

**MERSEYTRAVEL**

**TRANSPORT ACT 2000**

**Travel Concession (Bus) Reimbursement  
Arrangements**

To be valid

From 1 April 2015

## Merseytravel

### Transport Act 2000 Travel Concession Reimbursement Arrangements

1 April 2015

#### 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 Merseytravel.
2. Arrangements are established (so far as applicable) in accordance with the principles set out in the Mandatory Travel Concession (England) Regulations 2011 (“**MTCR**”) and any subsequently applicable regulations and with full regard to relevant guidance issued by the Department for Transport and the requirements of EU Regulation 1370/2007. In the event that the MTCR are amended and/or new regulations come into force during the period that these Arrangements are operative, to the extent those amendments and/or new regulations require these Arrangements to be amended, such amendment will be notified to the operator in writing.
3. The Arrangements govern reimbursement for the mandatory concessions to be provided by operators under the 2000 Act as detailed in clause 9 below. The arrangements herein will also govern reimbursement under the Transport Act 1985 Scheme.
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 MTCR.

#### Operative Date

5. The Arrangements shall come into operation in their entirety on 1 April 2015.

#### Principal Area

6. The principal area covered by the Arrangements is the travel concessionary authority area of Merseytravel, which consists of the administrative areas of the Metropolitan District Councils of Liverpool, Wirral, Sefton, St Helens and Knowsley (“**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 made by an eligible person (as defined in Schedule 1) on a registered eligible local bus service (as defined in section 146 of the 2000 Act and as further defined in the Travel Concessions (Eligible Services) Order 2002 and the Travel Concessions (Eligible Services) (Amendment) Order 2009) beginning in the Principal Area.
8. For the purpose of the Arrangements “**journey**” shall mean a single bus boarding, starting when the concessionary passenger boards the bus at a bus stop and ending when the concessionary passenger alights the bus.

#### Eligible Persons and Nature of Concession

9. In respect of the mandatory travel concessions under the 2000 Act operators participating in the Arrangements shall be required to provide on their eligible

services the travel concessions specified in Schedule 1 to any person with a valid statutory travel concession permit.

10. Merseytravel may from time to time vary the Arrangements by notice and where relevant such notice shall 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 Merseytravel in writing.
12. Subject to clause 22, Merseytravel will make a payment to operators not later than the Friday of the third week of each payment period, equal to not less than 85% of the sum Merseytravel estimates to be due to the operator in that period.
13. Subject to clause 22, Merseytravel 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 clause 12 and,
  - (ii) the actual amount calculated as due to the operator for that relevant payment period.

If the amount paid under clause 12 above exceeds the amount calculated under clause 13(ii) such that Merseytravel has made an over payment for the relevant period it shall notify the operator accordingly in writing and either:

- (a) deduct the level of such overpayment from reimbursement payments due to that operator in the next or any subsequent payment period; or
- (b) where the relevant person is no longer an operator, and/or if no such further payment is likely to become due or if such further payment is unlikely to be sufficient from which to recover such overpayment, unless that person disputes the existence or amount of the overpayment (in which case clause 24 shall apply), Merseytravel shall demand such overpayment by notice in writing from that person who shall repay the same within 30 days of receipt of such demand.

#### Standard Method of Determining Passenger Journeys and Fare Values/Reimbursement Arrangements

14. The standard method for assessing the total number of journeys made by eligible persons under the Arrangements is set out in Schedule 2. The standard method for assessing the fares value to be attributed to those journeys is set out in Schedule 3. The standard method for calculating the reimbursement due to the operator will be on the basis of the formula and parameters set out in Schedule 4. The standard method for calculating the reimbursement for additional costs is set out in Schedule 9. In calculating the reimbursement due to the operator, Merseytravel will take into account any data supplied by the operator if it can be shown that the data supplied is more accurate than the standard method and is more likely to enable Merseytravel to meet the applicable objectives for reimbursement set out in the MTCR and EU Regulation 1370/2007.

15. By agreement between the operator and Merseytravel the standard method need not be applied in respect of calculating the reimbursement of that operator. For example, the standard method need not be applied in cases where the operator's vehicles are not equipped with ITSO standard smart ticketing machines.
16. Where reimbursement payments are estimated or calculated otherwise than by reference to the standard method, Merseytravel shall adjust such reimbursement payments accordingly if, and to the extent that, any information upon which they were based is shown to be inaccurate in any material respect.
17. Merseytravel reserves the right in calculating the reimbursement of an operator to:
  - (a) divide the area covered by the scheme 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 Merseytravel 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 its participation in the Scheme.

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, Merseytravel reserves the right to apply the standard methodology for calculating reimbursement to any individual service where Merseytravel, 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 Merseytravel, 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
20. The operator shall inform Merseytravel 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 Merseytravel in accordance with the provisions of Schedule 6.
22. If the operator fails to provide such information or data as is referred to above, or to allow such access for surveys as is required pursuant to Schedule 5 either:

- (a) in the case of a payment due in accordance with clause 12, in sufficient time to allow Merseytravel to form a reasonable estimate of the amount of the payment; or
- (b) in the case of a payment due in accordance with clause 13, in sufficient time to allow Merseytravel to calculate the amount of the payment,

then Merseytravel may in its discretion either defer all or part of any payment otherwise due to the operator until such omission is fully rectified, or reimburse the operator on the basis of such estimated reimbursement as it considers appropriate in the absence of such data or survey information.

#### Review of Reimbursement

- 23. At the end of each financial year Merseytravel and operators shall review the reimbursement calculations made in accordance with the Arrangements during the previous financial year. This review shall include consideration of any more accurate information that may have become available, which may result in a recalculation of reimbursement applicable to each operator. Such review shall be concluded within 3 months of the end of the financial year.
- 24. The review shall cover concessionary patronage, the applicable discount factor, the reimbursement factor and any additional costs. The review will not incorporate any changes to the standard methods of determining reimbursement as defined in this document.
- 25. If following the review it is determined by Merseytravel that the amount of reimbursement paid during the previous financial year should have been higher Merseytravel shall pay the difference to the operator within 3 months of the date of recalculation.

If following the review it is determined by Merseytravel that the amount of reimbursement paid during the previous financial year should have been less Merseytravel shall:

- (a) deduct by equal instalments the amount of over reimbursement from the next three payments to be made under clause 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 14 days of receiving such demand.

#### Dispute Resolution Procedure

- 26. If, following the review of the reimbursement calculations in accordance with the provisions of clause 23 above, there is a dispute between an operator and Merseytravel 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 persons eligible to receive concessions on the operator's eligible services covered by the Arrangements; or
  - (b) the total number of journeys made by persons eligible 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; or
- (d) any other dispute,

then such dispute shall be the subject of the dispute resolution procedure set out in Schedule 7.

#### Survey Facilities

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

#### Other Requirements of the Arrangements

- 28. Any operators participating in the Arrangements shall display on its vehicle any sign, supplied by Merseytravel, for the purpose of showing that concessions are available on such vehicles.
- 29. 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

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

Position: Mrs C Mitchell, Data and Analysis Team Leader

Address: Merseytravel, PO Box 1976, Liverpool L69 3HN

E-mail: carol.mitchell@merseytravel.gov.uk

Tel 0151 330 1316

- 31. On commencing the provision of eligible services in the Principal Area, the operator shall provide to Merseytravel details of the name, address, telephone number and email address of its official contact for communications in relation to the Arrangements, and shall by notice in writing inform Merseytravel of any changes to the same.
- 32. Any notice or communication sent to the last such address or e-mail address 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 Merseytravel of such an official contact, then Merseytravel 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 the 2000 Act

Class of Eligible Persons		Nature of Concession to be Provided (Bus only)
(i)	<u>Older Persons</u> Women and men who have attained the age of entitlement as defined in the Travel Concession (Eligibility)(England) Order 2010	On production of an English National Concessionary Travel Pass a person shall be carried without charge on services to which the Arrangements apply, provided that the actual time of boarding falls between the following hours:
(ii)	<u>Disabled Persons</u> (as defined in section 146 Transport Act 2000)	(a) Monday to Friday (except when the day is a bank holiday) 09.30 to 23.00; or  (b) Saturdays, Sundays and bank holidays

## Schedule 2

### Standard Method of Determining Concessionary Passenger Journeys

#### 1. Operation of the Standard Method

1.1 Merseytravel will determine its reimbursement payments to the operator on the basis of the estimates it makes of the total number of passenger journeys made by eligible persons using the relevant concession on the operator's eligible services.

1.2 For the purpose of such calculation Merseytravel will use:

(a) the number of eligible journeys recorded using smart ticketing as determined from Host Operating Processing System(HOPS) data ;  
and

(b) manual journey records recorded by the operator using the electronic ticketing machine (ETM) on the vehicle in respect of an eligible journey where such operator was unable to reasonably record such eligible journey using smart ticketing, which shall include:

(i) Any eligible service operated using a vehicle without a smart ticketing machine:

(ii) For any eligible service operated using a vehicle with a smart ticket machine, any failure of the smart element of the relevant smartcard or any failure of the smart ticketing machine, provided that for each such eligible journey the operator identifies to Merseytravel the reason for such failure to record the eligible journey using smart ticketing

(c) Merseytravel will set limits of acceptable manual record levels which will be issued to operators in due course. Manual journey record data may be required to be broken down by route, date time of day and journey if required by Merseytravel for audit purposes.

#### 2. Output from the Standard Method

2.1 Merseytravel will access via the HOPS data and manual journey records for each of the payment periods and dates set out in Schedule 8 the total number of eligible journeys made by eligible persons using the relevant concession on the operator's eligible services. This is the quantity of concessionary journeys represented by the letter "J" in the formulae set out in Schedule 4.

2.2 Merseytravel will include all smart journey transactions received in the HOPS up to 28 days after the transaction date. Manual journey records for a relevant period will be required to be received by Merseytravel within a week of the end date of that period.

2.3 Due to the timescales involved (see schedule 8) an estimated payment will be made for each period with an adjustment made two periods later taking account of actual data for that period.

3. **Estimates to be made in the absence of information from the operator**

3.1 In the event that the operator fails to provide sufficient information to enable Merseytravel to determine the number of concessionary journeys made during a particular period Merseytravel may at its discretion make such estimates as it thinks fit of the concessionary journeys made by eligible persons carried by the operator on eligible services, subject to correction when, and to the extent that, better information is made available to Merseytravel.

## Schedule 3

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

#### 1. The Average Fare Foregone

- 1.1 This Schedule describes the method that will be used by Merseytravel 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 Foregone ("**AFF**"), 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 AFF which are appropriate in differing circumstances. It is the intention of Merseytravel to apply the appropriate method recommended by the DfT for the specific circumstances of each operator. This is expected to be 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 Merseytravel may agree the value of or an alternative methodology for calculating the AFF but in the absence of such agreement the standard method that shall be used by Merseytravel is set out below.
- 1.4 The AFF will be calculated for the operator on a quarterly basis.

#### 2. Inputs into the Discount Factor Calculation

- 2.1 The principal determinants of the Discount Factor are the relative prices of cash fares, daily tickets and weekly tickets, as described in the DfT Guidance.
- 2.2 To minimise data requirements from the operator, Merseytravel will determine (after consultation with the operator and taking into account their reasonable comments) a mapping of the different ticket products and price denominations offered by the operator onto generic ticket types. To the extent appropriate, each distinct product will be categorised into one of the categories summarised in Table 3.1. The operator is required to supply Merseytravel with an updated list of ticket products as and when old ticket products are withdrawn or new products are introduced, to enable Merseytravel to monitor the commercial offer and determine whether aspects of the discount factor calculation need to be reviewed.

**Table 3.1 Generic Ticket Types**

<b>Generic Ticket Type</b>	<b>Types of ticket product</b>	<b>Assumed to be relevant to concessionary passenger ticket choice in the absence of the concession?</b>
Cash fares	Single, return and carnets offering finite numbers of journeys for a given price, if offered	Yes (for boardings within the Principal Area only)
Daily tickets	Tickets offering unlimited journeys within a day	Yes (for tickets purchased within the Principal Area only)
Weekly tickets	Tickets offering unlimited journeys within a week	Yes (for tickets purchased within the Principal Area only)
Child Tickets	All tickets available only to children and young people	No
Period tickets for longer than a week	All	No (subject to review on a case by case basis)

2.3 For each of the first three ticket types, the operator shall (without prejudice to its obligations to provide data specified elsewhere in the Arrangements) provide Merseytravel with the following data on a period by period basis:

- (a) the total revenue obtained from sales of the ticket type; and
- (b) in the case of cash fares, the number of journeys made by passengers using these tickets; and
- (c) in the case of daily tickets, the number of such tickets sold and the revenue from those sales; and
- (d) in the case of weekly tickets, the number of such tickets sold and the revenue from those sales.

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

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

### **3. Calculation of the Discount Factor**

3.1 The three values calculated in 2.5 above will be input into the Average Fare calculation sheet contained in the DfT's Reimbursement Calculator and the resulting AFF will be used in the calculation of the value of Revenue Forgone payable to the operator.

- 3.2 The DfT calculator uses smartcard data on journey frequencies from the NoWcard scheme. Merseytravel will be looking to create it's own lookup table from smart data for the Principal Area and will give operators 28 days written notice of its intention to use this instead of NoWcard data.

## **Schedule 4**

### **Standard Method of Determining Revenue Foregone**

#### **1. Calculation of Reimbursement for Revenue Foregone**

- 1.1 Merseytravel 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 and dates set out in Schedule 8.
- 1.3 Reimbursement for revenue forgone is taken to mean the Merseytravel'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:
  - (a) 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 Merseytravel using the procedures described in Schedule 2. In the formula below, the quantity of concessionary journeys is represented by the letter "J".
  - (b) 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 determined by Merseytravel using the procedures described in Schedule 3. The average adult fare is represented in the formulae below by AFF.
  - (c) 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.
- 2.2 The Area Type selected will be "PTE".

- 2.3 Merseytravel 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. Merseytravel 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 Merseytravel's "no better off and no worse off" objective.

## **Schedule 5**

### **Survey Facilities**

1. An operator shall allow Merseytravel officers 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 Merseytravel of reimbursement payments.
2. The survey data will be utilised by Merseytravel in 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;
  - (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 misuse on the relevant services; and
  - (i) such other information as Merseytravel may from time to time reasonably consider it necessary or desirable to obtain in order to enable Merseytravel to reimburse each operator in accordance with this Arrangement.
4. Each operator shall procure that each driver of its vehicles shall make available to any Merseytravel officers, servants or agents who request the same, the total value of cash fares shown, on the relevant vehicle's electronic ticketing machine, to have been collected on any journey .

## **Schedule 6**

### **Data Provision**

1. Every operator claiming reimbursement under the Arrangements is required to submit to Merseytravel , within 14 days of the end of each payment period, a statement (in such form as Merseytravel shall from time to time reasonably require) containing the following:
  - (i) the total number of smart card concessionary journeys from passengers boarding within the Principal Area on the operators services on which such concessions are available, split between commercial and subsidised (defined as those services where the operators are not taking the revenue risk) services for that period; and
  - (ii) The total number of non-smartcard (manually recorded) concessionary journeys from passengers boarding within the Principal Area on the operators services on which such concessions are available, split between commercial and subsidised (defined as those services where the operators are not taking the revenue risk) services for that period
2. Revenue data is required as specified in Schedule 3 (2.2 to 2.4).
3. Each such statement must, if so required by Merseytravel, be certified, in accordance with Regulation 16 of the Travel Concession Scheme Regulations 1986 by a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland or the Chartered Association of Certified Accountants and be provided in the form from time to time specified by Merseytravel.
4. Service data is required as specified in clause 19, including details of any revenue or alternative numbers used for services within operator ETMs (Electronic Ticket Machines).
5. Fares data is required as specified in clause 19 for all relevant ticket types.
6. Failure to provide the data listed above may result in Merseytravel making its own assumptions on the required inputs to the DfT Calculator for the calculation of reimbursement.
7. Merseytravel has the right to audit any data provided by operators for the reimbursement of concessionary travel.

## Schedule 7

### Dispute Resolution Procedure

1. In the event of any dispute arising, formally notified to Merseytravel in writing, in connection with any matter arising from clause 26 which cannot be resolved by agreement between the parties representatives within 28 working days of the notification, senior representatives of the parties shall, within 28 working days of a further 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 meeting, either Merseytravel or the operator may (at such meeting or within 28 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 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 above, 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 Merseytravel 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) Merseytravel 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 its determination thereon; and
  - (d) the Independent Expert's fees shall be borne equally by the parties unless the Independent Expert shall decide that one party has acted unreasonably (in which case the Independent Expert fees shall be borne as the Independent Expert shall direct).

## Schedule 8

### Merseytravel

#### Concessionary Reimbursement Payment Periods

<b>Payment Period</b>	<b>Paid</b>	<b>Payment</b>	<b>Revenue and smart/manual data required from operator</b>
P1 wk1-4	wk 3	P1 estimate	wk 6
P2 wk 5-8	wk 7	P2 estimate	wk 10
P3 wk 9-12	wk 11	P3 estimate +/- P1 actual adjustment	wk 14
P4 wk 13-16	wk 15	P4 estimate +/- P2 actual adjustment	wk 18
P5 wk 17-20	wk 19	P5 estimate +/- P3 actual adjustment	wk 22
P6 wk 21-24	wk 23	P6 estimate +/- P4 actual adjustment	wk 26
P7 wk 25-28	wk 27	P7 estimate +/- P5 actual adjustment	wk 30
P8 wk 29-32	wk 31	P8 estimate +/- P6 actual adjustment	wk 34
P9 wk 33-36	wk 35	P9 estimate +/- P7 actual adjustment	wk 38
P10 wk 37-40	wk 39	P10 estimate +/- P8 actual adjustment	wk 42
P11 wk 41-44	wk 43	P11 estimate +/- P9 actual adjustment	wk 46
P12 wk 45-48	wk 47	P12 estimate +/- P10 actual adjustment	wk 50
P13 wk 49-52	wk 51	P13 estimate +/- P11 actual adjustment	wk 2
Year end reconciliation	Up to 12 wks after yr end	Reconciliation amount +/-	

**Individual year details will be sent by Merseytravel in advance of the start of each financial year.**

## **Schedule 9**

### **Additional Costs**

#### **1. Reimbursement for Additional Costs**

- 1.1 As specified in clause 14 of the Arrangements, Merseytravel will pay additional marginal operating costs, as defined in the Guidance.
- 1.2 As recommended by DfT's Guidance, Merseytravel 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 Merseytravel (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 (1<sup>st</sup> April) to which they will be applied.
- 1.4 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 is 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 The average concessionary journey length will be estimated by Merseytravel from available data, following consultation with the operator.
- 2.3 Merseytravel 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 below.

#### **3. Marginal Capacity Costs**

3.1 The Marginal Capacity Cost Rate per generated passenger travelling on commercial services will be calculated using the DfT Calculator, which provides for local estimates of a number of input variables. These will be estimated by Merseytravel 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 is thought 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 % of total;
  - (f) Average commercial fare – Merseytravel will use the concessionary Average Fare Forgone as a proxy for this value.
- 3.2 No Marginal Capacity Costs will be paid on subsidised services or on services supported by a deminimis payment, as these costs are reimbursed through the contract so additional capacity costs do not apply.
- 3.3 Merseytravel will take account of operator-supplied data where it can be demonstrated to be more appropriate or accurate.
- 3.4 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, Merseytravel may calculate marginal capacity costs on a more disaggregate basis if this appears likely to lead to a result that is closer to Merseytravel’s “No better, no worse off” objective.
- 3.5 Operator’s 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).

**5. Other Additional Costs**

- 5.1 Merseytravel will consider claims for reimbursement for additional 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 Merseytravel 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 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.
6. Merseytravel shall use all data provided by the operator in conjunction with any further information that Merseytravel may itself have (including, but not limited to survey data) to assess the additional costs incurred by the operator and assess the additional reimbursement payments to be made.
7. Payment of additional reimbursement under this Schedule shall be paid as agreed by Merseytravel and the operator, or in the absence of agreement, by 13 equal monthly instalments starting from the payment date following the date of calculation of the costs additional to the basic operating costs carried out by Merseytravel in accordance with regulation 5 of MTCR.