

**Putting Passengers First –
from policy to delivery**

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1. Introduction

pteg welcomes 'Putting Passengers First' (PPF) and the prospect of fresh legislation designed to give the urban bus a fresh start.

The thrust of the Government's proposals would be to give local government, and the bus industry, a more effective 'toolbox' of policies with which to improve bus services.

We share the paper's ambition that '*...the progress London has made on buses can and should be replicated in the big conurbations in the rest of England.*'

Turning around bus services in the conurbations is particularly important since:

- the Passenger Transport Executive (PTE) areas account for 30% of bus travel in England;
- the bus dominates public transport use in the PTE areas (around 85% of public transport trips);
- achieving wider public policy goals such as tackling social injustice, traffic restraint, sustainable regeneration and environmental protection depends on effective public transport.

In 'Backing the Bus'¹ we set out the PTEs' strong record of investment. In all the areas under our direct control we are delivering. Indeed, the capital spend per head on bus in the PTE areas is far higher than it is in the rest of England outside London. Overall we spend around half a billion pounds a year on backing the bus.

This has been achieved through voluntary and statutory quality partnerships with operators and District Highway Authorities wherever we can to improve services for passengers.

However, despite this on-going investment, underlying bus use in the conurbations is continuing to decline.

This is linked to a number of factors including:

- rising car ownership;
- changing lifestyles and working hours;
- changing patterns of development;
- above inflation fares rises causing bus travel to be significantly more expensive than competitor modes;

¹ [Backing the Bus](#): pteg 2006



- patchy service quality (including factors like cleanliness, late and early running) and an unstable network leading to a lack of a clear customer offer;
- the ability to deliver adequate bus priority.

Research carried out for *pteg* by NERA² showed that, without significant policy change, the most likely outcome for bus services in the conurbations is further decline as operators pursue a policy of network reductions and fares rises - in order to protect profitability - and with PTEs increasingly unable to meet the rising costs of support the rest of the network.

2. The Government's Proposals

We agree that 'no one size fits all' so we support the Government's approach of making all the policy options for improving services more effective. In particular, we welcome the balance in the proposals to:

- improve performance;
- strengthen partnership working; and
- make franchising or quality contracts a realistic option.

Before we turn our attention to those policy options there is one overarching concern, which is the future role of the competition authorities regarding local bus services.

3. The Role of the Office of Fair Trading (OFT)

The local bus market is currently subject to the Competition Act 1998 and the oversight of the OFT. In a deregulated market it is right that action should be taken against cartels and the abuse of local monopolies. However, the OFT goes further than that – in effect taking the view that on-street competition is always in the passengers' interest unless operators and local transport authorities can demonstrate that the benefits of cooperation outweigh the assumed advantages of competition.

The OFT have formidable powers to enforce their views. They can require documentation to be provided, obtain warrants to enter and search premises and require past or present employees to provide information. Businesses that infringe competition law can be fined up to 10% of their annual worldwide turnover.

Furthermore it is up to operators to satisfy themselves that in seeking to cooperate with other operators that they have not infringed competition law, all of which makes for a significant deterrent for operators to cooperate, even when encouraged to do so by Transport Authorities.

² [The Decline in Bus Services in English PTE Areas](#): NERA 2006



Our evidence shows that bus passengers value stable, regular interval timetables and tickets that are valid on all services - as exemplified in London. More importantly, the bus industry is already in a competitive market – the main competition being the car.

We believe that the competition authorities are mistaken in their view that on-street competition is generally a benefit to the passenger that must be rigorously safeguarded (with the threat of investigation and prosecution of those who might infringe that perceived benefit).

When investigating this issue in 2002 and 2006 the House of Commons Transport Select Committee arrived at very similar conclusions.

For example, in 2006 the Committee found that: *'It is ridiculous that bus operators are forbidden from providing through-ticketing and co-ordinating scheduled services. There must be a thorough review of how the Competition Act applies to bus services. The Office of Fair Trading states clearly that it does not view the bus as being in competition with the car. This is wrong. It must look again at the reality of competition 'on the road'. If necessary, the legislation should be amended to reflect this.'*

The OFT does provide guidance on how operators can satisfy themselves that in pursuing a cooperative strategy they are not in breach of the 1998 Act. In PPF the Department for Transport (DfT) says that it is working with the OFT on revised guidance.

PPF also proposes extending Schedule Ten of the Transport Act 2000 to cover voluntary partnerships and Quality Contracts (QCs). Schedule Ten currently applies to Statutory Quality Partnerships (SQPs), ticketing schemes and tendered services, and sets out criteria by which to assess whether or not such schemes are being carried out with due regard to their effects on competition.

However, we believe that these changes in themselves are unlikely to be sufficient. This is because even when an operator sees an advantage to cooperation (and often operators prefer to build market share rather than cooperate) those benefits are often outweighed by the costs, resources and risks involved in trying to satisfy themselves that they are not in breach of competition law and policy.

Overall the scale of the threat to operators, in pursuing a cooperative strategy, is disproportionate to the type of service that operators provide. Operators are unlikely to engage economists and competition lawyers to justify the benefits of cooperation, in the context of local bus services, where markets are declining and gains in profitability may be modest.

As part of any new legislation we would urge a review of the restrictions the existing legislation places on partnership and cooperation to see if - through the use of block exemptions and revised guidance (particularly in relation to the role of the local Transport Authority) - these problems might be addressed.



PPF also considers extending the Competition Test to QCs. We do not feel that this is necessary or desirable. To implement a QC a Local Transport Authority (LTA) will already have to satisfy the public interest test and satisfy the proportionality test under human rights legislation. Also, the implementation of a QC will naturally have a significant effect on "on-road" competition in that for the period of the contract there will not be any on-road competition - the competition will have occurred in the bidding process for the contracts. *pteg* does not believe that the Schedule Ten test is appropriate for a QC.

4. A New Performance Regime

Context

We welcome PPF's proposals to introduce a new performance regime and for more and better performance information to be made available by operators. Much of our research shows that good service performance is one of the key characteristics that passengers and potential passengers value from local bus services. Better data provision and analysis will provide the impetus for much needed improvements in service delivery.

The principle that comparable performance data should be available to assist in improving public services is well established in sectors like health and education. It also extends to the rail sector where a wealth of comparable and reliable data is available on performance and patronage. With the bus sector now in receipt of public funding to the tune of £2 billion a year (and rising) it's right that the bus sector should be subject to similar scrutiny and openness.

Current arrangements are unsatisfactory:

- the Traffic Commissioners resources for monitoring service performance are extremely constrained (in 2004 they had nine staff available to monitor services throughout England);
- operators usually treat performance data as confidential;
- basic statistics on overall patronage levels in different parts of the country are derived differently and are subject to revision.

New technologies (based on GPS systems and smartcards) offer the opportunity to provide highly detailed and comparable performance and patronage data. This will give a range of audiences (including passengers, policy makers and operators) the information they need to:

- identify the causes of delays and performance failures;
- help assess what policy measures are effective in improving performance and driving up patronage;
- assess the relative performance of individual operators;



- assess overall performance of the sector.

Proposals

pteg welcomes and supports:

- the proposal that operators should be required to keep records of the performance of their services and to provide regular, reliable reports to an agreed industry standard to the local Traffic Commissioner. PPF notes that about half of all buses have GPS equipment installed. We also believe that this should extend to a wider range of information, including average fleet age, levels of wheelchair accessibility and vehicle environmental standards;
- the introduction of a performance reporting regime to the full UK fleet over a period of time, gradually requiring all vehicles to be fitted with the technology needed to record performance data. This would avoid a major new data collection burden being placed on either operators or local transport authorities;
- that the Traffic Commissioners should also be under a duty to make data publicly available in an accessible form. This would bring the bus industry in line with the rail industry, local authorities and other key public services.

If full value is to be gained from additional performance data then that performance data needs to be based on agreed industry standards to ensure the data is timely, consistent and comparable. Any new legislation should be supported by guidance and codes of practice that spell out the importance of constructive engagement between all interests.

PPF rightly identifies the need to address significant performance failure more thoroughly and more effectively. It proposes that the Traffic Commissioners should be able to hold local authorities and operators to account for their contribution to the performance of local bus services. These proposals would require an appropriate reward and penalty regime.

pteg agrees that a more effective set of financial incentives is required. However, the objective of achieving better services through better partnership between operators and local transport authorities requires a performance regime in which information is used principally to identify and resolve problems, rather than to punish those who fall short of agreed standards.

We also need to design a regime that puts passengers first. A penalty regime based on cutting operator licenses or fines can rebound on the passenger through service reductions / instability (from licence number reductions) or fares increases and service reductions (from fines). Fines collected from operators are lost to the transport system.

pteg wants to see the pace of implementation of bus priority schemes increase and for schemes already in place to be effectively managed. We therefore welcome the



changes in policy climate that PPF offers that should encourage highway authorities to deliver and implement such schemes. **pteg** has separately commented on the governance aspects of PPF³ and believes there may be accountability issues in seeking to give the Traffic Commissioners the right to compel local authorities to implement and maintain bus priority measures following an inquiry.

For example:

- if local councillors have been elected with an anti-bus lane mandate;
- if a local authority has decided that funding other local services is more important than funding traffic management measures;
- if a local authority has a bus priority strategy that ranks other bus corridors as more important.

It is possible that 'naming and shaming' failures to implement bus priority policies might act as an incentive to local highway authorities. There is also the option of Traffic Commissioners feeding into assessments of Local Transport Plan (LTP) delivery.

However, we would welcome the Government's further thoughts in this area and see the parallel changes in governance that the DfT is proposing as offering scope, for a more coherent application of public transport and highway policy at local level. This could include extending the remit of the Traffic Management Act 2004 to include PTEs. Revised guidance could also be issued to ensure that District Council Traffic Managers gave greater emphasis to ensuring that bus priority measures were effectively managed. They could also be given a duty to coordinate with each other, and with the newly created PTE Traffic Manager role.

5. Statutory Quality Partnerships

We welcome the proposals to include fares and frequencies within Statutory Quality Partnerships (SQPs) and to allow the implementation of infrastructure and quality standards to be phased in after the signing-off of an agreement. **pteg** believes a further benefit would arise if authorities were able to also set maximum frequencies to prevent 'over-bussing' in order to optimise the value from the bus fleet and the use of city centre capacity.

These changes should make SQPs a more realistic and attractive option - although the details of such an arrangement require careful consideration where more than one operator is involved. To that end, we will continue to work with the DfT and operators on how SQPs can be most effectively brokered and enforced.

³ [Road Transport Bill: PTA Powers and Governance Arrangements](#): pteg 2007



6. Quality Contracts

The PPF process

pteg welcomes the Government's objective of making QCs a '*more realistic option*'. We fully accept that there needs to be a transparent, rigorous and appropriate process for assessing QC proposals, and wish to ensure that this new process achieves that aim.

pteg commissioned consultants Steer, Davies and Gleave (SDG) to estimate the timescales for the process set out in PPF. They concluded that even if the process went well it would take nearly four years from proposal to implementation (including appeals to a Transport Tribunal, but not including revisions to LTP/bus strategy or further legal action beyond a Transport Tribunal decision). **pteg** believes a QC should be able to be implemented within a realistically, deliverable timescale. We have, therefore, looked at how the process could be made more streamlined whilst remaining transparent, rigorous and fair.

As currently proposed, the new process comprises up to at least five stages and is summarised in Table One, with our comments, and in diagrammatic form in Figure One (the latter being based upon SDG's analysis).



Table 1: The QC process as set out in PPF

PPF proposals	<i>pteg comments</i>
<p>Stage One: The Plan</p> <p>A PTE to draw up a plan which would improve services in measurable respects. These would need to include increases in bus patronage, improved accessibility in line with local targets and improved vehicle speeds on critical parts of the road network. Other priorities could be included such as improving environmental performance.</p> <p>This plan would need to:</p> <ul style="list-style-type: none"> • be fully costed with evidence that it can be funded; • be demonstrably in the public interest; • provide good value for money; be linked to 'appropriate' governance arrangements to ensure effective implementation; • contain obligations on relevant local authorities to show the scheme will be supported by, and in turn facilitate wider, demand management measures - including measures to give buses more priority. 	<p>We agree that any QC proposal should be fully costed, that a public interest case should be made, and that it should provide good value for money</p> <p>We also share the Government's goal of ensuring that complementary demand management and bus priority measures are implemented. We would expect there to be a clear commitment from the Highways Authority to delivering the infrastructure necessary to make a QC value for money. Wider changes to the governance of transport in the city regions may help achieve that aim by ensuring more cohesive planning and management of highways and public transport functions within the conurbations. However, changes in the governance of transport are also linked to wider changes in the governance of the city regions and can only be made by central government.</p> <p>Where significant bus priority programmes are considered integral to any viable QC proposal a funding package would need to be put to the DfT – with the DfT committing to fund the measures which would comprise the bus priority element of the application to the Traffic Commissioners.</p> <p>A process of drawing up, and getting approval for such a package, could take a significant amount of time. Furthermore, it is unclear how the DfT funding approval process might relate to the ongoing prioritising of Regional Funding Allocations.</p> <p>In addition PPF makes no reference to the existing established planning tools for city region transport networks – the LTP, the Bus Strategy and, where appropriate, the Local Development Framework.</p>
<p>Stage Two: The Application</p> <p>An application for a QC would go to the Senior Traffic Commissioner (sitting together with a panel of experts). The Senior Traffic Commissioner could approve the scheme, with or without amendments.</p>	<p>We do not believe the Traffic Commissioners are an appropriate body to determine QC applications in the way that the Government now envisages them.</p> <p>If a QC is to be integrated with wider changes to governance and traffic management – then by rejecting a Quality Contract application the Traffic Commissioners would have a veto on a city region's entire transport strategy. A strategy that would have been drawn up by locally accountable and democratically elected bodies and which may well also be pilots for wider national government policies like road user charging.</p> <p>The Traffic Commissioners' expertise is in vehicle standards, safety, operation and fleet management. They do not have</p>



PPF proposals	<i>pteg comments</i>
	<p>expertise, resources or experience in determining the implications of a QC for wider public transport and public policy goals.</p> <p>A QC would not just be about improving the reliability and performance of bus services. It would also be about helping to achieve wider Government and local objectives for:</p> <ul style="list-style-type: none"> • tackling social exclusion (by providing access to opportunity for excluded groups and areas); • providing networks that are responsive to the changing needs of city region economies (by serving new developments from day one, or by providing the mass access that booming city centres need); • contributing to wider air pollution and carbon reduction goals (through the greening of the bus fleet itself and the management of that fleet). <p>An enhanced Transport Authority and Executive – accountable to local and city region government – is far better placed to determine these issues than the Traffic Commissioners.</p>
<p>Stage Three: The Appeal</p> <p>There could be an appeal against the Senior Traffic Commissioner’s decision to a Transport Tribunal.</p>	<p>PPF argues that Judicial Review (JR) is an expensive, time-consuming process, which is limited in the redress that it can provide and that an alternative option would be preferable – namely, the Transport Tribunals.</p> <p>Our understanding is that in law a Transport Tribunal would substitute for a JR. However, both a Transport Tribunal and JR can be subject to further review by the Court of Appeal and House of Lords. So the Transport Tribunal does not prevent further court action – it substitutes for one stage of potential legal action.</p> <p>Our understanding is that the main differences between a Transport Tribunal and a JR are that:</p> <ul style="list-style-type: none"> • a Transport Tribunal can consider matters of fact, law and process, whereas a JR can only consider matters of law or a perverse decision; • an appeal to a Transport Tribunal is guaranteed to be heard whereas the JR requires a judge to agree that the case is strong enough to be heard. <p>On balance then we would not favour the option of an appeal to the Transport Tribunals because:</p> <ul style="list-style-type: none"> • it does not prevent operators from contesting a QC in the courts later (via the Court of Appeal); • its scope for re-examining a decision is too wide. <p>In addition its relevant expertise is even more limited than the</p>



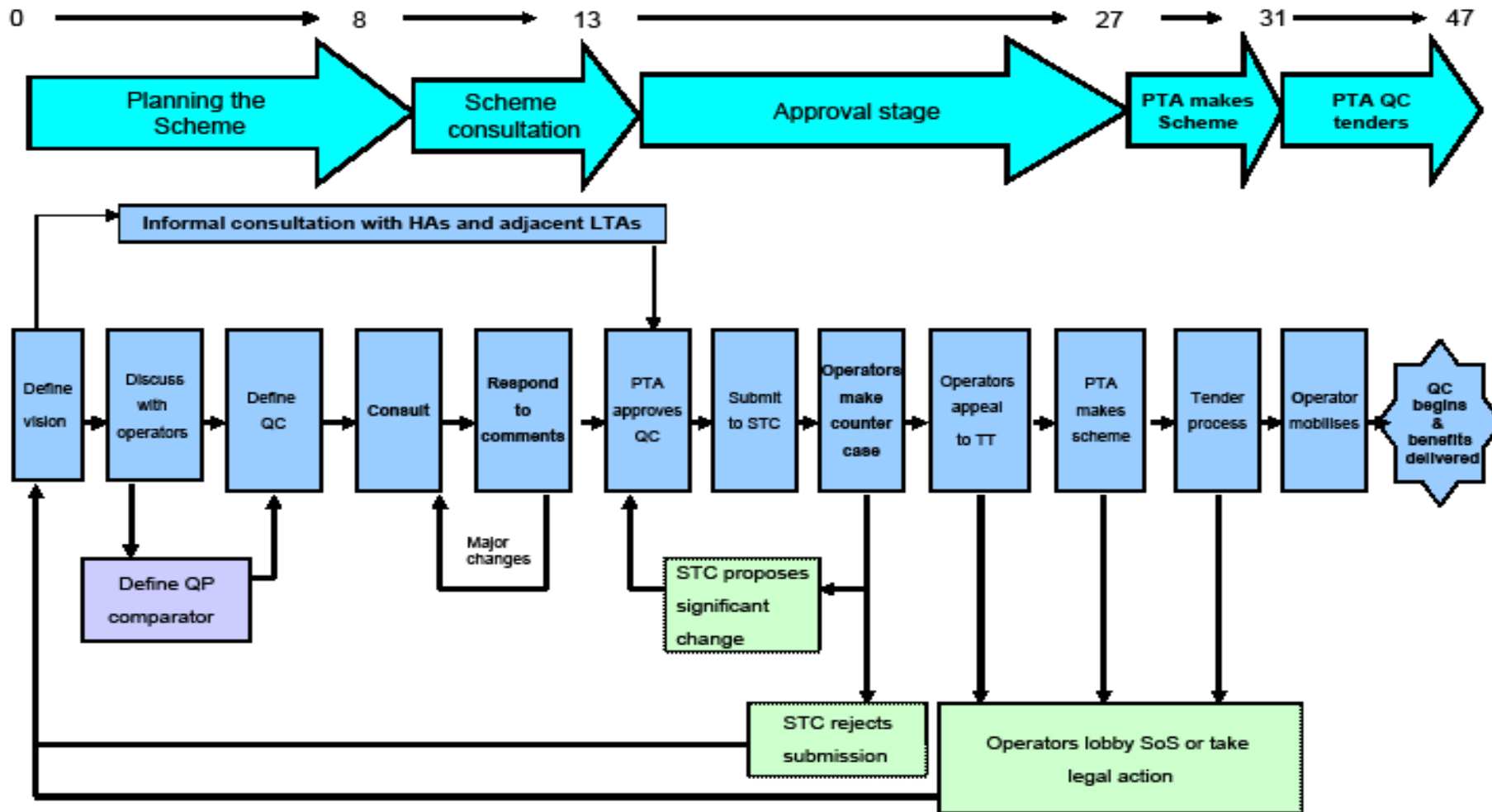
PPF proposals	<i>pteg comments</i>
	<p>Traffic Commissioners.</p> <p>Transport Tribunals currently sit in judgement on:</p> <ul style="list-style-type: none"> • appeals against decisions of Traffic Commissioners in connection with the Heavy Goods Vehicles & Public Service Vehicles Operators Licensing Systems; • decisions of the Registrar of Approved Driving Instructors; • disputes under the Postal Services Act 2000. <p>As with the Traffic Commissioners, giving the Transport Tribunals a veto on a QC would give a second unaccountable, unelected body the power to veto a city region's entire transport strategy.</p>
<p>Stage Four: The Decision</p> <p>The Local Transport Authority, having cleared these legal hurdles would then have to decide whether to make an Order to proceed, carefully balancing the opportunities and threats posed by the transition to and delivery of the contract that had become evident through the approval process, together with the robustness of the funding package.</p>	
<p>Stage Five: Letting the Contract</p>	
<p>Possible additional stages</p> <p>A QC application would be subject to a Schedule Ten test on competition issues</p> <p>Prior to submitting a QC proposal, the LTP and Bus Strategy may need to be revised.</p> <p>As we understand it the decision of the Transport Tribunal could also be challenged in the Court of Appeal.</p>	



Figure 1

The QC process implied by 'Putting Passengers First'

Indicative timeline (months)



An Alternative Process

Stage one – the Plan

Any QC proposal would be rooted in the LTP and PTE Bus Strategy. It would need to be consistent with the City Region plan and any TIF bids.

The plan would also need to be:

- costed and represent good value for money;
- be demonstrably in the public interest;
- be in line with LTP and bus strategy goals, including, for achieving targets for increased patronage and improved accessibility;
- incorporate the bus priority programmes set out in the LTP and Bus Strategy.

In parallel, the appropriateness of the governance arrangements would have been separately agreed with the DfT and the Department for Communities and Local Government (DCLG). The appropriate Transport Authority could then consider the proposal and if approved, the scheme goes ahead subject to stage two. If the Transport Authority considered that external review would benefit the proposal then they would be free to build into the process scrutiny by a panel of independent experts.

pteg believes that stage one of the process should be able to be completed within 12 months.

Stage two – appeal process

Operators would have the right to seek leave for a JR on process issues.

Stage three – scheme implemented

Scheme is tendered and contracts are let.

pteg believes the proposal outlined above would be proportionate, fair, transparent and sit within the Government's existing established LTP and Bus Strategy mechanisms. It would give the Government significant opportunities to influence a poorly constructed QC proposal through its oversight of the LTP and Bus Strategy process as the Government provides the guidance for LTPs and Bus Strategies, grades them, and awards funding on the basis of their contents.

However, once the LTP and Bus Strategy are in place it should be for the locally accountable and, where appropriate, enhanced Transport Authority, to determine the best way to achieve that strategy – up to and including QC proposals.



The role of the Traffic Commissioners and Transport Tribunals would remain within their existing areas of expertise – the monitoring and enforcement of vehicle safety and standards, and service operation. They would have no role in determining how local transport strategies should be implemented.

Operators dissatisfied with the way in which a local authority or Passenger Transport Authority had carried out their responsibilities would have recourse to the Courts on issues of process including the ability to challenge wholly perverse decisions.

pteg believes that this could reduce the timescales and is willing to discuss the implications of its proposals further with the DfT.

Further suggested comments, modifications and additions to the QC process set out in PPF

Relationship with TIF Bids

The issue of the length of time taken to secure a QC may be a problem where an authority is pursuing a TIF bid that includes proposals to introduce congestion charging. Ministers have previously acknowledged that having control over bus networks will be important in this respect. However, the work carried out by SDG suggests that the lengthy approval process set out in PPF may prevent an authority securing the “up-front” major public transport improvements that will be an essential pre-requisite of a charging scheme.

If an authority is planning to introduce charging they will need to have confidence that the quantity and quality of bus services, needed to accompany charging, will be provided. This would seem to imply a reduction in the burden of proof that a QC is needed in such circumstances. There are strong incentives to make QCs an integral part of a charging scheme. Firstly, as charging increases the price of the alternative (travel by car), it would create a perverse incentive for bus companies to raise fares which would run counter to achieving other policy goals - as well as affecting public acceptability of the wider charging scheme. Secondly, the induced demand for bus travel created by charging would create new revenues for bus companies at zero risk to them, which leads to the question as to whether the companies should retain all additional revenues.

Operator involvement

We support PPF's intention to ensure that operator skills and expertise are reflected in any QC.

There is much merit in a QC proposal setting out the parameters of the service that should be provided and seeking operator bids which would set out how that could best and most efficiently be provided. For example, the PTE could set out the accessibility goals it wanted a network to achieve, the spread of services (by area



and time of day) and seek operator views on what service plan would achieve those aims.

However, there is a difficulty in requiring PTEs to produce a fully costed and detailed plan for a QC if the Government also wants 'loose fit' franchises where the detail is not specified by the PTE.

This is a particular difficulty with the first round of any franchising exercise – in that it is difficult to know definitively how much a franchise will cost until you go to the market. Although the market testing exercise carried out by South Yorkshire PTE and Nexus has helped to mitigate this risk, the problem will be exacerbated if the Government wants a highly detailed plan with outcomes as guaranteed as possible for submission in the early stages of the process (stage one) which is then subjected to two further examinations (stage two and three). Whilst, at the same time, it wants a contract letting phase (stage four) to be based on a proposal which is loosely specified to allow bidder input. We hope that, by continuing to work with the Government, these tensions can be satisfactorily resolved.

Smaller operators and franchise size

We share the Government's objective of not losing smaller quality operators who would either not wish to, or may not be in a position to bid for, a larger contract.

This problem could be resolved by:

- allowing existing arrangements to continue where a quality operator is providing a good service;
- requiring bidders to sub-contract a proportion of a large contract;
- splitting out contracts for specific areas or for niche services (like schools transport or demand responsive transport).

Whilst the guidance could be specific in ensuring that good small operators are not frozen out in a QC regime, it does not need to be prescriptive on the size and shape of contracts. The balance between ensuring small operator participation, value for money and contract size will be most efficiently determined by local transport authorities responding to the distinctive natures of their local transport networks.

Sound transition arrangements

Any transition between a deregulated and regulated environment needs to maintain the twin aim of protecting passenger and operator interests. For an incumbent operator who has failed to secure a similar level of business through the franchise process, this will be a difficult period. However, the passenger has a right to be protected as the operator adjusts for the future. We believe that a semi-regulated solution should be put in place during this period, allowing operators to increase or



reduce the size of their operations, whilst ensuring that services are adjusted in a way that is consistent with the approved franchise plan.

One way of doing this would be to give the Traffic Commissioners enhanced powers during this period which could include imposing conditions on operators within a QC area to require consultation with the local authority on de-registrations, fares rises and changes to employment terms and conditions offered by the operators affected. Following consultation, the Traffic Commissioner could be empowered to impose restrictions on de-registration, fare changes, or changes in terms and conditions (if relevant) in a QC area in the period after the award of the contract has been announced.

'Operator of last resort' powers

Both Transport for London and the Strategic Rail Authority found it needed to use 'operator of last resort powers' to intervene in circumstances where operators found themselves unable to deliver services to the scale or standard set out in their contract. We would propose similar powers should be given to promoters of QC schemes to allow them to step in on a temporary basis in order to protect passenger interests in extremis. We envisage clear criteria being set before such powers would be exercised.

A 'bond' payment by franchisees – to be paid in event of a major default – could assist in these circumstances.

Contract length

We welcome the proposal to extend contract length to as long as ten years. Operators have told us that longer contract length will enable them to invest more in a franchise (for example in vehicles and depot facilities). **pteg** would wish to see longer scheme periods beyond the ten years proposed as this would allow greater certainty and allow higher levels of public sector investment in infrastructure. This, coupled with a clear provision for scheme renewal so that the lengthy process for establishing the initial QC does not have to be repeated for the following contract period, would be welcomed.

Other Issues

pteg also believes the forthcoming legislation should take the opportunity to:

- extend the provisions of the proposed Regulatory Reform Order to cover all bus services, so that QCs would be brought in line with other contracted services that PTEs already provide;
- allow area-wide schemes to be approved with phased implementation over a reasonable period;



- ensure variations such as changes to routes and service timings can be made without having a complex approval process;
- assess the applicability of TUPE as part of the transitional arrangements.

7. Community Transport (CT)

Although PTEs do not provide CT services, some PTEs have actively supported the sector through building the capacity of the sector, sometimes through the provision of grants for development, staffing or vehicles.

CT can play a useful role in augmenting the conventional bus network and in supporting the activities of specific communities and community organisations. However, licensing arrangements are complex and we therefore support the objective of a simplified licensing system for the CT sector.

8. Bus Service Operators Grant (BSOG)

We agree that by being linked to fuel consumed BSOG is:

'poorly targeted on objectives for patronage, punctuality and quality. Furthermore by subsidising fuel consumption they do not fit well with our environmental objectives.'

In its current form, BSOG does not provide a strong incentive to operators to:

- purchase more fuel efficient and less polluting vehicles;
- manage the operation of their fleets in a way that conserves fuel (for example in the maintenance and operation of their vehicles).

Under a Quality Contract BSOG payments should be diverted to the franchising authority which would enable a higher specification franchise to be set out (which includes specifying vehicles which meet higher environmental and emission standards).

In the absence of franchising there are a number of alternatives to BSOG - all of which have their pros and cons.

BSOG payments could be diverted from operators to LTAs. This would allow LTAs to target the funding to better meet Government objectives for tackling social exclusion, reducing traffic congestion and supporting regeneration. However, without franchising there would be severe limitations on where this additional resource could be routed – as the majority of the network is commercial and local authorities would be unable to supplement existing services. The likelihood is that additional funding would be spent on providing additional services where no commercial service is currently provided – which may help achieve social exclusion objectives but would be of little benefit for congestion relief. In addition the likely response of operators to the loss of direct BSOG funding would be to reduce commercial services and increase fares.



Another option would be for BSOG to be paid on the basis of passengers carried or passenger kilometres (thus incentivising patronage growth).

The disadvantages of this approach would be that it could encourage existing trends of operators concentrating on the busiest corridors leaving an ever greater burden on PTEs to support the remaining social network.

Without a smartcard system measuring patronage (by numbers or mileage) it could prove difficult to administer and may encourage fraudulent claims.

BSOG could be used to reward the environmental performance of the bus fleet and/or reliability. However, this could be a complex system to administer. For example, attributing responsibility for bus reliability is far from an exact science.

We would therefore welcome further dialogue with Government on developing a robust alternative to BSOG that will more clearly link the payment of subsidy with the achievement of local and national objectives.

