

**IN THE MATTER OF THE ARBITRATION ACT 1996**

**AND**

**IN THE MATTER OF AN ARBITRATION**

**BETWEEN**

**THE 33 LONDON LOCAL AUTHORITIES**

**(as named in the Schedule attached to this Award)**

**regarding the apportionment between them**

**of the annual cost of concessionary fares**

**CONSENT AWARD**

**Arbitral Tribunal: The Rt. Hon. The Lord Woolf of Barnes  
Professor Martin Cave  
Arthur Harverd**

**c/o IDRS Limited  
On behalf of The Chartered Institute of Arbitrators  
24 Angel Gate  
City Road  
London EC1V 2PT**

**8 October 2008**

## Introduction

1. The 33 London local authorities, also known as the Councils and the Boroughs, are collectively called "the Participating Councils" for the purpose, inter alia, of providing concessionary fares to certain categories of London residents and others. Freedom Pass is the marketing name given to concessionary travel by London's elderly and disabled population. The term "concessionary fares" includes bus travel in the London area by non-London English residents. The services covered under the concessionary travel arrangements are:
  - London Bus Network
  - Bus services operated with London Service Permits
  - London Underground
  - London Overground
  - Docklands Light Railway
  - Croydon Tramlink
  - National Rail services within London
  - Travel by non-London English residents on:
    - London Bus Network
    - Bus services operated with London Service Permits
  - Survey, re-issue and management costs
2. The names of the 33 Participating Councils are listed in Schedule 1 Part 1 of an Agreement dated 13 December 2001 ("the Agreement") made by the members of the Association of London Government Transport and Environment Committee ("ALGTEC") now known as the London Councils' Transport and Environment Committee. For convenience the said Schedule is attached to this Consent Award as Schedule 1.
3. The Participating Councils have been in discussion as to how the total cost of the concessionary fares scheme is to be divided fairly between them for the financial year commencing 1 April 2009, and continuing thereafter until amendment.
4. At first, the Participating Councils were unable to agree a methodology for the apportionment of the costs. On 30 June 2008 London Councils, formerly the Association of London Government, a body which exercises certain functions on behalf of the London local authorities in accordance with the Agreement, applied to The Chartered Institute of Arbitrators for the appointment of an arbitrator to determine the methodology for apportionment, and this arbitral tribunal was appointed on 10 July 2008. The appointment was made by the said Institute under clause 12.2 of the Agreement which states as follows:

*"In the event ALGTEC cannot reach agreement at a meeting of ALGTEC on the proportions in which the costs and expenses of ALGTEC are to be defrayed by the Participating Councils and Transport for London the matter shall be referred to an arbitrator nominated by the Chartered Institute of Arbitrators and the decisions of the arbitrator shall be binding on ALGTEC. The costs of any arbitration hereunder shall be met by the Participating Councils and Transport for London in equal shares."*

5. Shortly after the arbitral tribunal was convened, the Participating Councils reached agreement on the methodology to be adopted for the apportionment of costs. Letters from the Chairman of London Councils were despatched to each of the Borough Leaders and from the London Councils' Chief Executive to each of the Borough Chief Executives setting out the proposed apportionment methodology. The Chief Executives were requested to confirm agreement to the methodology on behalf of their respective Boroughs by returning the letters to London Councils by 15 August 2008, signed to indicate their agreement.
6. The said letters were duly signed and returned to London Councils by all the London local authorities by the due date.
7. The arbitral tribunal was requested to issue a Consent Award setting out the terms of the agreed methodology.

#### **The governing agreements between the Participating Councils**

8. In this section we describe briefly the governing agreements between the Participating Councils in respect of the concessionary fares scheme.
9. The Agreement was made between the Councils listed in the attached Schedule 1 and Transport for London. This latter body is not a party to these arbitration proceedings. The Agreement was entered into pursuant to arrangements made under sections 73 and 74 of the Road Traffic Act 1991 (as amended by section 283 of the Greater London Authority Act 1999), sections 101(5) and 101(5B) and 102 of the Local Government Act 1972, section 20 of the Local Government Act 2000, the Local Authorities (Arrangements for the Discharge of Functions) Regulations 2000, the Local Authorities (Goods and Services) Act 1970 and "all other enabling powers". Inter alia, the Local Government Act 1972 and the Greater London Authority Act 1999 provide for certain functions to be exercised by joint committees each consisting of one member of each London authority. ALGTEC is one such joint committee and is responsible for the operation of the concessionary fares scheme.

10. Part 3 of Schedule 2 of the Agreement deals with the travel concession arrangements under section 244 of the Greater London Authority Act 1999. Under the Definitions section of Part 3 the following relevant terms are defined:

1.1 *“Concession” means the reduction or waiver of a fare or charge (either absolutely or subject to terms limitations or conditions) granted pursuant to Section 240 of the Greater London Authority Act 1999 or any successor legislation;*

1.2 *“Current Concessions” means the Concessions applicable to the London Concessionary Fares Scheme for each fiscal year as such Concessions are described in current Contracts in force with the Transport Operators (or their agents) or such other Concessions as may be unanimously agreed by the Participating Councils and the Transport Operators;*

1.3 *“Limited Concessions” means Current Concessions where a reduced fare is charged on certain limited stop or express bus services such reduced fare to be determined by ALGTEC;*

11. Section 2 of Part 3 of Schedule 2 of the Agreement describes the functions undertaken by ALGTEC for the concessionary fares scheme. Inter alia, ALGTEC manages this scheme on behalf of the Participating Councils and makes arrangements to reimburse the Transport Operators with the cost of the Current Concessions. ALGTEC also makes appropriate arrangements for the issue of travel permits, photocards, blind persons cards, etc, to eligible persons for the purpose of the concessionary fares scheme, and carries out or commissions and oversees such research and survey work as shall be deemed necessary for the calculation of an appropriate reimbursement to the Transport Operators for providing concessionary travel on their services.

### **Changes to the basis of apportionment of Freedom Pass costs**

12. Until the financial year 2008/09 the apportionment of Freedom Pass costs between the local authorities was based solely on the number of valid passes issued to residents of each Borough. For these purposes “valid” means the total number of passes issued less those reported lost or stolen or those returned as faulty.
13. From the financial year 2008/09 onwards the apportionment methodology is being changed in two ways:

- 13.1 To account for the newly introduced concession for non-London English residents, the Government has paid a grant to London Councils. This grant is being used for the payment for travel by non-London English residents on the London Bus Network and on services operated with London Service Permits, for travel by London residents on services operated with London Service Permits and for travel on National Rail services within London. The residual amount of grant has been used to “top slice” the payment to Transport for London for travel on the London Bus Network in respect of London residents.
- 13.2 A weighting has been introduced which counts each disabled pass holder as 1.75 each elderly pass holder. This arrangement recognises that disabled people travel much more widely, on average, than elderly people.

#### **Consent Award**

14. The Participating Councils have agreed and, by this Consent Award the arbitral tribunal formally determines, that the arrangements regarding the methodology for the apportionment of the costs of the concessionary fares scheme shall be as follows, effective from the financial year 2009/2010 commencing 1 April 2009:
- 14.1 The basis of apportionment of Freedom Pass costs shall be by reference to usage, which is defined as the number of journeys recorded on the Oyster system made by the residents of each London local authority (on modes where this data are recorded), but excluding any recorded journeys made on passes which are lost, stolen or faulty.
- 14.2 This basis of apportionment shall be phased in over a three year transitional period weighted towards the first year commencing 1 April 2009, the applicable ratios in each year being 40:30:30. The calculation is based on the difference between what would have been paid by each local authority under the former apportionment mechanism and under the new apportionment mechanism. This means that for the financial year 2009/10, 40% of that difference shall be used, for the financial year 2010/11, 70% of that difference shall apply and the complete change shall take effect in the financial year 2011/12, commencing on 1 April 2011.
- 14.3 The usage data relied on for the purposes of apportionment shall be a two year rolling average of usage. For those modes of travel where the data are available, ie London Bus Network and London Underground, the number of journeys undertaken by Freedom Pass holders of each Borough during the

previous financial year is expressed as a percentage share of all travel undertaken on those modes by residents of each Borough. The rolling average is that percentage for journeys undertaken in each of the two previous years. Thus, the data available and to be used for calculating the rolling average during 2008/09 for the 2009/10 financial year settlement shall be an average of the usage for 2006/07 and 2007/08, while that to be used in 2009/10 shall be an average of the usage for 2007/08 and 2008/09 and so on from year to year.

- 14.4 As to the parts of the Freedom Pass settlement where usage data on the Oyster system are not available, as long as Government grant is paid directly to London Councils and it exceeds the cost of the block of services listed below, the costs shall be met as a first call on this grant.

The said block of services comprise:

- i. Travel by non-London concessionary fares pass holders on bus services in London as a consequence of the Concessionary Bus Travel Act 2007.
  - ii. Travel by London concessionary fares pass holders on London Service Permit bus routes as a consequence of the above 2007 Act.
  - iii. Travel by London concessionary fares pass holders on the local London Transport Network, which includes the Docklands Light Railway, Tramlink, River services and London Overground railway services provided by Transport for London or under agreement with Transport for London, and on National Rail services under an agreement with the Association of Train Operating Companies. Although River services are included in the above list, concessionary fares are not currently available on this mode of transport.
  - iv. The management, survey and re-issue costs of London Councils associated with the concessionary fares scheme.
- 14.5 Any unutilised grant shall be set against the costs of Freedom Pass holders travelling on the London Bus Network, ie the unutilised grant shall be used to "top slice" the cost of that part of the services.

- 14.6 If, in 2011/12 or later, Government grant is paid directly to individual London local authorities as part of Revenue Support Grant, the apportionment of the parts of the service where no usage data are available shall be made in the same proportion as the grant is allocated to London local authorities.
15. A worked example of the calculation of the apportionment during the first three years of operation of the new arrangements is given in Schedule 2. The figures used are merely for illustrative purposes.
16. As already noted, the above arrangements shall commence for the financial year 2009/10 starting on 1 April 2009. They shall continue until amended by ALGTEC pursuant to the Agreement, by legislation or by other relevant means.

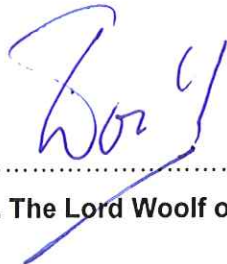
**Procedures for the resolution of any subsequent disputes arising from the apportionment arrangements**

17. Although the Tribunal has no formal remit to continue in office after this Consent Award has been published, the Tribunal believes that there is merit in its membership being reconstituted in the event of any further dispute regarding the apportionment of costs. In this way any such dispute can be determined in a prompt and speedy manner. With this in mind, the Tribunal recommends that the Participating Councils consider and adopt the procedures contained in paragraphs 18 and 19 below, as permitted under section 244 of the Greater London Authority Act 1999 by the unanimous agreement of all Councils present and voting at the relevant meeting of ALGTEC when the matter is considered with a minimum of two-thirds of the members of the Councils being present.
18. Any decision as to the new apportionment arrangements or any subsequently proposed amendments to those arrangements, including the consequences of a change or withdrawal of the Government grant paid directly to London Councils (paragraph 14.4 above), shall be made by ALGTEC on the basis of a two-thirds majority of Councils, in accordance with section 244 of the Great London Authority Act 1999.
19. In the event of ALGTEC failing to agree, by a two-thirds majority of the Councils, any matter determined by this Consent Award or any future matter affecting the apportionment of the costs of the concessionary fares scheme, London Councils shall request IDRS Limited on behalf of The Chartered Institute of Arbitrators, to reconstitute this arbitral tribunal to determine the dispute or disputes. In the event that any member of the tribunal is unable to act, he shall be replaced by an arbitrator

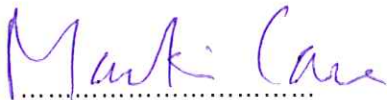
of the same professional discipline and/or status, ie a senior retired judge as chairman, an economist or a chartered accountant.

**Costs of the arbitration**

20. The costs of the arbitration, comprising the fees of the tribunal and the arbitration administration costs incurred by IDRS Limited on behalf of The Chartered Institute of Arbitrators amount to £25,150.00 plus VAT of £4,401.25, a total of £29,551.25.
21. Pursuant to clause 12.2 of the Agreement, the costs of the arbitration shall be met by the Participating Councils in equal shares.
22. Within 14 days of the date of publication of this Consent Award London Councils shall remit to IDRS Limited the full amount of the arbitration costs inclusive of VAT. The Participating Councils shall then remit to London Councils their shares of the costs of the arbitration as directed by London Councils.
23. This Consent Award is signed in London by the members of the arbitral tribunal on 8 October 2008.



.....  
**The Rt. Hon. The Lord Woolf of Barnes - Chairman**



.....  
**Professor Martin Cave**



.....  
**Arthur Harverd**



## SCHEDULE 1

### SCHEDULE OF PARTICIPATING COUNCILS

**[Reproduced from Schedule 1 Part 1 of the Association of London Government  
Transport and Environment Committee Agreement dated 13 December 2001]**

#### **Council**

The London Borough of Barking and Dagenham  
The London Borough of Barnet  
The London Borough of Bexley  
The London Borough of Brent  
The London Borough of Bromley  
The London Borough of Camden  
The London Borough of Croydon  
The London Borough of Ealing  
The London Borough of Enfield  
The London Borough of Greenwich  
The London Borough of Hackney  
The London Borough of Hammersmith and Fulham  
The London Borough of Haringey  
The London Borough of Harrow  
The London Borough of Havering  
The London Borough of Hillingdon  
The London Borough of Hounslow  
The London Borough of Islington  
The Royal Borough of Kensington & Chelsea  
The Royal Borough of Kingston-upon-Thames  
The London Borough of Lambeth  
The London Borough of Lewisham  
The London Borough of Merton  
The London Borough of Newham  
The London Borough of Redbridge  
The London Borough of Richmond upon Thames

The London Borough of Southwark

The London Borough of Sutton

The London Borough of Tower Hamlets

The London Borough of Waltham Forest

The London Borough of Wandsworth

The City of Westminster

The Mayor and Commonalty and Citizens of the City of London

## SCHEDULE 2

Illustrative calculation of the apportionment during the first three years of operation of the new arrangements.

An arbitrary 5% increase in the cost each year is assumed.

	Year 1	Year 2	Year 3	Year 4	Ratio
1	100.0%	100.0%	100.0%	100.0%	
2	3.0%	3.0%	3.0%	3.0%	
3	3.0%	3.0%	3.0%	3.0%	
4	3.0%	3.0%	3.0%	3.0%	
5	3.0%	3.0%	3.0%	3.0%	
6	3.0%	3.0%	3.0%	3.0%	
7	3.0%	3.0%	3.0%	3.0%	
8	3.0%	3.0%	3.0%	3.0%	
9	3.0%	3.0%	3.0%	3.0%	
10	3.0%	3.0%	3.0%	3.0%	

Authority	Year 1		Year 2		Year 3	
	Appportionment by numbers (weighted)	Difference	Appportionment by usage	Difference	Appportionment by numbers	Difference
Barking & Dagenham	£ 4,273,633	£ -464,801	£ 4,198,029	£ -512,542	£ 4,405,979	£ 58,189
Barnet	£ 10,136,424	£ -871,352	£ 10,210,376	£ -960,088	£ 11,736,493	£ 222,648
Barrow	£ 7,987,879	£ 5,006,329	£ 8,145,878	£ -3,031,489	£ 9,980,830	£ -633,363
Brent	£ 7,962,584	£ 8,711,928	£ 8,654,476	£ -3,031,489	£ 10,084,788	£ 761,056
Bromley	£ 10,335,741	£ 7,040,227	£ 11,377,528	£ -3,985,289	£ 12,543,724	£ -867,274
Bromley	£ 6,131,031	£ 1,796,089	£ 7,927,238	£ -1,867,269	£ 9,146,943	£ -867,274
Camden	£ 289,038	£ 314,329	£ 271,698	£ 755,188	£ 1,147,119	£ 1,031,802
Cheney	£ 10,314,488	£ 9,046,987	£ 11,377,528	£ 38,133	£ 12,543,724	£ 363,759
City of London	£ 8,432,752	£ 9,610,718	£ 837,966	£ -1,326,682	£ 11,940,310	£ -10,475,125
Enfield	£ 8,600,953	£ 7,619,224	£ 891,339	£ -879,894	£ 10,225,015	£ 11,195,085
Enfield	£ 6,982,083	£ -431,357	£ 9,030,581	£ -1,040,898	£ 9,859,215	£ 8,608,628
Enfield	£ 1,723,440	£ 5,951,749	£ 4,228,697	£ -1,588,479	£ 5,951,749	£ 171,105
Enfield	£ 4,236,096	£ 1,656,857	£ 5,892,955	£ 1,355,862	£ 6,286,647	£ 924,278
Enfield	£ 3,984,547	£ 8,558,699	£ 4,591,438	£ -2,026,775	£ 6,616,610	£ 970,946
Enfield	£ 7,370,238	£ 5,647,877	£ 6,847,877	£ -1,868,116	£ 7,462,688	£ 1,166,125
Enfield	£ 8,401,320	£ 5,731,883	£ 6,804,932	£ -2,666,828	£ 8,531,972	£ 6,799,309
Enfield	£ 7,571,689	£ 5,818,538	£ 6,791,227	£ -1,772,227	£ 8,531,972	£ 6,835,348
Enfield	£ 5,990,765	£ 5,818,538	£ 6,791,227	£ -1,772,227	£ 8,531,972	£ 6,835,348
Enfield	£ 4,273,370	£ 5,486,792	£ 6,791,227	£ -1,069,012	£ 8,531,972	£ 6,835,348
Enfield	£ 4,354,113	£ 3,286,100	£ 4,487,039	£ 1,213,422	£ 6,791,227	£ 6,835,348
Enfield	£ 6,482,684	£ 6,011,112	£ 7,424,762	£ 1,396,428	£ 8,531,972	£ 6,835,348
Enfield	£ 7,071,202	£ 2,287,373	£ 7,424,762	£ 2,143,373	£ 8,531,972	£ 6,835,348
Enfield	£ 5,282,363	£ 6,011,112	£ 6,791,227	£ 1,508,915	£ 8,531,972	£ 6,835,348
Enfield	£ 7,987,367	£ 5,673,750	£ 6,791,227	£ 1,120,477	£ 8,531,972	£ 6,835,348
Enfield	£ 2,444,510	£ 4,794,441	£ 4,794,441	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 5,645,087	£ 4,373,573	£ 5,645,087	£ -1,271,514	£ 6,791,227	£ 6,835,348
Enfield	£ 4,428,123	£ 5,475,763	£ 4,428,123	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 5,981,980	£ 6,007,635	£ 5,981,980	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 6,941,267	£ 7,713,165	£ 6,941,267	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 6,537,530	£ 8,127,630	£ 6,537,530	£ -1,069,012	£ 6,791,227	£ 6,835,348
Total	£ 213,167,871	£ 213,167,871	£ 223,826,265	£ 223,826,265	£ 235,017,578	£ 235,017,578

Authority	Year 1		Year 2		Year 3	
	Appportionment by usage	Difference	Appportionment by usage	Difference	Appportionment by numbers	Difference
Barking & Dagenham	£ 3,808,042	£ -488,135	£ 4,198,029	£ -512,542	£ 4,405,979	£ 58,189
Barnet	£ 9,297,072	£ -871,352	£ 10,210,376	£ -960,088	£ 11,736,493	£ 222,648
Barrow	£ 5,006,329	£ 8,145,878	£ 8,145,878	£ -3,031,489	£ 9,980,830	£ -633,363
Brent	£ 7,962,584	£ 8,711,928	£ 8,654,476	£ -3,031,489	£ 10,084,788	£ 761,056
Bromley	£ 10,335,741	£ 7,040,227	£ 11,377,528	£ -3,985,289	£ 12,543,724	£ -867,274
Bromley	£ 6,131,031	£ 1,796,089	£ 7,927,238	£ -1,867,269	£ 9,146,943	£ -867,274
Camden	£ 289,038	£ 314,329	£ 271,698	£ 755,188	£ 1,147,119	£ 1,031,802
Cheney	£ 10,314,488	£ 9,046,987	£ 11,377,528	£ 38,133	£ 12,543,724	£ 363,759
City of London	£ 8,432,752	£ 9,610,718	£ 837,966	£ -1,326,682	£ 11,940,310	£ -10,475,125
Enfield	£ 8,600,953	£ 7,619,224	£ 891,339	£ -879,894	£ 10,225,015	£ 11,195,085
Enfield	£ 6,982,083	£ -431,357	£ 9,030,581	£ -1,040,898	£ 9,859,215	£ 8,608,628
Enfield	£ 1,723,440	£ 5,951,749	£ 4,228,697	£ -1,588,479	£ 5,951,749	£ 171,105
Enfield	£ 4,236,096	£ 1,656,857	£ 5,892,955	£ 1,355,862	£ 6,286,647	£ 924,278
Enfield	£ 3,984,547	£ 8,558,699	£ 4,591,438	£ -2,026,775	£ 6,616,610	£ 970,946
Enfield	£ 7,370,238	£ 5,647,877	£ 6,847,877	£ -1,868,116	£ 7,462,688	£ 1,166,125
Enfield	£ 8,401,320	£ 5,731,883	£ 6,804,932	£ -2,666,828	£ 8,531,972	£ 6,799,309
Enfield	£ 7,571,689	£ 5,818,538	£ 6,791,227	£ -1,772,227	£ 8,531,972	£ 6,835,348
Enfield	£ 5,990,765	£ 5,818,538	£ 6,791,227	£ -1,772,227	£ 8,531,972	£ 6,835,348
Enfield	£ 4,273,370	£ 5,486,792	£ 6,791,227	£ -1,069,012	£ 8,531,972	£ 6,835,348
Enfield	£ 4,354,113	£ 3,286,100	£ 4,487,039	£ 1,213,422	£ 6,791,227	£ 6,835,348
Enfield	£ 6,482,684	£ 6,011,112	£ 7,424,762	£ 1,396,428	£ 8,531,972	£ 6,835,348
Enfield	£ 7,071,202	£ 2,287,373	£ 7,424,762	£ 2,143,373	£ 8,531,972	£ 6,835,348
Enfield	£ 5,282,363	£ 6,011,112	£ 6,791,227	£ 1,508,915	£ 8,531,972	£ 6,835,348
Enfield	£ 7,987,367	£ 5,673,750	£ 6,791,227	£ 1,120,477	£ 8,531,972	£ 6,835,348
Enfield	£ 2,444,510	£ 4,794,441	£ 4,794,441	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 5,645,087	£ 4,373,573	£ 5,645,087	£ -1,271,514	£ 6,791,227	£ 6,835,348
Enfield	£ 4,428,123	£ 5,475,763	£ 4,428,123	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 5,981,980	£ 6,007,635	£ 5,981,980	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 6,941,267	£ 7,713,165	£ 6,941,267	£ -1,069,012	£ 6,791,227	£ 6,835,348
Enfield	£ 6,537,530	£ 8,127,630	£ 6,537,530	£ -1,069,012	£ 6,791,227	£ 6,835,348
Total	£ 213,167,871	£ 213,167,871	£ 223,826,265	£ 223,826,265	£ 235,017,578	£ 235,017,578

Notes

Column B

Column C

Column D

Column E

Column F

Column G

Column H

Column I

Column J

Column K

Column L

Column M

Column N

Column O

Column P

Column Q

Column R

Column S

This shows the total costs of Freedom Pass in 2008/09 as currently apportioned between the authorities - first it is pass numbers issued by each authority. The reference to 'weighting' refers to a decision by London Councils in December 2007 that, for 2008/09, they would weight the number of passes issued by disabled people at 1/5 compared to the passes issued to elderly people. This reflects the increased use of their passes made by disabled people.

This shows how the same total amount would have been apportioned had the usage based formula proposed been used.

Year 1 is based on an illustrative increase in total costs of 5%

This shows the same principle as in column B but with an illustrative 5% increase in total costs.

This shows how the same total amount as in column E would be apportioned by usage.

This shows the difference between column E and column F.

This shows the actual payments (on the basis of the illustrative 5% increase over 2008/09) based on column H applied to column E.

This shows the actual payments (on the basis of the illustrative 5% increase over 2008/09) based on column H applied to column E.

Year 2 is based on an illustrative 5% increase in total payments over year 1.

This shows the same principle as in column E but with an illustrative 5% increase in total costs.

This shows the difference between column K and L.

This shows the difference between column M and N.

This shows the actual payments (on the basis of the illustrative 5% increase over Year 1) based on column N applied to column K.

This shows the difference between column O and P - the actual difference in payments in this illustration between year 1 and year 2.

Year 3 is based on a further illustrative 5% increase in total payments over year 2.

This shows the difference between column Q and R - the actual difference in payments in this illustration between year 1 and year 2.

This shows the same total amount for column P but apportioned by usage. As this is the final transition year, this is the actual amount to be paid under this illustrative example.

This shows the difference between column R and O - the actual difference in payments in this illustration between year 2 and year 3.