemes - and administrative costs.)

The Bus Statistics (Table BUS 0810) showed that in 2011/12, in London, 71% of total net expenditure on concessionary travel came from the statutory requirements from the English National Travel Concessionary Scheme (ENTCS) and in the rest of England excluding London the figure was 87%.

As a minimum, therefore, the costs of concessionary travel by bus will comprise the 2011-12 Net Current Expenditure Cost of the ENTCS (Table BUS0811b (shown above)) multiplied by the proportion of total net expenditure (Table BUS0810) that is apportioned to the ENTCS less an adjustment for usage by disabled pass holders. The table of this analysis appears in the appendix - Table 1.

We arrive, therefore, with a cost of fare concessions for (principally bus) travel by older people in England under the ENTCS as follows:

| | **London** | **England excl London** |
|---|---|---|
| Total cost under ENTCS for concessionary bus travel by older people (2011/12) | £195,733,225 | £ 649,379,576 |

In London, however, under the terms of the Freedom Pass, travel for older people is also free on tube and overground rail services. We estimate the value of this concession, therefore, as follows:

We know that the total value of travel concessions on London in 2011/12 is £299,230,000. We make an estimate of 10% of the value of this for the cost of free bus travel for young people in London leaving £269,307,000 for older and disabled persons travel. We then reduce this sum by a further 7.8% to account for travel by persons with disabled passes. The resulting total is £248,120,618.

We estimate, therefore, the value of usage of tube/rail services travel by older people to be £248,120,618 less the value of bus journeys by older people (see above) a total of £195,733,225 = £52,387,393.

The estimate of the total cost of these travel concessions for older people in England is, therefore:

| **Location & Mode** | **Cost (£)** |
|---|---|
| | |
| England (excluding London) - Bus | £ 649,379,576 |
| London - Bus | £ 195,733,225 |
| London - Tube & Rail | £ 52,387,393 |
| | |
| **Total Cost of Older Persons Travel Concessions - England** | **£ 897,500,195** |

### b) The Devolved Nations (Scotland, Wales, N Ireland)

The overall costs of concessionary fares schemes in the devolved nations are as follows:

| **Year** | **Scotland (Disabled & Older People)[7]** | **Wales (Disabled & Older People)[8]** | **Northern Ireland (Older People only)[9]** |
|---|---|---|---|
| | | | |
| 2006-07 | £ 163,000,000 | £ 52,000,000 | |
| 2007-08 | £ 174,000,000 | £ 57,000,000 | £ 12,130,000 |
| 2008-09 | £ 181,400,000 | £ 66,000,000 | £ 17,150,000 |
| 2009-10 | £ 187,400,000 | £ 68,000,000 | £ 21,930,000 |
| 2010-11 | £ 189,400,000 | £ 67,000,000 | £ 23,920,000 |
| 2011-12 | | | £ 25,680,000 |

If we estimate the costs of concessions in the devolved nations for disabled people and young people as being 12% of the total costs of concessions (in England we saw that usage by disabled people was approximately 8% of total usage), we can make the following estimates for the total costs of concessionary fares for older people in the UK.

| **Location** | **Cost (£)** |
|---|---|
| | |
| England (excluding London) (11/12) | £ 649,379,576 |
| London (11/12) | £ 248,120,618 |
| **Total England (11/12)** | **£ 897,500,195** |
| **Scotland (10/11)** | **£166,672,000** |
| **Wales (10/11)** | **£58,960,000** |
| **Northern Ireland (11/12)** | **£22,598,400** |
| | |
| **United Kingdom - Total Costs of Older Persons' Concessions** | **£1,145,730,594** |

[7] http://scottish.parliament.uk/Research%20briefings%20and%20fact%20sheets/SB09-02.pdf

[8] http://www.assemblywales.org/qg11-0014.pdf

[9] http://www.niassembly.gov.uk/Documents/RaISe/Publications/2012/regional_dev/18612.pdf

## 2. The Value of Fare Concessions For Journeys To & From Work

Analysis of National Travel Survey (**Appendix - Tables 2 and 3**) shows that amongst those aged over 60:

- In London, 7.1% of the average of 146.4 journeys undertaken by bus every year are for work purposes.
- In London, 25.5% of the average of 50.3 journeys undertaken by tube/rail every year are for work purposes.
- In the rest of England excluding London, 5.0% of the average of 68.8 journeys undertaken by bus every year are for work purposes.

Using our knowledge of the overall costs of concessionary travel for older people identified in Section 1 and the structure of the journeys by mode and purpose, we can estimate the value of these journeys as follows:

| | **London - Bus** | **London - Rail/Tube** | **England excl. London - Bus** |
|---|---|---|---|
| Estimated costs of concessionary travel | £195,733,225 | £52,387,393 | £649,379,576 |
| Estimated proportion of journeys that are for work purposes | 7.1% | 25.5% | 5.0% |
| **Resulting estimated cost of older people's concessionary travel for journeys undertaken for work purposes** | **£13,897,059** | **£13,411,173** | **£31,819,599** |

The total estimated cost of these concessions for work related journeys in England is, therefore, **£59,127,831.**

If we then use the same proportion of journeys undertaken in England outside London by Bus (4.9%) to estimate the cost of journeys to work in the devolved nations, then the cost of these journeys across the whole of the United Kingdom are:

| **Location** | **Costs (£)** |
|---|---|
| | |
| England (excluding London) (11/12) | £ 31,819,599 |
| London (11/12) | £ 27,308,232 |
| **Total England (11/12)** | £ 59,127,831 |
| **Scotland (10/11)** | £ 8,166,928 |
| **Wales (10/11)** | £ 2,889,040 |
| **Northern Ireland (11/12)** | £ 1,107,322 |
| | |
| **United Kingdom - Total Costs of Older Persons Concessions** | £ 71,291,120 |

## 3. The Value of These Travel Concessions To The Individual

Analysis of the National Travel Survey shows the average costs of commuting journeys in 2010 undertaken by the forms of public transport (as the main mode for that journey) which are open to concessionary fares. These are shown below at the 2010 rates and adjusted for inflation to 2012 values (using the latest GDP deflators from HM Treasury *(*www.hm-treasury.gov.uk/d/gdp_deflators.xls)):

| Main Mode & Location | 2010 Cost (pence, rounded) | 2012 Cost (pence, rounded) |
|---|---|---|
| | | |
| London - Bus | 91 | 96 |
| London – Underground | 182 | 191 |
| England Outside London - Bus | 107 | 113 |

On the basis that an individual undertakes 2 public transport journeys per day using the same main mode, 5 days per week and works for 46 weeks per year, the savings and value of those savings tax free (on the basis of their being an older person who is working full time typically having a marginal rate of tax of 30%) are shown on an annual and weekly basis.

| Main Mode & Location | Annual Saving – 2012 Values | Annual Tax-Free Value of Savings | Weekly Value of Tax-Free Saving |
|---|---|---|---|
| | | | |
| London - Bus | £ 441.13 | £ 630.19 | £ 12.12 |
| London – Underground | £ 877.43 | £ 1,253.48 | £ 24.11 |
| England Outside London - Bus | £ 517.96 | £ 739.94 | £ 14.23 |

# Appendix 1 - Tables

**Table 1 (DfT – Bus Statistics)**

**Estimating the Value of Expenditure on Bus Journeys (under the ENTCS) by Older People – 2011/12**

| | London | England excl London |
|---|---|---|
| Net current expenditure on concessionary travel 2011/12 | £299,230,000 | £ 810,174,000 |
| Adjustment for levels of spend | 71.0% | 87.0% |
| Adjustment to remove the usage by disabled people | 92.13% | 92.13% |
| | | |
| Total spending on bus journeys by older people | £195,733,225 | £ 649,379,576 |

**Table 2 (DfT – National Travel Survey)**

**Average Number of Trips Per Year By Public Transport By Mode And Purpose By Those Aged Over 60 (National Travel Survey Analysis by DfT)**

| Journey Purpose | London - Local Bus | London - Rail/Tube | England excl. London - Local Bus |
|---|---|---|---|
| Commuting | 9.6 | 10.5 | 3.1 |
| Business | 0.8 | 2.4 | 0.3 |
| Education / escort education | 1.2 | 0.2 | 0.2 |
| Shopping | 72.4 | 9.2 | 38.6 |
| Personal business & escort | 31.4 | 6.3 | 11.1 |
| Social/ entertainment | 27.8 | 17.5 | 13.2 |
| Holiday/ other | 3.1 | 4.3 | 2.4 |
| | | | |
| **All Purposes - Total Trips per Year** | **146.4** | **50.3** | **68.8** |

**Table 3 (DfT – National Travel Survey)**

**Resulting Structure (from Table 2 above) of Journeys By Public Transport By Mode And Purpose By Those Aged Over 60**

| Journey Purpose | London - Local Bus | London - Rail/Tube | England excl. London - Local Bus |
|---|---|---|---|
| Commuting | 6.6% | 20.8% | 4.5% |
| Business | 0.5% | 4.7% | 0.5% |
| Education / escort education | 0.8% | 0.3% | 0.2% |
| Shopping | 49.4% | 18.2% | 56.1% |
| Personal business & escort | 21.5% | 12.6% | 16.2% |
| Social/ entertainment | 19.0% | 34.8% | 19.2% |
| Holiday/ other | 2.1% | 8.5% | 3.5% |
| All Purposes | 100.0% | 100.0% | 100.0% |

# Appendix 2 - Fares Concessions For Older People – An Outline

Mandatory bus concessions for older and disabled people have been in place since 2001. A major extension of the scheme came in April 2008 when free off-peak local bus travel became eligible to older and disabled people anywhere in England.

The principal elements of the scheme (known in England as the English National Concessionary Travel Scheme (ENTCS)) are as follows. It is important to note that variations in the scheme occur across the Travel Concession Authorities (TCAs) which administer the scheme locally.

- England (excluding London (see below for additional benefits), Free off-peak local bus travel for those aged over 60.[10]

- London.[11] Operates as the Freedom Card and extends to free travel at any time by bus, Tube, DLR, tram, on London Overground and at certain times on National Rail services.

In the devolved nations, the schemes can be outlined as follows:

- Scotland.[12] Free travel on local registered bus services and scheduled long distance bus journeys for people aged 60 or over and eligible disabled people who are resident in Scotland.

- Wales.[13] People aged over 60 and disabled people of any age who are residents in Wales are entitled to a free bus pass.

- Northern Ireland.[14] Free bus and rail travel for everyone aged over 60.

[10] http://webarchive.nationalarchives.gov.uk/20090215180949/direct.gov.uk/en/over50s/travelandleisure/travellingathomeandabroad/dg_10026845

[11] http://www.tfl.gov.uk/tickets/25830.aspx

[12] http://www.scotland.gov.uk/Topics/Transport/concessionary-fares/People

[13] http://www.ageuk.org.uk/cymru/money-matters/consumer-advice/public-transport-and-concessions/

[14] http://www.nidirect.gov.uk/free-bus-travel-and-concessions