

TRANSPORT FOR GREATER MANCHESTER

TRANSPORT ACT 2000

Travel Concession Reimbursement Arrangements

To be valid

From 1st April 2014

TRANSPORT FOR GREATER MANCHESTER

TRANSPORT ACT 2000 TRAVEL CONCESSION REIMBURSEMENT ARRANGEMENTS

1ST APRIL 2014

The Arrangements

1. These Travel Concession Reimbursement Arrangements (subsequently referred to as the "**Arrangements**") are made under the provisions of the Transport Act 2000 ("**2000 Act**") by Transport for Greater Manchester ("**TfGM**").
2. These Arrangements are established (so far as applicable) in accordance with the principles set out in the Mandatory Travel Concession (England) Regulations 2011 ("**MTCER**") and any subsequent applicable regulations and with full regard to relevant guidance issued by the Department for Transport ("**Dft**"). They also ensure that any reimbursement complies with the requirements of EU Regulation 1370/2007. If, during the period that these Arrangements are operative, new regulations come into force to replace MTCER, then to the extent that those new regulations require these Arrangements to be amended, such amendment(s) will be notified to the operator in writing.
3. The Arrangements cover reimbursement arrangements for the mandatory concessions to be provided by operators under the 2000 Act as detailed in paragraph 9 below.
4. Unless otherwise defined in the Arrangements, words or terms used in the Arrangements shall have the same meaning as given to such words or terms in the 2000 Act and MTCER. Unless otherwise stated, references to "**Schedules**" are to schedules to the Arrangements.

Operative Date

5. The Arrangements shall come into operation in their entirety on 1st April 2014.

Principal Area

6. The principal area covered by the Arrangements is the Passenger Transport Area of Greater Manchester, which consists of the administrative areas of the Metropolitan District Councils of Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan ("**Principal Area**").

Services to which the Arrangements Apply

7. In respect of the mandatory travel concessions under the 2000 Act, the Arrangements shall apply to each journey by an Eligible Person (as defined in Schedule 1) on an Eligible Service (as defined in section 146 of the 2000 Act), beginning in the Principal Area.
8. For the purpose of the Arrangements, "journey" means a trip between two points without a change of vehicle or service.

Eligible Persons and Nature of Concession

9. In respect of the mandatory travel concessions under the 2000 Act, operators participating in the Arrangements will be required to provide on their Eligible Services the travel concessions specified in Schedule 1 to any person with a valid statutory travel concessions permit, where such person is complying with the respective conditions of carriage of the operators.
10. TfGM may from time to time vary the Arrangements by notice and, where relevant, such notice should comply with the provisions of section 150 of the 2000 Act.

Payment Periods and Dates

11. The payment periods under the Arrangements are as set out in Schedule 8, or as notified to the operators from time to time by TfGM in writing.
12. Subject to paragraph 23, TfGM 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 TfGM estimates to be due to the operator in that period.
13. Subject to paragraph 23, TfGM 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 12; and
 - (ii) the actual amount calculated as due to the operator for that relevant payment period.

If the amount paid under paragraph 12 above exceeds the amount calculated under paragraph 13(ii) such that TfGM has made an over payment for the relevant period it shall either:

- (a) deduct the level of such overpayment from the next or any subsequent payment; or
- (b) if no such further payment is likely to become due or to be insufficient to recover such overpayment, demand such overpayment by notice in writing to the operator who shall repay the same within 30 days of demand being made.

If a further payment is due to an operator from TfGM in accordance with paragraph 13(i) and 13(ii), and such payment is made more than 3 months after the expiry of a payment period, TfGM must pay interest to the relevant operator (at a rate that is not less than the lowest rate at which TfGM is able to borrow at that time) on the unpaid amount for the period beginning with the last date on which the balance should have been paid, and ending with the date of actual payment.

Standard Method of Determining Reimbursement

14. The standard method(s):
 - (a) for assessing the total number of journeys made by Eligible Persons under the Arrangements are set out in Schedule 2;
 - (b) for assessing the fares value to be attributed to the journeys referred to in paragraph 14(a) above is set out in Schedule 3
 - (c) for calculating the reimbursement for revenue forgone due to the operator will be on the basis of the formula and parameters set out in Schedule 4; and
 - (d) for calculating the reimbursement for any costs additional to basic operating costs is set out in Schedule 9.
15. In calculating the reimbursement due to the operator, TfGM will take into account any data supplied by the operator if it can be demonstrated by the operator that the data supplied is more accurate than the standard method, and is more likely to enable TfGM to meet the applicable objectives for reimbursement set out in the MTCER and EU Regulation 1370/2007.
16. In accordance with regulation 9(4) of the MTCER, by agreement between the operator and TfGM, 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 during the times at which concessions are available;
 - (c) 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 commences participation in the Arrangements in respect of a service.
17. In accordance with regulation 9(4) of the MTCER, TfGM reserves the right in calculating the reimbursement of an operator to:
 - (a) divide the Principal Area into a number of separate parts; and
 - (b) take into account the carrying capacity provided for passengers in different vehicle or classes of vehicles used by the operator;

and, in each case, calculate reimbursement in accordance with the standard method, but by reference to each separate area and/or class of vehicle, where TfGM

considers this appropriate to ensure that it meets the objective that the operator is financially no better and no worse off as a result of participation in the Arrangements.

18. In order to ensure that the reimbursement paid to an operator accords with the general principle that operators both individually and collectively are no better and no worse off financially than they would be if they did not provide mandatory travel concessions, TfGM reserves the right not to apply the standard methodology for calculating reimbursement to any individual service where TfGM, acting reasonably, believes that the nature of that service or the fares charged on that service do, or could, distort the general application of the standard methodology as applied to the operator's other services.

Data

19. When an operator commences the operation of Eligible Services within the Principal Area, it shall supply to TfGM, within 7 days:
 - (a) a list of Eligible 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 their prices; and
 - (c) the running boards/drivers duties applicable to such Eligible Services;

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

20. The operator shall inform TfGM of the introduction or cessation of any Eligible Services, changes to the times at which, and routes on which, Eligible Services operate and any circumstances leading to the temporary cessation or major disruptions to such services, within 7 days of such event occurring.
21. The operator shall provide data to TfGM in accordance with the provisions of Schedule 2 and Schedule 6.
22. The operator, when installing Integrated Transport Smartcard Organisation ("ITSO")-certified ticketing equipment in preparation for the electronic validation of ITSO-enabled English National Concessionary Travel Scheme ("ENCTS") passes, shall ensure that the equipment is configured in such a way that it correctly identifies the travel concession authority in whose area a fare stage of a journey is located. The identifier code for the travel concession authority in the Principal Area is 16656 (forming part of 'Journey Record' code 0209, as defined in Part 6 of the ITSO Specification (being the UK technical standard for interoperable smart ticketing applicable from time to time, and available as at the date of these Arrangements at: <http://www.itso.org.uk/the-specification/>)). This will ensure that the ITSO records of ENCTS journey boardings are allocated to the travel concession authority where the boarding took place. The ITSO journey records for ENCTS boardings must also contain data which will enable TfGM to readily identify the operator; the number of

the service on which the boarding took place; and the fare stage in which the boarding took place.

23. If the operator fails to provide such information or data as is referred to in these Arrangements, or to allow such access for surveys as is required pursuant to Schedule 5, then TfGM may at its discretion either:
 - (a) defer all or part of any payment otherwise due to the operator until such omission is fully rectified; or
 - (b) reimburse the operator on the basis of such estimated reimbursement as it considers appropriate in the absence of such data or survey information.
24. Where it becomes apparent to TfGM that any Eligible Service is or has been subject to material disruption, or has not been operated in accordance with the registered timetable, then TfGM 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.

Recalculation of Reimbursement

25. At the end of each financial year, TfGM shall review the reimbursement calculations made in accordance with these reimbursement arrangements during the previous financial year. Such review shall be concluded within 3 months.
26. If, following the review referred to in paragraph 25, it is determined by TfGM that the amount of reimbursement paid to an operator during the previous financial year was lower than the amount of reimbursement actually due to that operator, TfGM shall pay the difference to the operator within 3 months of the date of recalculation.
27. If, following the review referred to in paragraph 25, it is determined by TfGM that the amount of reimbursement paid to an operator during the previous financial year was higher than the amount of reimbursement actually due to that operator, TfGM shall either:
 - (a) deduct by equal instalments the amount of over reimbursement from the next three payments to be made under paragraph 12 above; and/or
 - (b) if such next three payments are not or will not be sufficient to re-pay such over-reimbursement, demand such over-reimbursement from the operator by notice in writing, and the operator shall be obliged to make such repayment within 30 days of receiving such demand.
28. If, following the review of the reimbursement calculations in accordance with the provisions of paragraph 25 above, there is a dispute between an operator and TfGM 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 Eligible Persons to receive concessions on the operator's Eligible Services covered by the Arrangements;
- (b) the total number of journeys made by Eligible Persons to receive concessions on the operator's Eligible Services covered by the Arrangements; or
- (c) the number of additional journeys generated in consequence of the availability on the operator's Eligible Services of such concessions;

such dispute shall be the subject of the dispute resolution procedure set out in Schedule 7. The dispute resolution procedure shall not prejudice the Operator's statutory right of appeal to the Secretary of State.

- 29. Any changes proposed by TfGM to the underlying methodology which impact directly on the Revenue Reimbursement Rate will be subject to the relevant statutory notice period.

Survey Facilities

- 30. The provisions of Schedule 5 shall apply in respect of surveys.

Other Requirements of the Arrangements

- 31. Operators whose reimbursement payments are being determined by TfGM using the Smart Data method described in Schedule 2, are expected to use reasonable endeavours to minimise the number of journeys made by holders of ENCTS passes where such passes are not electronically validated on the operators' ticketing equipment when boarding their vehicles in the Principal Area, in order to prove their entitlement to travel at the ENCTS free fare. Such endeavours are expected to include making an appropriate reference in an operator's conditions of carriage to the requirement for holders of ITSO-enabled passes to present their passes to the ticket machine's smartcard reader, and appropriate training and monitoring to ensure that drivers routinely request pass holders to comply with this requirement. Drivers should also be instructed to advise the holders of ENCTS passes which do not generate an electronic boarding record when presented to a smartcard reader (even though the ENCTS pass may appear to be valid) to contact their pass issuing authority to obtain a replacement pass. Reasonable allowance should be made by operators for circumstances where holders of ENCTS disabled persons passes would experience undue difficulty in presenting their pass to the card-reading device. This may involve drivers assisting the electronic validation process or, in exceptional circumstances, manually recording the journey.
- 32. Operators whose reimbursement payments are being determined by TfGM using the Smart Data method described in Schedule 2 are also expected to implement appropriate procedures with regard to "hot-listing" of ENCTS passes (which implementation shall not be unreasonably withheld or delayed), as shall be reasonably requested by TfGM from time to time.

33. Any operator participating in the Arrangements shall display on his vehicles any sign, supplied by TfGM, for the purpose of showing that concessions are available on those vehicles.
34. Operators shall not discriminate against Eligible Persons, or any class of Eligible Persons, in the provision of Eligible Services or associated services and facilities.

Contact for Communications

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

Position: Concessionary Travel and Operator Payments Manager
Address: TfGM, 2 Piccadilly Place, Manchester, M1 3BG

Email: operatorpayments@tfgm.com

Tel: 0161 244 1121

Fax: 0161 244 1301

36. On commencing the provision of Eligible Services in the Principal Area, the operator shall provide to TfGM details of the name, address, telephone number, fax number and email address of its official contact for communications in relation to these arrangements, and shall by notice in writing inform TfGM of any changes to the same.
37. Any notice or communication sent to the last such address, email 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 TfGM of such an official contact, then TfGM 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 Persons and Nature of Concessions Under 2000 Act (paragraph 9)

Class of Eligible Persons		Nature of Concession to be Provided (Bus only)
(i)	<p><u>Elderly Persons</u> (as defined in section 146 of the Transport Act 2000), presently:</p> <p>(a) in the case of a woman, her pensionable age,</p> <p>(b) in the case of a man, the pensionable age of a woman born on the same day.</p>	<p>On production of a valid English National Travel Concession pass a person shall be carried without charge, subject to complying with individual operator's conditions of carriage, 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 23.00.</p>
(ii)	<p><u>Disabled Persons</u> (as defined in section 146 Transport Act 2000)</p>	<p>(b) Saturdays, Sundays and Bank Holidays. All day until end of normal services.</p>

Schedule 2

Standard Method of Determining Passenger Journeys

1. Operation of the Standard Method

1.1. TfGM will determine its reimbursement payments to the operator on the basis of either:

- the **"Survey Data method"** - the estimates it makes of the total number of journeys made by Eligible Persons using the designated concessionary pass on the operator's Eligible Services, boarding in the Principal Area, using Survey Data collected and analysed in accordance with the arrangements set out in TFGM's concessionary travel survey methodology (as determined by TFGM from time to time); or
- the **"Smart Data method"** - electronic journey transaction data (ITSO data) generated by the electronic validation of an ENCTS pass on appropriately ITSO-certified electronic ticket machines, by Eligible Persons boarding Eligible Services in the Principal Area.

1.2. The two methods; the circumstances in which each will apply; and the process for the transition from the Survey Data method to the Smart Data method are explained below.

2. Survey Data method

2.1. For all operators except those for which alternative arrangements, including the Smart Data method, are made by agreement with TfGM, the estimates of passenger journeys are calculated using Survey Data collected and analysed in accordance with the arrangements set out in TFGM's concessionary travel survey methodology (as determined by TfGM from time to time).

2.2. Survey Data will ordinarily be collected by Data Collectors on a continuous basis throughout the year. However, where TfGM has reason to believe that carrying out surveys on a continuous basis throughout the year is inappropriate in relation to a particular operator, Survey Data in respect of such Operator's Eligible Services shall be collected once in every financial year (or such other period as TfGM and the relevant operator shall agree) on a periodic basis during a limited period.

2.3. The survey methodology requires that the operator provides TfGM with full details of the Eligible Services on which concessionary passengers may use the designated concession, as specified in Paragraphs 19 to 23 of these Arrangements. The operator is required to allow surveyors employed by TfGM, or its agents, access to all passengers using its Eligible Services, as specified in Schedule 5.

2.4. As specified in TfGM's concessionary travel survey methodology, TfGM will calculate for each Payment Period as set out in Schedule 8 the total number of passenger journeys made by Eligible Persons 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 (as defined in paragraph 1.4 of Schedule 4).

- 2.5. In the event that the operator fails to provide sufficient information to enable TfGM to operate its survey procedures as specified in TfGM's concessionary travel survey methodology, TfGM 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.

3. Smart Data method

- 3.1. For operators claiming the Bus Service Operators Grant ("**BSOG**") smartcard incentive introduced by the DfT in 2010, and operators whose vehicles are equipped with ITSO-certified ticketing equipment capable of validating ENCTS passes, TfGM will apply the Smart Data method for the determination of passenger journeys.
- 3.2. The Smart Data method requires that, within seven days of the end of each calendar month, operators provide TfGM with statements of the number of passenger boardings during the hours of entitlement to the ENCTS concession in the Principal Area by Eligible Persons on Eligible Services during the previous month. The statement shall include separate totals for each operated service, for:
- electronically generated boardings by valid TfGM-issued elderly persons passes – identifiable from the following ITSO data fields encoded in the ENCTS passes – CPICC 16656, IPE TYP 16, PTYP 30, Concessionary Class 4;
 - electronically generated boardings by valid TfGM-issued disabled persons passes – identifiable from the following ITSO data fields encoded in the ENCTS passes – CPICC 16656, IPE TYP 16, PTYP 29, Concessionary Class 5;
 - electronically generated boardings by valid TfGM-issued Concession plus disabled persons passes – identifiable from the following ITSO data fields encoded in the ENCTS passes – CPICC 16656, IPE TYP 16, PTYP 3, Concessionary Class 5;
 - electronically generated boardings by all valid ENCTS passes issued by other authorities – the host-operator processing system ("**HOPS**") provider and electronic ticketing machine ("**ETM**") supplier of an operator will be able to ensure that an operator's ticketing equipment is capable of identifying and electronically validating all ENCTS passes which have been issued by other travel concession authorities. The data required to enable them to do this is maintained by ITSO Limited; and
 - manually recorded boardings by ENCTS pass holders.
- 3.3. TfGM reserves the right to validate the level of manually recorded boardings and may adjust the numbers of manually recorded boardings on which reimbursement is paid if observed levels are materially different from those included in an operator's statements or if the proportion of manually recorded boardings is significantly higher than the levels reported by the majority of other operators without a valid reason.

4. Transition from Survey Data method to Smart Data method

- 4.1. Within one calendar month of an operator having installed ITSO-certified ticketing equipment capable of validating ENCTS passes in accordance with the principles of the national off peak free scheme, the operator shall require holders of ENCTS passes to electronically validate their passes on the ITSO card-reading device on each boarding of all their services in the Principal Area.
- 4.2. Once its ITSO-certified equipment is operational, the operator will submit statements to TfGM of passenger boardings in accordance with the timescales and content set out in paragraph 3.2 of this Schedule 2 (which statements, when submitted to TfGM for the first time by an operator, will clearly specify the date on which an operator commenced requesting holders of ENCTS passes to validate their passes on the ITSO card-reading device on each boarding of their services in the Principal Area).
- 4.3. TfGM will evaluate and compare the content of the operator's statements against the ITSO data from the operator's smart boarding transactions which is delivered to TfGM's HOPS, in accordance with the ITSO protocols. Any differences between the operator's statements and the ITSO data delivered to TfGM's HOPS, and the potential causes of them, will be investigated by TfGM and the operator. When satisfactory explanations and, where appropriate, resolutions to the causes have been implemented, such that the statements provided by the operator are accepted by TfGM as providing reliable data for the purposes of calculating concessionary payments, the operator's reimbursement will be calculated using the Smart Data method.

Schedule 3

Standard Method of Determining the Average Fare that would be paid in the absence of the concession

1. The Average Fare Forgone

- 1.1. This Schedule describes the method that will be used by TfGM to estimate the average fare that would be paid by Eligible Persons (if the relevant concession did not apply) for each journey made using the relevant concession (as defined in Schedule 1) on the operator's Eligible Services (as defined in Section 146 of the 2000 Act) beginning in the Principal Area, in the absence of the Scheme. This value, which is called here the Average Fare Forgone, is represented in the formulae set out in Schedule 4 by 'AFF'.
- 1.2. The DfT Guidance describes a number of methods of calculating the Average Fare Forgone which are appropriate in differing circumstances. It is the intention of TfGM to apply the appropriate method recommended by the DfT for the specific circumstances of each operator. This is expected to be the method described by the DfT as the Discounted Fare Method, which adjusts the full commercial adult cash fare downward so as to reflect the fact that in the absence of free-fare schemes, individuals would take up discounted tickets.
- 1.3. The operator and TfGM may agree the methodology for calculating the Average Fare Forgone that is relevant to the circumstances of the operator.
- 1.4. The Average Fare Forgone will be calculated for the operator on a quarterly basis.

2. Inputs into the Discounted Fare method

- 2.1. The principal determinants of the Average Fare Forgone are the relative prices of cash fares, day tickets and weekly tickets, as described in the DfT Guidance.
- 2.2. To minimise data requirements from the operator, TfGM and the operator will agree a mapping of the different ticket products and price denominations offered by the operator onto generic ticket types. It is envisaged that each distinct product will be categorised into one of the categories summarised in Table 3.1. The operator is required to supply TfGM with an updated list of ticket products as, and when, old ticket products are withdrawn or new products are introduced, to enable TfGM to monitor the commercial offer, and determine whether aspects of the discount factor calculation need to be reviewed.

Table 3.1 Ticket Types and categories

Generic Ticket Type	Types of ticket product
Cash fares	Singles, returns and tickets which are valid for a specified number of journeys, e.g. carnets.
Day tickets	Tickets offering unlimited journeys within a day
Weekly tickets	Tickets offering unlimited journeys within a week
Period tickets for longer than a week (to be converted into the equivalent of weekly tickets)	Tickets offering unlimited journeys within a specified period longer than a week

2.3. For each of the above ticket types, the operator is expected to provide TfGM with the following data for each calendar month:

- the total revenue obtained from sales of the ticket type; and
- in the case of cash fares, the number of singles, returns and other ticket types sold, and the numbers of journeys that would ordinarily be made by passengers using each of these ticket types, e.g. two journeys per return ticket;
- in the case of day and weekly tickets, the number of such tickets sold at each available price; and
- the number of such tickets that are multi-operator and multi-modal products.

2.4. If an operator sells any tickets off-bus, the information set out in paragraph 2.3 of this Schedule, shall be provided separately in respect of on-bus sales and off-bus sales.

2.5. This information will be used to estimate the average cash fare paid by commercial passengers and the average price per ticket of daily and weekly tickets respectively.

3. Calculation of the Average Fare Forgone

3.1. The three values derived as above will be input into the Average Fare Forgone calculation sheet contained in the DfT's Reimbursement Calculator and the resulting Average Fare Forgone used in the calculation of the value of Revenue Forgone payable to the operator.

- 3.2. With effect from 1 April 2014, when using a version of the DfT's Reimbursement Calculator, TfGM will use original data on journey frequency from the West Midlands mandatory concession scheme, administered by the West Midlands Passenger Transport Executive ("Centro"), in place of original data on journey frequency from the Nowcard scheme in Lancashire which is used in the 'standard' version of DfT's Calculator. This is because the Centro data, rather than the Nowcard data, is more representative of concessionary passenger behaviour in the Principal Area. It is proposed that the Centro data will be used until such time as TfGM determines, in its sole discretion and acting reasonably, that sufficient smart transaction data is available for ENCTS boardings in the Principal Area. TfGM shall give operators 28 days' written notice of its intention to rely upon smart transaction data from the Principal Area, rather than Centro data.
- 3.3. TfGM may at its discretion, but in agreement with the operators, choose to adopt an alternative method for calculating the Average Fare Forgone for Eligible Persons carried on that operator's services.

Schedule 4

Standard Method of Determining Revenue Forgone

1. Calculation of Reimbursement for Revenue Forgone

- 1.1. TfGM will calculate reimbursement payments so as to satisfy the objectives set out in paragraph 2 of the Arrangements.
- 1.2. Calculation of the reimbursement due will be made in accordance with the payment periods set out in Schedule 8.
- 1.3. Reimbursement for revenue forgone is taken to mean TfGM's estimate of the revenue by way of fares that the operator would have earned if the concession did not exist.
- 1.4. The revenue forgone will be calculated using a formula in which the variables are defined as follows:
 - the total number of passenger journeys made by eligible persons using the relevant concession on the operator's eligible services as defined in section 146 of the 2000 Act, as estimated by TfGM using the procedures described in Schedule 2. The quantity of concessionary journeys is represented in the formulae below by J;
 - the AFF represents the average commercial adult fare that eligible persons would pay on the operator's eligible services in the absence of the scheme, as estimated by TfGM using the procedure described in Schedule 3. The average adult fare is represented in the formulae below by AFF.
 - 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.
- 1.5. For a given payment period, the reimbursement due to the operator for revenue forgone will be calculated using the formula:

$$\text{Revenue Forgone} = J * RF * \text{AFF}$$

or in other words, the revenue forgone is the product of the number of concessionary journeys, the Reimbursement Factor, and the Average Fare Forgone.

2. Default Reimbursement Factor calculation

- 2.1. In the absence of agreement to the contrary, the Reimbursement Factor will be calculated in accordance with the DfT Guidance using the current version of the DfT Reimbursement Calculator spreadsheet, modified by TfGM as described in Schedule 3.

- 2.2. The Area Type selected will be "PTE".
- 2.3. TfGM will estimate the change in the operator's average fare between 2005/6 and the equivalent fare in the payment period from the most appropriate data it has available. TfGM will take into account any data supplied by the operator for the purposes of calculating the change in fare, if it can be shown that the data supplied is more likely to lead to reimbursement that satisfies TfGM's "no better off and no worse off" objective.

Schedule 5

Survey Facilities

1. An operator shall allow TfGM's officer's 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 TfGM of reimbursement payments.
2. The survey data will be utilised by TfGM in calculating or validating the reimbursement payable 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, whether the concessionary pass shown is valid and belongs to the person presenting it and whether the pass has been electronically validated on that journey;
 - (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 TfGM may from time to time reasonably consider it necessary, or desirable, to obtain in order to enable TfGM to reimburse each operator in accordance with these Arrangements.
4. Each operator is requested to procure that each driver of its vehicles will make available to any survey staff who requests 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.

Schedule 6

Data Provision for the Determination of Passenger Journeys and the Calculation of Average Fares

1. Each operator whose Eligible Services are surveyed on a continuous basis throughout the year shall provide to TfGM, within seven days of the end of each calendar quarter, an accurate and complete statement (in such form as TfGM shall from time to time reasonably require) of the total revenue received by the relevant operator from all on-bus sales of tickets for its Eligible Services in the Principal Area in respect of such quarter, the total revenue for each ticket type referenced in Schedule 3, and the number sold of each such ticket type.
2. Each operator whose Eligible Services are surveyed on a periodic basis, is requested to provide to TfGM within seven days of the end of each calendar month, an accurate and complete statement (in such form as TfGM shall from time to time reasonably require) of the total revenue received by the relevant operator from all on-bus sales of tickets for its Eligible Services in the Principal Area in respect of such calendar month, the total revenue for each ticket type referenced in Schedule 3, and the number sold of each such ticket type and in the event that an operator does not comply with this request such operator will, no less than once in every period of three calendar months nominated by TfGM provide such a statement to TfGM in respect of such three month period.
3. In addition, subject to TfGM notifying the operator of the period during which Survey Data is to be or has been collected pursuant to paragraph 2.2 in Schedule 2, each such operator is requested to provide to TfGM, as soon as reasonably practicable following the end of such period, an accurate and complete statement (in such form as TfGM shall from time to time reasonably require) of the total revenue received by the relevant operator from all on-bus sales of tickets for its Eligible Services in respect of such period.
4. Each operator whose reimbursement payments are determined on the basis of the Smart Data method set out in Schedule 2 shall provide to TfGM within seven days of the end of each calendar quarter, an accurate and complete statement (in such form as TfGM shall from time to time reasonably require) of the total revenue received by the relevant operator from all on-bus and off-bus sales of tickets for its Eligible Services in the Principal Area in respect of such month, the total revenue for each ticket type referenced in Schedule 3, and the number sold of each such ticket type.
5. In the event of any delay, or failure, on the part of any operator to provide to TfGM any information to which TfGM is entitled pursuant to these Arrangements TfGM shall be entitled to delay or withhold payment of reimbursement to the operator concerned.

Schedule 7

Dispute Resolution Procedure

1. In the event of any dispute arising in connection with any matter arising from paragraph 24 of the Arrangements, 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 10 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 meetings, either TfGM or the Operator may (at such meeting or within 10 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 an Independent Expert, or if the Independent Expert agreed upon is unable or unwilling to act, then any party may within 10 working days from the date of the proposal to appoint an Independent Expert, or within a further 10 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 of this Schedule, 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 TfGM 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 its determination of the dispute shall be final and binding on the parties (save in the case of manifest error);
 - (c) TfGM 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).

Schedule 8

Payment Periods (paragraph 12)

1. The payment periods under the arrangements shall be the calendar months. TfGM reserves the right, however, to change the payment periods with regard to individual operators in appropriate circumstances. Such revised periods will not be longer than a calendar month.

Schedule 9

Additional Costs

1. Reimbursement for Additional Costs

- 1.1. An operator shall be entitled to additional reimbursement payments in accordance with regulation 11 of MTCER.
- 1.2. As recommended by DfT's Guidance, TfGM will calculate reimbursement for marginal operating costs and marginal capacity costs using the DfT Calculator to estimate the respective marginal cost rates per generated concessionary passenger. In some circumstances the marginal capacity cost per generated passenger will be calculated to be zero, in which case no capacity costs will be payable, although marginal operating costs would be paid.
- 1.3. The marginal cost rates will be calculated for a Reference Period which will be determined by TfGM (after consultation with the operator) relative to the year to which the discount factor will be applied. The Reference Period will be such as to enable the marginal cost rates to be determined prior to the commencement of the financial year (1st April) to which they will be applied. Note that the Reference Period for calculating additional cost rates may not be identical to the reference period used for estimating average fare discount factors as described in Schedule 3.
- 1.4. Marginal capacity costs will not be paid in respect of generated concessionary passengers on eligible services which are operated under contract to TfGM.
- 1.5. The calculation of the marginal operating and capacity cost rates will be as follows.

2. Marginal Operating Cost

- 2.1. The Marginal Operating Cost Rate per generated passenger will be calculated using the DfT Calculator, which provides for a local estimate of the Average Passenger Journey Length. In this context it will be assumed that the relevant measure is the average journey length of concessionary passengers, since it is the additional operating cost associated with carrying concessionary passengers that is of interest.
- 2.2. An average concessionary journey length will be estimated by TfGM from available data, following consultation with the operator.
- 2.3. TfGM will use the Additional Marginal Cost per generated passenger calculated by the DfT spreadsheet to estimate the reimbursement due to the operator for additional marginal operating costs for each period, as described in Section 4.

3. Marginal Capacity Costs

- 3.1. The Marginal Capacity Cost Rate per generated passenger will be calculated using the DfT Calculator, which provides for local estimates of a number of input variables. These will be estimated by TfGM from available data, following consultation with the operator, and are as follows:
 - (a) Average vehicle speed (including layover times) in mph;

- (b) Average route length in miles;
 - (c) Average passenger trip length in miles – in this context, it will be assumed that the most relevant definition is the average trip length of all passengers (concessionary and non-concessionary);
 - (d) Average bus occupancy – in other words, the average load on board. This can be calculated as the ratio of passenger miles to bus miles;
 - (e) Commercial journeys as a % of the total;
 - (f) Average commercial fare.
- 3.2. TfGM will take account of operator-supplied data where it can be demonstrated to be more appropriate or accurate.
- 3.3. By default, the DfT Calculator will be used to make a single calculation of the marginal capacity cost per generated passenger, with inputs based on network-wide values. In consultation with operators, TfGM may calculate marginal capacity costs on a more disaggregate basis if this appears likely to lead to a result that is closer to TfGM’s “No better, no worse off” objective.
- 3.4. Operators should be aware that the DfT’s calculator may lead to the conclusion that no marginal capacity costs are payable, depending upon local circumstances as defined by the local values of input variables.

4. Calculation of Reimbursement for Additional Operating and Capacity Costs

- 4.1. The marginal cost rates per generated passenger for Operating and Capacity costs calculated for a given Reference Period by the DfT Calculator will be added together to give a combined Marginal Cost (MC) rate per generated passenger for the Reference Period
- 4.2. Reimbursement for marginal costs for individual payment periods will then be calculated using the formula:

$$\text{Reimbursement} = \text{MC} * \text{J} * (1 - \text{RF})$$

where MC is the Marginal Cost Rate per generated passenger for the Reference Period, J is the total number of concessionary journeys made on the operator’s eligible services in the payment period (as estimated according to Schedule 2), and RF is the Reimbursement Factor calculated for the payment period (calculated according to Schedule 4).

- 4.3. TfGM will, subject to the agreement of the operator, in circumstances where it considers that the data required to calculate reimbursement for marginal costs is not sufficiently reliable or appropriate for the purposes of achieving a “no better no worse off” outcome, pay a value per generated passenger which is notified in advance of each financial year. This payment will ordinarily be adjusted each year in line with the movement in the Confederation of Passenger Transport UK bus and coach operator Cost Index for Northern England. For 2014/15 this combined

marginal cost payment will be 12.89 pence per generated passenger (6.9 pence in respect of generated passengers on services which are operated under contract to TfGM).

5. Other Additional Costs

- 5.1. TfGM will consider claims for reimbursement for additional costs where these would not otherwise be reimbursed, including potentially, demonstrable, incremental administration costs and demonstrable, incremental peak vehicle costs.
- 5.2. Any operator claiming additional reimbursement payments shall, in making such a claim, provide TfGM with sufficient information supporting their claim.
- 5.3. For claims involving additional costs for increases in the capacity or number of vehicles, the information required includes, but is not limited to:
 - (a) details of the additional number, or capacity of vehicles used in providing eligible 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.
- 5.4. TfGM shall use all data provided by the operator in conjunction with any further information that TfGM may itself have (including, but not limited to, Survey Data and Smart Data) to assess the additional costs incurred by the operator and assess the additional reimbursement payments to be made.
- 5.5. Payment of additional reimbursement under this Schedule shall be paid as agreed by TfGM and the operator, or in the absence of agreement, by 12 equal monthly instalments starting from the payment date.