

Transport Select Committee inquiry into the draft Local Transport Bill Evidence from *pteg* (Passenger Transport Executive Group)

1. Introduction

- 1.1** *pteg* represents the six English Passenger Transport Authorities and Executives (PTA/Es) which between them serve eleven million people in Tyne and Wear ('Nexus'), West Yorkshire ('Metro'), South Yorkshire, Greater Manchester, Merseyside ('Merseytravel') and the West Midlands ('Centro'). Strathclyde Partnership for Transport ('SPT') and Transport for London are associate members. Since their inception the six PTA/Es have been the driving force behind the development of public transport in the areas they serve. The PTAs have enabled cross-Party and cross-District consensus to be achieved around the strategies for the city regions as a whole, while the PTEs have provided the expertise and professional commitment to deliver on those strategies – with combined investment programmes of over £1 billion a year. However, the range of powers available to the PTA/Es to deliver on their plans, policies and programmes is severely limited when compared to Transport for London, or with comparable transport authorities in other major European cities. In particular PTA/Es cannot plan, specify or regulate the main form of public transport in their areas – which is the bus.
- 1.2** *pteg* therefore welcomes the draft Local Transport Bill and strongly supports both its objectives and much of the detail of the proposals.
- 1.3** The Bill deals with three main issues – transport governance, reform of the bus sector and road user charging

2. Governance

- 2.1** We believe that the governance proposals strike broadly the right balance between strengthening the remit and the role of the PTA in planning and delivering the strategic priorities for the city region – whilst allowing each city region some freedom of manoeuvre on how best this might be achieved, in the light of local circumstance and local aspirations.
- 2.2** The Local Transport Bill does this by setting out a 'base case' expansion of PTA powers. After that the city regions can propose further reforms or changes, with the Bill providing the powers necessary to underpin a wide-range of governance options.
- 2.3** The 'base case' expansion includes 'wellbeing' powers and the responsibility for drawing up an Integrated Transport Strategy (ITS) and accompanying implementation plan. These new powers are welcome with the latter ensuring that there is a clear strategic transport plan for the conurbation – and a timetable for its implementation. However, if the ITS is to have force, it's important that it acts as a key conduit for local transport funding (as we believe is the Government's intention).
- 2.4** The Government has identified other areas that need to be addressed, which include:
- the mismatch between the strategic planning of public transport networks (currently carried out at a PTE level) and the local planning and management of highways (currently carried out a District level);
 - the need for the planning and development of the local heavy rail network to be more effectively integrated with wider city region plans;
 - the need for a fuller range of powers and options to be available to ensure the provision of high quality bus services;

- the way in which commuting patterns and the economic ‘pull’ of the city regions now extends beyond existing administrative boundaries.

2.5 Although these issues are relevant to all PTAs, the way in which they are resolved is best determined locally. This is because although the six city regions served by PTA/Es are among the largest conurbations outside London – their socio-economic characteristics vary, as does the nature of their transport networks. For example Greater Manchester is made up of ten Districts; the core built up area spans District boundaries; and Greater Manchester is considering taking forward a TIF bid based on road user charging. In comparison, South Yorkshire is far more polycentric; is made up of four districts; and is not considering becoming an early adopter of road user charging.

2.6 We are therefore strongly of the view that ‘no one size fits all’ and that city regions should be allowed to develop formats for governance that best suit local circumstances and local priorities. We are very pleased that the draft Local Transport Bill accepts this as a cornerstone of its approach. However, just as it would be wrong to attempt to impose a single model of governance on the city regions, it would be equally wrong not to encourage city regions to take a fresh look at what structures of transport governance would best support the equitable and sustainable economic development and regeneration of their areas. The Bill rightly gives the Government the powers to encourage and accelerate progress where a city region fails to rise to the challenge or where the progress of a city region as a whole is being slowed down by the politics of the ‘lowest common denominator’.

3. Bus reform

3.1 The bus is the main form of public transport in PTE areas (about 85 per cent of all trips), yet unlike rail and light rail systems, bus travel has been in decline in the Met areas. The PTEs are one of the biggest backers of the bus. With SPT, they invest around half a billion pounds a year in supporting and improving bus provision. Their level of capital spend per head is far in excess of that by local authorities in the rest of England, outside London. This is currently done through voluntary partnership with operators. However, despite this considerable and continuing investment in voluntary partnership by the public sector, bus use in the conurbations continues to decline (and is expected to continue to do so once the effect of the new concessionary fares scheme for older and disabled people has been discounted) [see table one].

Table one

Changes in key bus indicators to 2005/06			
	PTEs	London	Shires
Fares			
Since deregulation	+96%	+45%	+42%
Since ten years ago	+28%	+7%	+28%
Since five years ago	+14%	+6%	+14%
Patronage			
Since deregulation	-49%	+57%	-27%
Since ten years ago	-14%	+52%	-8%
Since five years ago	-7%	+34%	-7%
Mileage			
Since deregulation	-5%	+70%	+28%
Since ten years ago	-21%	+32%	-1%
Since five years ago	-17%	+25%	-4%

- 3.2 This decline 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 increasingly uncompetitive with cars, taxis, and light and heavy rail; patchy service quality (including cleanliness, late and early running); unstable and retrenching networks; and the ability to deliver adequate bus priority.
- 3.3 Research carried out for **pteg** by NERA showed that, without significant policy change, the most likely outcome for bus services 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 supporting the rest of the network.
- 3.4 We are delighted therefore that the bus policy is now getting the attention it merits and that the Government has set out its ambition in ‘Putting Passengers First’ that: ‘...*the progress London has made on buses can and should be replicated in the big conurbations in the rest of England*’.
- 3.5 The draft Bill would give PTEs and local authorities a more effective ‘toolbox’ of policies with which to improve bus services, and we deal with each of these in turn.

A new performance regime

- 3.6 We support the proposal that the Traffic Commissioners should have additional powers to require operators to provide performance data and to ensure that local authorities and operators tackle poor performance together.
- 3.7 We would like to see the proposals developed to ensure that:
- detailed operator performance data is available to PTEs, to enable problems to be fully analysed and solutions developed;
 - in line with other key public services, summary performance data is accessible and in the public domain;
 - there is an effective, and properly funded, reward and penalty regime in place to encourage high standards of delivery, in place of the current system of fines;
 - the Traffic Commissioners have adequate resources to monitor and investigate performance problems and to ensure that subsequent remedial measures are implemented and enforced.

The role of the competition authorities

- 3.8 The Government is looking at exempting co-operation in the provision of bus services from sections of the Competition Act. Instead, there would be a specific test designed to show whether the benefits of a partnership arrangement outweigh the benefits of on-street competition. **pteg** is studying the details of the proposal. However, we would welcome any change which removed the threat of action, by the competition authorities against sensible cooperation between operators and local authorities. Substituting a specific test for sections of the Competition Act should help achieve this aim – but the specific test should have wider criteria than currently drafted, to take into account the fullest range of benefits that could accrue from partnership arrangements.

Quality partnerships

- 3.9 We welcome the proposals to extend the scope of a Statutory Quality Partnership (SQP) agreement to include maximum fares, minimum service frequencies and timetable specifications, and allow improvements to be phased in over time. These changes should

make SQPs a more realistic and attractive option – although it should be noted that the benefits fall short of what could be achieved by a Quality Contract. We also have concerns about how aspects of a SQP could be made to work in practice. For example how an SQP (and the bus service timetable) would be framed when several operators were involved, or if new operators wanted to join the scheme. We would also wish to ensure that a full basket of fares was covered rather than just single and return fares.

Quality Contracts

- 3.10** ‘Quality Contracts’ are in effect the franchising of a network of services – similar to the way in which the majority of the rest of public transport in the UK is provided (such as bus services in London and the national rail network).
- 3.11** Quality Contracts would allow PTEs to specify and regulate bus networks. These networks could be the whole of a PTE area or a single town. Private sector companies would be invited to bid to operate the specified network. Once a company was appointed it would face no on-road competition and would be free to concentrate on developing the local market for bus travel, in partnership with the PTE.
- 3.12** As with any franchising exercise, you get what you are prepared to pay for. But a market testing exercise by PTEs has shown that even with a comparable level of public funding, franchising should provide a better service than currently exists. At a minimum, franchised networks would benefit from:
- more stability, with less frequent changes to fares, times and frequencies;
 - better reliability – because services would be thoroughly monitored and good performance would be incentivised;
 - better integration – one brand, one family of tickets, simpler fares, improved links between different modes of travel;
 - being cleaner and greener – dirty old buses would be sent to the scrapyard and contracts would require bus operators to provide newer, cleaner buses and to maintain them properly.
- 3.13** If more resources become available – be it from national Government or from the city regions themselves – then Quality Contracts could be used to make further step changes on vehicle quality, fares levels and service levels. All of which would help reduce car dependency, improve air quality and underpin the sustainable and equitable regeneration of the city regions.
- 3.14** There are considerable practical obstacles to the introduction of Quality Contracts – not least of which is that the incumbent usually has control of the garages, the staff and the buses and if they fail to win a Quality Contract competition then they are under no obligation to hand them on to the winning bidder. Indeed operators like Stagecoach have already threatened to challenge the process if their current monopoly position is threatened by Quality Contracts. For example Brian Souter was quoted in the Sheffield Star (30/10/06) as saying: *“If franchising or Quality Contracts are brought in we will put all our depots up for sale in South Yorkshire. That is not a threat, it’s just that we don’t think it is the way to make the system work.”*
- 3.15** **pteg** believes that these practical difficulties can be overcome by, for example, investing directly in new modern depots to facilitate a level playing field at the start of a franchising process. However, the Transport Act 2000 added an additional layer of procedural difficulty to what is already a challenging process. Among other things, it required PTEs to demonstrate that a Quality Contract is the ‘only practicable way’ to achieve the objectives of

a bus strategy. The practical difficulties in introducing Quality Contracts, coupled with the high hurdles set out in the legislation, helps explain why no Quality Contract applications have been made. The 'practicable way' test and the requirement for the Secretary of State to determine a Quality Contract application have been removed by the draft Bill. We welcome this and must now ensure that the replacement process strikes a fair balance between the needs of passengers, the ability of a local authority to deliver its policies in a timely and cost effective way and the rights of incumbent bus operators.

- 3.16** Our main concern with the process set out in the draft Bill is that an approval board (Chaired by a Traffic Commissioner) will determine an application. This decision can then be appealed to a Transport Tribunal. Our understanding is that an appeal to the Transport Tribunal can be made 'as of right', on any matter, and by any consultee on the original Quality Contract application. If neither the approval board or Transport Tribunal decision went their way then current monopoly operators would be free to appeal the decision to the Court of Appeal. The net effect of this process would be to:
- increase the already significant risks and uncertainties which PTEs would face in a transition from unregulated monopolies to a regulated market;
 - give a best case timescale (if all parts of the process went smoothly) for a Quality Contract to go from proposal to implementation of nearly four years.
- 3.17** An extended and uncertain process brings with it cost penalties. It would also potentially give the approval board and the Transport Tribunals a veto over a city region's wider transport strategy – up to and including a road pricing pilot. A Quality Contract would not just be about improving bus service performance. It would be linked to wider strategies for tackling social exclusion, serving regeneration sites from day one, traffic restraint and raising air quality standards. A Quality Contract proposal would also have been approved by democratically accountable local authorities. The Traffic Commissioners and Transport Tribunals have considerable expertise in vehicle safety and operational issues – but they have no expertise, remit or accountability to determine whether a city region's transport strategy should go ahead or not. For example the current remit for the Transport Tribunals is:
- appeals against the decisions of Traffic Commissioners in connection with HGV and PSV operators licensing systems;
 - decisions of the Registrar of Approved Driving Instructors;
 - disputes under the Postal Services Act 2000.
- 3.18** *pteg* fears that this new process could mean that the Local Transport Bill repeats the mistake of the Transport Act 2000, with the franchising legislation being similarly under-utilised, against a backdrop of continuing decline in fare paying bus usage. This would be a further wasted opportunity – with passengers the ultimate losers.
- 3.19** *pteg* believes that the challenges inherent in a transition to a regulated market are sufficient to deter any ill-conceived QC application, and that it should be for democratically accountable PTAs to decide whether a QC will best deliver the improved bus services that their city regions need. Operators would still have recourse to the Courts to challenge any unfair or unlawful decision.
- 3.20** Aside from the key issue of who determines whether a Quality Contract goes ahead the Bill also needs to be developed to cover the transitional period between a deregulated and a regulated market. This includes protecting service provision and the workforce in the period between an incumbent losing a franchise competition and the new franchise starting operation. The Bill is entirely silent on the issues of managing transition and the problems that may emerge at this stage have the potential to prevent an approved Quality Contract

being implemented. The Bill should also include 'operator of last resort' powers for PTEs, where a franchisee found itself unable to deliver on the contract.

- 3.21** Without proper attention to the issues set out above, we believe that the Secretary of State's objective of making Quality Contracts 'a more realistic option' will fail to be achieved.

Bus Service Operator Grant (BSOG)

- 3.22** *pteg's* view is that continuing to subsidise operators to burn fuel is difficult to defend from environmental and good governance perspectives. However, transition to a new subsidy regime needs to be carefully thought through as operators would react to the loss of BSOG by reducing services and increasing fares. PTEs are discussing with Government the option of PTEs taking over responsibility for BSOG payments - which would allow them to phase in more locally appropriate subsidy regimes, thereby incentivising operators to switch to greener and cleaner vehicles and to better target the subsidy to support bus networks which met the city regions' wider economic, social and environmental objectives. For example, BSOG subsidy could be partially re-directed to subsidise particulate filter traps or to support the introduction of GPS equipment on buses (enabling bus performance to be properly monitored and real time information systems to be introduced). It could also support the introduction of smartcard-readers on buses – which would support the national concessionary fares schemes and allow integrated smartcards (like London's successful Oystercard) to be rolled out across the country.

Vehicle ownership

- 3.23** At present, unlike District Councils, PTEs are not allowed to own or lease buses. The power to own and lease vehicles may be a best value option in some situations. The draft Bill provides an opportunity to address this anomaly in PTE powers.

4. Road user charging

- 4.1** *pteg* recognises that public transport improvements alone will not be sufficient to tackle traffic congestion. Given the background growth in car ownership and use, traffic restraint measures will also be needed. Road user charging is one way in which traffic growth can be restrained and we welcome the powers in the Bill which will give the city regions the practical means by which road user charging schemes could be introduced.

- 4.2** However, it's important to stress that firstly, it's a matter for locally accountable politicians in each individual city region to decide whether or not road user charging is a viable option for them. Secondly, there is considerable variation both within and between the city regions on the strength of their local economies, and in their levels of current and forecast traffic congestion. This explains why city regions are at very different stages in considering whether road user charging is an appropriate traffic management tool for them. It is also why *pteg* welcomes the powers in the Bill but why it is for individual city regions to set out their views on the Government's wider policies on road user charging pilots.

5. Conclusion

- 5.1** *pteg* believes that the Local Transport Bill can give the city regions more of the governance and policy options they need in order to provide the planned and integrated transport networks that are so vital to their equitable and sustainable economic development. We are committed to working with the Committee and the DfT to ensure that the detail of Bill properly reflects the Bill's objectives – including the Secretary of State's stated aim of making Quality Contracts a '*more realistic option*' for PTEs than they are now.

