



Built Environment Committee

Corrected oral evidence: Public transport in towns and cities

Tuesday 21 June 2022

9 am

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Members present: Baroness Neville-Rolfe (The Chair); Lord Berkeley; Lord Best; Lord Carrington of Fulham; Lord Grocott; Lord Haselhurst; The Earl of Lytton; Lord Moylan; Lord Stunell; Baroness Thornhill.

Evidence Session No. 11

Heard in Public

Questions 124 - 137

Witness

I: Professor John Preston, Professor of Rail Transport, University of Southampton.

Examination of witness

Professor John Preston.

Q124 The Chair: Welcome to the House of Lords Built Environment Committee's public evidence session on our inquiry into public transport in towns and cities. Our inquiry is considering future trends in public transport use and innovation, but we are also interested in the extent to which local authorities are well equipped to deliver high-quality public transport services. We will make recommendations to the Government later this year. Our witness today is Professor John Preston, transportation group, University of Southampton. Our session is being broadcast on parliamentlive.tv. A full transcript is being taken and will be made available to you to make any corrections shortly after the session. Please can Members and our witness keep questions and responses brief, as we have lots to cover and we need to finish within the hour?

I will kick off and ask you, Professor Preston, whether public operators should be able to bid for franchises in a regulated bus or rail system? We heard from Andy Burnham, the mayor of the Manchester area, and we are interested in the difference between franchising and the Government's proposed enhanced partnership for bus services. Can you introduce yourself and talk about that?

Professor John Preston: Thank you very much. As you said, I am a professor in the Transportation Research Group at the University of Southampton. I have nearly 40 years of experience in transport research and teaching. My involvement in bus transport goes back to my first job as a research assistant working on a project funded by the Economic and Social Research Council, which was monitoring bus deregulation, the policy that was being implemented in the mid-1980s.

Your question about the rollover, the public sector and franchising may stem from the fact that, if I am correct, the Bus Services Act 2017 prohibits local authorities from setting up bus companies from scratch. However, it does not prohibit them from taking over an existing concern, because there may be advantages to that if that concern is failing in terms of continuity of supply. For example, some time ago Transport for London took over the operations of a company called Harris in east London. It had a subsidiary called East Thames Buses. That TfL-owned subsidiary was bidding against other private sector companies for contracts within the London system, so that is possible. In rail, non-UK public sector companies have bid for franchises and have been successful in so doing, but there were prohibitions on pre-privatised British Rail bidding for the early franchises, and limitations on the involvement of the directly operated railways organisation. I will stop there, Chair, because you said you wanted short answers.

Q125 The Chair: Can you talk a little about the difference between franchising and enhanced partnerships? Are there examples of each that you could draw our attention to?

Professor John Preston: In franchising, the services are predominantly specified. The fares and ticketing regime are specified by a public sector organisation, for example Transport for London or the equivalents in cities such as Copenhagen in Denmark or in smaller organisations such as the States of Jersey and their franchise with LibertyBus.

Enhanced partnerships are much more of a partnership between the public and private sector, with the private sector having more control over ticketing, fares and timetables but with an encouragement to have joint ticketing and co-ordinated timetables of the type introduced successfully in Oxford. Oxford has two fairly equally sized bus companies, one owned by the Go-Ahead Group and the other by Stagecoach. That also assisted with reducing bus congestion in the main shopping street of Oxford city centre, with concomitant environmental benefit.

The Chair: When you say they co-ordinate with one another, that obviously is fine and sensible. What about co-ordinating with other forms of transport? We are interested in how you make sure that the bus, the tram, the railway, bikes and things link up with one another. Is there a difference between franchising and partnerships in that respect?

Professor John Preston: In franchising, the public sector has more control in making sure that, let us say, the railway station is served. That can still be encouraged in a quality partnership, but quite often it will require investment in good facilities and a multimodal hub around a station. There is scope for introducing multimodality in both. There is also, more recently, things such as integrating with micro-mobility—e-scooters, for example, which seem to be a complement to local bus services rather than a competitor. E-bikes might be a different story because they permit longer-distance trips and may be a more direct competitor to local bus services.

Q126 **Baroness Thornhill:** Is there a case for a greater government contribution to capital investment in public transport? That might seem to require a yes or no answer, but I am interested in the different models that are used to check viability of transport schemes. I say this as someone who pursued a rail scheme at a political level for more than a decade, costing millions, only to have it thwarted at the 11th hour. I am very concerned about how things such as political aspiration and greater social and economic benefits are factored into the modelling when it comes to whether schemes are viable, be they train or bus. What is the impact of the models that are predominantly used by our bureaucrats and politicians in assessing schemes?

Professor John Preston: Before I answer that question, I should declare that I am trained as a transport economist. Please do not all boo at once.

Baroness Thornhill: It was your fault.

Professor John Preston: If you tell me the rail scheme, I will tell you whether it was. Social cost-benefit analysis means that not only are we

trying to monetise the financial flows of a public transport scheme but we are trying to look at the benefit to users of increased frequency of service and reduced journey time. We are trying to look at the benefits to non-users in the reduction in congestion on the road system. We are trying to look at benefits in terms of increased physical activity, public health benefits, the benefits from improved environments and so on. If we have a social cost-benefit analysis and we apply it to public transport schemes, we can find plenty of public transport schemes that have benefit-cost ratios substantially in excess of one. In other words, the benefits exceed the costs. The Eddington Transport Study, admittedly way back in 2006, had lots of examples of those types of schemes. For example, with respect to bus, typical bus priority schemes might be expected to have social benefits of around three to every one unit of cost. That figure comes from a KPMG study back in 2014.

I do not think that we have exhausted the pool of capital projects identified by Eddington and subsequent studies, and there will be plenty of instances of public transport schemes that are deserving of capital support. The one caveat is that there are likely to be far fewer now than in 2019, given the broadly 20% contraction in the public transport market as a result of Covid. Whether that is a long-term phenomenon we will need to see, but that is the one caveat I put in place there.

Baroness Thornhill: You think that there are enough schemes coming in the pipeline and so the answer is, yes, more capital investment would mean more schemes, but you do not believe that the kind of modelling that we use, which is different to other countries', prohibits—I am asking about the weight of social value given when you have your 96 million criteria. You know what I mean.

Professor John Preston: If we use social cost-benefit analysis consistently across the modes—the DfT proclaims that it is one of the leaders in the application of cost-benefit analysis, and I believe that statement to be true—we would be able to identify the capital schemes that are worth taking forward. There is a bit of a problem in doing cost-benefit analysis well. In itself it is quite costly and there are concerns about paralysis by analysis, but the main thing is consistency.

To move away from bus a little bit to my pet subject, which reflects my origins, cost-benefit analysis was applied in detail to HS2. I know that people on this Zoom meeting will know a lot about that, so I am probably getting into dangerous territory. The *Integrated Rail Plan for the North and Midlands* did not seem to make very much use of cost-benefit analysis in its decisions. That indicates an inconsistency in methods and leads to one thinking that it may well also have led to an inconsistency in policy direction.

Baroness Thornhill: Thank you; you have confirmed my worst fears.

Q127 **Lord Haselhurst:** We have seen evidence of various schemes around the country involving central capital sums. There is some evidence that if you have a relatively advanced rail system—tramways, metro, et cetera—that

is more attractive than buses to people who hope to give up using their car.

Specifically, how familiar are you with the Coventry very light rail system? It certainly impressed me. Whether this has a future, it has had money put into it. Although it could all go wrong in the end if the expectations are not fulfilled—and government would once again be wasting money—this one has the attraction of being very advanced British technology, so there may be an additional reason of backing this more heavily than we have done so far. It appears to be quite exciting.

Professor John Preston: Thank you, Lord Haselhurst. You cut out a little bit, but I got the gist of the question. To start off with, I will speak to the contrast between trams and fixed-track guided bus systems. It probably is the case that trams have a tendency to attract slightly more motorists than guided bus systems, but in places such as Cambridge, guided bus systems have attracted good numbers of car users. Of course, Cambridge has some unique circumstances. The big problem with light rapid transit vis-à-vis guided buses is that it is much more expensive. The very light rail system that is being championed by the University of Warwick, among others—I believe it has a test track in Dudley—looks promising in that it may lead to substantial reductions in tram costs without compromising quality. It would be very interesting to see whether a full-scale rollout of a system would be able to offer the benefits and the reduced costs that the promoters of this technology are espousing. I hope I got the gist of your question correct; I have answered it as directly as I can.

Lord Haselhurst: On the evidence to date, do you think that this scheme deserves more money than the Government have been prepared to put in so far and that one might learn somewhat earlier in the piece than the end of 2023 whether it really has the potential that those who are behind it and have invented it believe is possible?

Professor John Preston: I agree with you that it has potential but I do not know enough about the details to give a firm recommendation about an investment decision.

Q128 **Lord Stunell:** My question is about operating subsidies for public transport. We have had examples of South Yorkshire, for instance, with a 100% subsidy at the fare box or Dorset with nil support for the fare box. What do you see as the trade-off between the approaches to public sector subsidy and the social value or viability of the network?

Professor John Preston: With respect to subsidy, there are a number of different questions. First, do we have the overall level of subsidy correct? The truth is that we have never tried, or I am not aware that we have ever tried, to optimise subsidy at a national level. There was a study 20 years or so ago for the Commission for Integrated Transport that tried to do something along those lines.

The other point to make is that although buses outside London are predominantly a commercial service, buses are still quite heavily

subsidised in England as a whole. Pre-Covid, something like 40% of operating revenue came from subsidies in one form or another. In the Covid year of 2020-21 that went up substantially—possibly double. Certainly, 20 years ago, when subsidies were about 30% of operating revenue, studies seemed to suggest that there would be scope for fairly big increases in subsidy that would still have good benefit-cost ratio returns. So there might be a case to increase the traditional levels of subsidies, but they are pre-pandemic; what these subsidy levels are going to be in this immediate post-pandemic era is difficult to say.

Then there is an issue about what you spend the subsidy on. There was a fairly famous model by Stephen Glaister that was done for the Department for Transport in the early 1980s and updated in the late 1990s. It seemed to suggest, at least in the early 1980s, that there was a tendency to spend subsidy on improving services and not on reducing fares, so you ended up with too much service at too high fares in some areas.

There are currently three broad areas of subsidy: concessionary fare support, direct revenue support to public transport services and bus service operator grant. The bus service operator grant is basically a dirty subsidy per litre of diesel consumed. Clearly that is a bit of an anomaly, and I understand that reforms are being developed by the DfT with respect to that area. As regards public transport support, what you can do with that is partly impacted by the fact that you must not use it to inhibit competition. This means that it is difficult to tender services to increase the frequently on commercial routes, because that inhibits the competition in the commercial markets, so there are some limits there. I suspect that somebody may want to ask me some more questions about concessionary fares. Given that the Chair was requesting short answers, and I can see that committee members are keeping their questions short and to the point, I had better stop there.

Lord Stunell: Can you supply the committee with a piece of paper outlining the Glaister model?

Professor John Preston: The Glaister model, yes. It was called the METS model, the model for evaluating transport subsidy, because it was related to the low fares in South Yorkshire in the early 1980s. It turned out that South Yorkshire appeared to be the place that had optimised, probably totally by accident, the subsidy arrangements, assuming—this is an important caveat—that subsidy did not leak into higher costs and reduced productivity. That could have happened under the regime at that time, but now, where you have competition for subsidised services, that is much less likely to happen.

Lord Stunell: If you could send us the key points of that report and your critique of it, as you have just done, that would be very helpful to the committee. Thank you.

Professor John Preston: I may have a PowerPoint slide or two from a past lecture that may be helpful.

Q129 The Earl of Lytton: It is 50 years exactly since I was a student at the College of Estate Management and I remember talking about subsidies and things in transport because of its land-use implications. Things have probably moved on. Lord Stunell mentioned the question of a Dorset company operating a bus service with no subsidy at all. I picked up somewhere, although I can no longer find the reference in our papers, that we heard from Andy Burnham that part of his transport empire, if I can call it that, was operating without subsidy although with a pretty substantial commercial loan. To what extent are we for ever committed to subsidising the initial set-up, seemingly beyond pump priming, and dealing with the non-monetisable societal benefit? Where are the opportunities for getting straightforward commercial arrangements that will balance the costs out?

Professor John Preston: Thank you for that question. When you operate services where there are very limited what economists call externalities—very limited benefits to users from increased service levels and very limited knock-on effects in terms of the environment or congestion; for example, long-distance and some medium-distance coach services could fall into that category—I do not think that there is a very strong case for subsidising those services and they should be operated commercially, as indeed they are.

With scheduled frequent public transport, users get benefits from more service in the way that they do not from many other economic goods. The simple explanation is that if you provide more services and if people are turning up at bus stops at random—technology may be changing that—they will wait less time. If you operate more services, you may be able to have some limited-stop services. This means that from the outer suburbs you could get into the city centre more quickly. If you operate a denser network of services, there is less walk time to and from the bus stops. Those user benefits are partly a justification for subsidy, but also there are the justifications for subsidy in terms of the congestion relief and the reduced environmental emissions by having more people travelling collectively on public transport than individually in motor vehicles.

For urban and local transport there is a strong case for subsidisation of the services. That is why, even in the United States, urban public transport—or transit services, as they call them—are heavily subsidised, quite often to a greater degree than we have traditionally subsidised our services here in the United Kingdom. But there are some parts of the transport market, such as the intercity coach market, where there is a much stronger case for that being purely commercial.

Q130 Lord Best: You touched there, Professor Preston, on some of the benefits that may be evaporating with electrification of motor vehicles and with the arrival of e-bikes and e-scooters. You were touching on pollution from cars, which affects people's individual health, and on the environmental need to cut down on CO₂ emissions for climate change reasons. Have these justifications for subsidy rather receded now with electrification, or will the opposite be the case—that it will be so

expensive to run electric vehicles that this will increase inequalities in society and have all kinds of other downsides?

Professor John Preston: You make a good point about some of the environmental externality benefits of operating bus services, which themselves will of course be electrified or use other alternative low-carbon fuels. However, the electrification of the road transport fleet will not remove congestion. It may possibly contribute to it, and congestion tends to be by far the biggest external cost. Although electric cars have zero emissions at the point of use, that is not the case with particulate matter from braking, tyre wear, et cetera. It may well be that particulate matter is the most damaging to public health, so there will still be some external cost of private motoring that will need to be taken into account. Of course, there is also the life cycle cost. I think it is true to say that there is more embedded carbon in the production of an electric vehicle than an internal combustion engine vehicle—but that is related to the battery technology and that is improving rapidly. It may improve and reduce its carbon footprint over time.

Lord Best: But for the moment this justification for subsidy remains a real one?

Professor John Preston: I believe it remains a real one. Its relativity may decrease slightly, but I do not think it will disappear.

Q131 **The Chair:** Is there a transition argument that you can green the buses quicker than you can green the car fleet, or is it the other way around?

Professor John Preston: You do not have to introduce quite as extensive a refuelling network for the local bus market as you do for local car travel. There is a case that at one level you can transition more quickly, but of course buses are heavy-duty vehicles, and it is easier to transition light-duty vehicles, particularly to battery electric technology.

Q132 **Lord Berkeley:** I cannot resist your comments on HS2 and the cost-benefit analysis because I think that in the latest figure for cost benefit, the ratio was 0.7 or something, and that is before anybody has deigned to look at forecasts for future rail travel after the pandemic. To some extent that is an aside. It just shows that the Government do not take much notice of it.

When it comes to the debate and Lord Best's question about cars, buses and city centres, is it not true that the pollution of particulates and tyre wear is quite a recent discovery of the means of measuring it? Surely there has to be some benefit from not having so many cars in the city centre, both for the particulate issue and for the general quality of life. It is no good just having more and more electric cars when the quality of life is no better. I would have thought that there was a strong argument for reducing the number of vehicles generally, which probably means having more buses and a subsidy that goes with it. Could you comment, please?

Professor John Preston: If you are trying to reduce congestion, you are implicitly reducing the number of cars. Things such as ultra-low emission zones or zero-emission zones, clean-air zones and the like—which are proliferating in continental Europe, as indeed they are in the United Kingdom—may well contribute to improved quality of life within central cities.

Perhaps I should not, but I cannot resist answering with respect to the application of cost-benefit analysis. What sometimes happens with cost-benefit analysis—this has happened with rail schemes in the past, particularly in devolved parts of the country such as London and Scotland—is that when the cost-benefit ratio is less than one, the schemes still happen. That does not seem to apply to other parts of the country like Yorkshire; I am giving my origins away now. There does seem to be an inconsistent application.

Lord Berkeley: Thank you. That is very interesting.

- Q133 **Lord Moylan:** I come back to the question of how subsidies are allocated. I will illustrate this also by coming back to a point you made about the contrast between trams and guided busways. My head tells me that there can almost certainly never be a business case for trams if a guided busway is possible, but my heart tells me that trams are somehow more popular. Therefore, we come to the question that illustrates that: how the subsidies are allocated and whether the Government really are applying rigorous cost-benefit analysis to applications that cities make for tram systems or very light rail systems, as opposed to the possibility of guided busways. Or is it all just political in your experience?

Related to that—I will get this out now, because you may want to comment at the same time—is the other side of the equation. It is how cities and urban areas bid for the grant and whether that system is satisfactory or overly burdensome and overly political. Is there rigour here or is it all just a great big mess and you stick in your thumb and pull out a plum or not, as Lady Thornhill's case may be?

Professor John Preston: I will try not to answer too much in terms of the politics, because that is not the world that I live in, and I doubt whether you are interested in my own politics.

First, with respect to tram versus guided bus schemes, some of the early tram schemes were essentially the conversion of heavy rail to light rail such as the Manchester Metrolink, which drove the choice of technology. Probably converting the Bury and Altrincham lines to a guided busway would have been even more expensive than converting it from heavy rail to light rail.

There is one advantage with tramways in that they are seen as a more permanent investment, whereas guided buses, particularly where there are route extensions that are not being run on any guideway, may be seen to be less permanent. That has a political—with a small P—dimension.

With respect to the bidding for funds, one can see at one level that there is an attraction to that; it makes the process competitive. I would like to think that the best bids always win. There are problems with that, though, in that local authorities are putting a lot of resource into bidding rather than operating, and it can lead to periods of feast and famine in funds that are coming into a local area. Southampton City Council has periodically been very successful in the Local Sustainable Transport Fund and the Transforming Cities Fund, what was called the Future Mobility Zones Fund, but trying to link in the gaps between that funding has been difficult, with the difficulty of continuity of staff and so on, so there are clearly some downsides as well.

I am not aware of a study that has tried to weigh up the pros and cons of this competitive process, but I am sure that there will be some studies of that ilk out there, possibly not with respect to UK public transport. I can see that there are some pros and cons to making the process so competitive. Many local authorities' funding for transport is predominantly from discretionary funds, and there are relatively low levels of guaranteed funding going forward.

Lord Moylan: Thank you very much. I do not know if others have follow-ups on that, but you have been as helpful as you can.

Q134 **Lord Grocott:** Thanks very much, Professor Preston, for what you have said so far. A lot of what I would have asked has already been touched on, particularly about the relative costs of buses and trams. By the way, it is not always a question of dedicated bus routes, which to an extent are more like trams than they are like buses. More normally, the kind of consideration is putting bus lanes along maybe already congested roads.

I have two questions. Is there anything that you can say about the saga of buses versus trams that we can observe in the Midlands generally; I live in the West Midlands? You have three urban areas—Birmingham, Nottingham and soon to be Coventry—where major investment in trams has taken or is taking place; and three other cities in the area—Derby, Leicester and Stoke—where, so far as I know, there are no plans at all. From your expertise, it would be wonderful if you could tell us who is right and who is wrong. I know that it is pretty tricky, as all social cost-benefit analysis is, but one, or some of them, must have got it “wrong”.

The other question, I fear, is not too closely related, but I was encouraged to ask this after your response about Yorkshire as opposed to London in funding. We all know as politicians, which I am, that often Governments and local authorities will respond to the loudest voice. In terms of urban passenger transport, it was put to us by an earlier witness that bus passengers, for example, do not have a very loud voice collectively, whereas cyclists and the environmental arguments about cycle lanes and everything are a very powerful, maybe disproportionality powerful, voice.

Those are my two questions: first, on the cities of the West Midlands and the Midlands generally; and, secondly, on pressure groups.

Professor John Preston: Embedded somewhere in the first set of questions was: how do some cities have light rapid transit systems and others do not? Not only am I a Yorkshire man, but I originate from Leeds, which is probably the city that has had the most failed tram schemes in the country. I do not whether I am able to answer that particular question.

To get dedicated rights of way for public transport, particularly if you are taking it away from private road transport, is difficult whether it is a tram or a bus lane. In quality partnerships it has always been difficult for the local authority to hold up its end where it is promising lots of bus priority, because it has to use up a lot of political and actual capital to establish such a bus priority. Quite often, the politicians are concerned that that may just be dissipated in increased profits from the dominant operator using that priority system, and in essence that the money is leaking out of the local system to the shareholders of the holding group. There are some problems about incentivising local authorities to be providing bus priority, or at least there have been traditionally.

With respect to pressure groups, clearly rail tends to have better organised pressure groups than buses. However, where there is a new technology such as light rapid transit, there is no incumbent tram-user group. In the case of Leeds, establishing the rights of way for the tram system was equally as problematic as it was for a bus system. In my own experience with light rapid transit schemes, there is a particularly strong pro-tram lobby and an anti-bus lobby that is mobilised in such schemes.

Q135 The Earl of Lytton: Professor Preston, in answer to Lord Moylan you referred to the permanence of the investment in tram schemes as opposed to the lack of permanence of a guided bus scheme, or something like that. As a property valuer, I am always a bit suspicious of the ability of people to gain cost-benefit analysis of the sort that I see being deployed now.

Is there something about the time horizon that people sense and that makes other investors come in—for instance, if they wanted to construct an office block that they think might have a service life or something like that—that we are not necessarily picking up in conventional cost-benefit analysis: in other words, the discount to net present value, bearing in mind that almost whatever interest rate you use, the first 10, 15 or 20 years carries the bulk of that discounted net present value? Is there something that we are missing here in terms of rather longer timescales that might apply to some of these things?

Professor John Preston: I suspect that if we did studies of the impacts of public transport schemes on land value, rail-based schemes would have bigger effects than bus-based schemes, partly because of that permanency. If we were to base our transport decisions on changes in land value, I could see how that might favour more permanent rail-based schemes. I am not sure that using land-value changes as a measure of the overall socioeconomic benefits of transport investments is necessarily

a good idea, because there are lots of imperfections in the land market that can lead to distorting results.

That is not to say that there are not imperfections in the transport market, but I would tend to prefer to measure the primary benefits of the reduced times and costs to travellers, rather than the benefits that are worked through the changes of accessibility and through the land markets to the changes in land values. I would not dispute that that is also interesting and useful information, and can in some circumstances help to fund public transport schemes through land value capture and so on, as occurs to a certain extent in the UK and to a greater extent elsewhere.

The Earl of Lytton: Thank you. I was thinking more in terms of investment in employment infrastructure as employment, and that sort of thing, rather than necessarily the land value. However, thank you very much indeed for your comments.

Q136 Lord Carrington of Fulham: Professor Preston, I want to look at the advantages and disadvantages of concessionary fares, particularly to the economically inactive, like young people and elderly people, and possibly a bit at how you fit those into cost-benefit analysis of various transport proposals and schemes. How does that work, and can you run a bus service, for instance, or indeed an underground system in London, with very large numbers of people travelling for free, who, as a proportion of the population, particularly with the elderly, would be getting larger all the time?

Professor John Preston: In general, concessionary fares have advantages in that the subsidy is going to the end user. That has some benefits and means that there is less worry about it leaking into higher costs or higher profits. It clearly has benefits in promoting social inclusion, and we have ways of trying to measure those benefits. KPMG did a study circa 2014, mainly with respect to concessionary fares for the elderly and disabled, and now it is getting benefits of £2.80 or so per £1 of subsidy. There are examples of schemes. In Merseyside, for example, they have had a very successful day ticket of £2.20 targeted at the under-19s. That has increased usage in that age group quite substantially in Merseyside and may well have some long-term benefits in locking in pro-public transport and more sustainable behaviours among young adults.

Of course, we do not necessarily have to have a concessionary fare scheme that is free. Obviously the scheme that we have is targeted in the off peak, and it may well be that for large parts of the system the marginal costs of carrying an extra passenger in the off peak is close to zero, and a fare of zero could be justified. That would be harder to do in the morning peak, or at least pre-pandemic when we had morning peaks, but we can reasonably expect those to come back: in fact, they have done to an extent.

There are issues with the concessionary fare scheme for the elderly in that it tends to be the more affluent recently retired—in other words, the young elderly—who are making a lot of use of the scheme, so the subsidy is not necessarily targeted on the basis of need. However, we know how bureaucratically expensive targeting on the basis of need can be. There are some fine balances to be had there, but the evidence suggests that the social benefits outweigh the social costs for some targeted concessionary fare subsidies, particularly with respect to the young, the elderly and persons with restricted mobility.

Q137 **Lord Carrington of Fulham:** How would you describe the social benefits? What benefits are they? Are we talking about health benefits?

Professor John Preston: Yes. If I remember the KPMG study, some of the benefits were that people making use of the concessionary fares were more physically active than they would be. They were able to engage in activities like volunteering, which they would be less able to do without access to free public transport. Benefits of that type were put in place. It also enables people to travel more, and there are some intrinsic benefits from more travel. This phrase sounds okay in an academic classroom, but there are positive social externalities here at play that concessionary fares can assist with.

The Chair: It remains for me to thank you, Professor Preston, for an excellent session and for your offer to give us a bit more information on the Stephen Glaister work, and perhaps to steer us in the direction of the KPMG work. Thank you for being so brief in your answers. We managed to get through a great deal and it was very helpful to us. That ends today's public session, thank you.

Professor John Preston: Thank you very much.