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Transport Committee

The draft Local Transport Bill and the Transport Innovation Fund

Ninth Report of Session 2006–07

Volume I

Report, together with formal minutes

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Transport and its associated public bodies.

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The following was also a member of the Committee during the period covered by this Report:

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1 Introduction

1. The draft Local Transport Bill was published on 22 May 2007. Its purpose is to tackle congestion and improve public transport, producing a transport system which sustains economic growth and improves productivity; contributes to [the Government’s] objectives for tackling climate change and other environmental challenges; and enhances access to jobs, services and social networks, including for the most disadvantaged.

There is, as the Government acknowledges, no single measure that, will by itself, produce such a system. The Bill consists of a package of measures intended to promote stronger joint working between local authorities and bus operators, to support the introduction of local road pricing schemes, and to enable changes to be made to local transport governance.

Traffic Commissioners: further consultation

2. Having undertaken the consideration of this draft Bill at her predecessor’s request, we were surprised that in her evidence to us on 18th July, the Secretary of State indicated that further consultation on changes to the powers and status of traffic commissioners, on reform of the Bus Service Operators’ Grant (BSOG) and transitional arrangements for quality contracts schemes would shortly be published. It is not immediately clear to us why, at the end of this pre-legislative scrutiny process, the Secretary of State has decided to launch an ancillary consultation on the role of the Traffic Commissioners, a matter which is dealt with in the draft Bill.

3. The timing of the announcement comes as a particular surprise, since both Putting Passengers First (December 2006) and the Department’s response to our Report on Bus Services Across the UK (February 2007) highlighted proposed changes to the powers of traffic commissioners and to the criteria for implementing quality contracts; and mentioned reform of the Bus Service Operators’ Grant.

4. It is extremely bad practice for the government to announce, in the middle of its own consultation and at the end of our inquiry, another consultation on matters which are included in the draft Bill. Some of the changes the Secretary of State indicated might be in the consultation were mooted seven months ago; with a little planning and foresight they could perfectly well have been incorporated into the present consultation exercise.
Structure and content of the Report

5. While we were waiting for the publication of this draft Bill, we decided to hold a single evidence session on the Transport Innovation Fund (TIF). There is of course a close link between the congestion TIF and the draft Bill: the TIF provides the funds for local authorities to implement innovative schemes involving road pricing and public transport improvements; the draft Bill provides them with additional statutory powers to help them do so. We have therefore included our analysis of the TIF in this Report. We are grateful to the Scrutiny Unit for their assistance with our work on the TIF and to our Specialist Adviser, Dr Greg Marsden of the Institute for Transport Studies, University of Leeds.

6. The rest of the Report follows the structure of the draft Bill. Though we have attempted to relate our remarks closely to individual clauses where possible, some of our recommendations have a more general application. We have distinguished in each case whether we are making a recommendation for the amendment of the Bill; about the content of secondary legislation which will be made under the resulting Act; or about the Government’s policy more generally.

7. We have not sought to comment on every clause in the Bill, only on those areas where we have received significant evidence or have some constructive recommendation to offer. Once we had received the bulk of our written evidence, we put together a schedule of comments, listing each provision of the draft Bill, the comments we had received on it and their provenance. We then sent this to the Department for them to add their comments. The Schedule is printed at Annex 1 and provides a useful summary of the written evidence submitted to the inquiry.

Timing of the inquiry

8. The Department notified us early in the Session that they would be publishing a draft Bill which they would like us to consider in time for presentation after the next Queen’s Speech. They had originally hoped to publish the Bill earlier in the year but delays due to a variety of factors, including the local elections purdah, meant that the draft Local Transport Bill was not published until 22 May, the week before the Whitsun recess. This left us with a period of eight sitting weeks for us to announce the inquiry, receive written evidence, organise and conduct a programme of oral evidence, consider our findings and draft, consider and agree this Report.

9. Though we have managed to do all this in the time available, it is obvious to us that the timing of the inquiry represented a significant burden on those who wanted to contribute to it. Some organisations, such as the CBI, declined to contribute to inquiry at all because they did not have time to consult their members. Those who did submit evidence had less than three weeks in which to do so, scarcely sufficient time to produce a considered opinion on a complex and technical piece of draft legislation. We are grateful to all those who contributed to our inquiry, particularly so in light of the tight deadline for the submission of evidence.

6 HC 564, printed with HC 692-II, the Volume of Evidence which accompanies this Report. All references to oral and written evidence in this Report are to the evidence taken in connection with the draft Bill. Where we refer to the evidence taken on the TIF we have so specified.
10. We very much welcome the opportunity to consider this Bill in draft. The benefits of pre-legislative scrutiny are now well established and we believe that departmental select committees, with their accumulated experience of focusing on a particular subject area, are well placed to make a major contribution to this work.\(^7\)

11. However, we are disappointed with the timing of the publication of the draft Bill. It has not in our view left time for a very detailed analysis either on our part or on the part of witnesses. We acknowledge that some of the delay in publication was due to factors beyond the Government’s control and we also recognise that there is a great deal of good material in the Bill which the Government is understandably anxious to see on the statute book. But this is not an urgent piece of legislation; and it is generally better to get legislation right than to see it passed quickly. We hope to see further opportunities to examine the Department’s proposed legislation in draft; we also hope to be given more time in which to do so.

**Drafting of the Bill**

12. Much of the Bill is drafted by reference to four existing Acts of Parliament: the Transport Act 1985, the Transport Act 2000, the Greater London Authority Act 1999 and the Public Passenger Vehicles Act 1981. This is standard practice and we make no complaint about it. It does, however, mean that much of the text of the Bill itself is incomprehensible without reference to the Acts which it seeks to amend. This problem will be magnified when the Bill is considered in Public Bill Committee, when Members will be invited to consider amendments to parts of the Bill which themselves amend another text—effectively amendments to amendments. Clause 27 is a particularly striking example of a piece of prose the meaning of which is entirely obscure to the reader who does not have ready access to another text (in this case, section 19 of the Transport Act 1985).

13. We would not recommend any deviation from the established norms of legislative drafting, a highly complex and technical area on which we are not well qualified to comment. However, we believe there is a case for more supporting material showing, in the case of the more complex clauses, how the “target” statutes would look if the amendments embodied in the Bill were made. It would assist the House if the Government were to provide, in good time for the Public Bill Committee stage, a Keeling Schedule of the sections of and Schedules to the Acts listed in Clause 85 which are amended by the Bill.\(^8\)

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\(^7\) For a discussion of the benefits of pre-legislative scrutiny, see First Report from the Select Committee on Modernisation of the House of Commons, Session 2005–06, *The Legislative Process*, paragraphs 12–35.

\(^8\) The House of Lords Select Committee on the Constitution has provided the following definition of a Keeling Schedule: “a schedule which reproduces the provisions of the earlier measure and shows the effect of the amendments embodied in the bill”. See Fourteenth Report of 2003–04, HL 173, *Parliament and the Legislative Process*.
2 The Traffic Commissioners

The current arrangements

14. There are currently eight regionally-based traffic areas in Great Britain, with a traffic commissioner responsible for each of them. The commissioners play an important role in the regulation of HGV and bus operators. They are appointed by the Secretary of State under section 4 of the Public Passenger Vehicles Act 1981 (PPVA 1981), but they are office-holders independent of Government. The commissioners

a) play a role in the registration and regulation of local bus services;

b) grant permits to operators of not-for-profit community transport services;

c) are responsible for the licensing of public service vehicle (PSV) and heavy goods vehicle (HGV) operators;

d) hear appeals against the impounding by the Vehicle Operator Services Agency (VOSA) of illegally-operated goods vehicles; and

e) determine whether applicants for PSV and HGV licences are fit persons to hold such licences.

Clauses 9 and 10: Additional functions of the traffic commissioners

15. The proposals in the draft Bill would expand the commissioners’ remit in the bus sector. The commissioners would be responsible for delivering a strengthened punctuality performance regime. This could be established by Regulations made under s. 6(9) of the Transport Act 1985, but ancillary powers to require local authorities to work with the commissioners are contained the draft Bill. In addition to this, an approvals board (usually chaired by the Senior Traffic Commissioner) would be responsible for the approval of quality contracts schemes in England. The approvals board would be the consumer champion.

16. For the commissioners and their support staff, performing these new bus-related functions successfully is likely to require a different mix of skills and expertise from their existing core functions. The Department for Transport is, therefore, considering whether the proposed new functions would be best delivered within the existing traffic commissioner structures, as envisaged in its December 2006 paper Putting Passengers First, or whether modifications need to be made. If changes are considered necessary, the Department intends to publish a separate consultation paper later this year. We received evidence that the current framework is not satisfactory. TravelWatch South West envision splitting off the commissioners’ functions for buses and recruiting more bus expertise to their ranks;9 Transport 2000 made a similar proposal that the commissioners should
become part of a new dedicated bus regulator and statutory complaints body for bus passengers.\(^\text{10}\)

17. We examined the bus industry in some detail in our October 2006 report *Bus Services Across the UK*.\(^\text{11}\) In that report we recommended that the commissioners should receive increased funding and more staff in order to fulfil any ‘beefed up’ role in enforcing bus contracts.\(^\text{12}\) Though the Government has clearly taken on board our recommendations about strengthening the commissioners’ powers and placing a duty on bus operators to provide the commissioners with journey-time information,\(^\text{13}\) it is disappointing that there is no allocation of additional funding to support this. The commissioners themselves agree with this assessment; they told us that none of the extended powers given to them in this Bill can be achieved unless they are resourced efficiently.\(^\text{14}\)

18. The traffic commissioners do a vital job in somewhat straitened circumstances; they are few in number and they have to operate on small budgets. This Bill greatly increases the powers of the commissioners, and gives them several new duties in relation to bus services. We welcome these provisions of the draft Bill. We do not, however, see how the commissioners will be able to perform these new duties properly without more staff and increased resources. We recommend that the Government increase the resources available to the traffic commissioners in line with their new duties.

19. Although it does not require legislation, we also recommend that the Traffic Commissioners have their own website on which they can publish details of their investigations, reports, journey-time information, and provide information to the public. The current webpage they are allocated on the Department for Transport website is thoroughly inadequate.

**Power to impound public service vehicles**

20. We asked the commissioners if there was anything that they would like to see in the Bill that is not there. Mr Tom Macartney, traffic commissioner for the North East, told us that, at the moment, VOSA is entitled to impound illegal and unlicensed goods vehicles but not passenger vehicles. He recommended that commissioners be given the power to impound unsafe, unlicensed passenger vehicles in the Bill.\(^\text{15}\)

21. It is clearly important that potentially dangerous buses be removed from our roads. We recommend that new clauses be inserted into the Bill to give VOSA the power to impound illegal or unlicensed passenger-carrying public service vehicles.

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10 Ev 218; this is explored in more detail in paras 17–18, below
11 HC 1317, eleventh report of 2005–06, 26 October 2006
12 ibid., paras 53–55 and 57
13 see paras 62–68, below
14 Ev 233 and Q673; pteg agreed with this (Q76), as did the County Surveyors’ Society Q516)
15 Q661
Clause 1: Senior traffic commissioner

22. The post of Senior Traffic Commissioner (STC) currently has no statutory basis and the STC no statutory powers. The draft Bill would create a new statutory appointment of Senior Traffic Commissioner, with powers to secure greater consistency of standards and processes amongst the other traffic commissioners. The intention is to improve transparency and certainty for bus and HGV operators who interact with more than one of the traffic commissioners. Clause 1 of the Bill would empower the STC to give such guidance and general directions to the other commissioners as he sees fit; and would also empower the Secretary of State to give guidance to the Senior Traffic Commissioner on the exercise of his functions.

23. In their evidence to us, the traffic commissioners questioned whether this Clause would bolster, rather than restrict, the commissioners’ quasi-judicial independence. They state that it is essential that the Senior Traffic Commissioner “exercises any new powers in a way which provides clarity and openness”.16 The Freight Transport Association agreed that the Senior Traffic Commissioner’s powers of direction to the other commissioners must not have a detrimental effect on their independence or interfere with commissioners’ decisions which require local knowledge and might be inconsistent across the country for perfectly valid reasons, due to those local factors.17

24. The commissioners also voiced concern that directions made by the Secretary of State should not fetter their independence.18 They were also concerned that the Bill gives the Secretary of State power to issue guidance with no clear limit on what it might contain. Mr Philip Brown, the Senior Traffic Commissioner, told us that if guidance issued by the Secretary of State interfered with the commissioners’ role as independent regulators or as independent judicial decision makers, all the commissioners would oppose it.19 The Department for Transport insist that the provisions in the Bill strengthen in the commissioners’ independence.20

25. We welcome the move to put the role of Senior Traffic Commissioner on a statutory footing. We are, however, concerned that the power of the Secretary of State to issue guidance and general directions to the commissioners—and that of the Senior Traffic Commissioner to issue directions to his colleagues—might compromise the commissioners’ ability to operate independently as local circumstances dictate. The commissioners themselves are concerned that they are being asked to take a lot on faith as regards the Secretary of State’s powers of direction and guidance. The case for the Secretary of State to issue guidance and general directions to the Senior Traffic Commissioner and then on to his colleagues has not been made and we therefore do not support this initiative.

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16 Ev 233
17 Ev 194 and Qq 414, 428
18 Ev 233
19 Q635
20 Annex 1: Schedule of Comments
Part 2: Bus services

The deregulated bus industry

26. On 26 October 1986 the Transport Act 1985, which deregulated bus services in England and Wales, came into effect. Since then, bus patronage figures have continued to decline across England, with the exception of London which retained a franchise system after 1985. There are other areas—usually towns served by municipal bus companies or by a monopoly private sector operator —where patronage has grown, but the overall picture remains one of continuing decline:

The Transport Act 2000 and the Railways Act 2005 have not reversed or significantly altered these trends

27. Under the deregulated structure any holder of a PSV operator’s licence may operate bus services, having first registered various details with the relevant traffic commissioner. The commissioners are responsible for enforcing compliance with these registered details, including standards of reliability and punctuality. The Government legislated for more local authority control of bus services in the Transport Act 2000. This provided additional powers for local transport authorities to implement two types of scheme:

- quality partnership schemes, which can involve multiple operators in a single scheme and can be enforced by the relevant commissioner; and
- quality contracts schemes, which involve suspending the deregulated market in a specific area. Under such schemes, the local transport authority lets exclusive contracts to operators through a competitive tendering process, to run the services specified by the scheme.

28. A number of local authorities have chosen to enter into non-statutory, voluntary partnership agreements with individual bus operators in their areas. Typically, these agreements involve investment by the local authority in improved facilities for buses, and by the operator in providing better quality vehicles or services. No quality contracts schemes have so far been implemented under the 2000 Act, and only one quality partnership scheme has been made so far.
29. In October 2006 we published our report on the bus industry which recommended that the Government make it easier for transport authorities to take advantage of the powers in the 2000 Act to implement quality contracts. We also made suggestions for ‘beefing up’ the role of the traffic commissioners and giving them increased performance monitoring and enforcement powers.\(^21\) In December 2006 the Government published its policy paper *Putting Passengers First*.\(^22\) We were pleased to see that the Government had adopted many of our recommendations on bus services, particularly those relating to quality contracts and the powers of the traffic commissioners. We welcome the provisions in this draft Bill which will give effect to recommendations in our Eleventh Report of 2005–06.

**A bus passenger body**

30. There is no statutory bus passenger advocate body for England, such as PassengerFocus, which is established in law to protect the interests of rail passengers. There are non-statutory bodies that operate in some regions, such as TravelWatch North West; but they do not have any systematic funding.\(^23\) Bus Users UK, though it serves a useful function, is funded by the bus operators. Mr John Moorhouse from TravelWatch North West advocated putting his organisation and others on a statutory footing.\(^24\) Transport 2000 also argued for the establishment of a public-facing, statutory complaints body and bus regulator, which could include the traffic commissioners.\(^25\) In its written evidence to us the Department stated that passenger groups should continue on a local level and that there is not “any particular advantage” from creating a statutory body,\(^26\) while the Secretary of State told us that there might be a bigger complaint-handling role for the traffic commissioners.\(^27\)

31. The existence of various non-statutory complaints bodies is evidence that there is genuine demand for an independent, publicly-funded body to hear the complaints of bus users. We recommend that the Government take powers in this Bill to establish such a body.

**Bus Service Operators’ Grant**

32. Bus Service Operators Grant (BSOG)—formerly known as the Fuel Duty Rebate—is paid by the Department for Transport to reimburse bus operators for some of the excise duty paid on the fuel consumed in operating eligible bus services. It is not a 100% rebate but amounts to around 70% to 80% of the fuel duty the operators pay. In *Putting Passengers First* the Government stated that there may be a case for refocusing subsidy, for example to provide a more direct linkage between subsidy levels and the Department’s

\(^{21}\) op cit., HC 1317, eleventh report of 2005–06, recommendations 5–7 and 11–13

\(^{22}\) DfT, *Putting Passengers First*, 12 December 2006: [http://www.dft.gov.uk/pgr/regional/buses/secputtingpassengersfirst/pdfputtingpassfirst](http://www.dft.gov.uk/pgr/regional/buses/secputtingpassengersfirst/pdfputtingpassfirst)

\(^{23}\) Qq 216–217

\(^{24}\) Q218

\(^{25}\) Ev 218

\(^{26}\) Annex 1: Schedule of Comments

\(^{27}\) Q840
goals of increasing bus patronage, tackling congestion, improving accessibility, environmental performance, punctuality and quality of passenger experience. The Government intends to consult over any potential changes.

33. We received some suggestions as to how best to reform the Grant. For example, Mr Neil Scales, Chairman of Merseytravel, told us that the Passenger Transport Authorities should administer BSOG in future. Transport 2000 believes that some of the options for changing BSOG could have unforeseen negative impacts; for example, on its own, a link to patronage could disadvantage rural areas; the current system is also cheap to administer and relatively proof against fraud—any replacement should be tested against these criteria. One option would be to extend the rebate but require operators to pursue “green” vehicle strategies and marketing of bus services.

34. The Bus Service Operators’ Grant, which acts as a general, non-targeted subsidy to all bus companies, however efficient or inefficient or however environmentally or non-environmentally friendly, is not justifiable and should be replaced. We recommend that the Government begin consultation as a matter of urgency in order that the relevant legislative changes can be incorporated into this Bill when it is presented to the House.

Clauses 3 to 6: Quality partnership schemes

35. Under the provisions of the Transport Act 2000, local authorities who make quality partnership schemes can require participating operators to provide various standards of service. These cannot include specifications as to the frequency or timings of services, or fares. In Putting Passengers First, the Department explained that it proposed to amend the Act so that such schemes could cover frequencies, timings and maximum fares—within limits—and also to remove the requirement that improvements specified in a quality partnership scheme must all be put in place at the same time.

36. The draft Bill therefore includes provisions which would:

- allow quality partnership schemes to cover minimum frequencies, timings and maximum fares, as appropriate; any provision on maximum fares would need to include a process for agreeing the fare level with the operators concerned;
- allow new facilities and standards in a quality partnership scheme to be phased in at pre-arranged intervals, rather than all having to be put in place simultaneously; and
- replace the requirement that quality partnership schemes must “implement the policies set out in [the local authority’s] bus strategy” with a requirement for it to contribute to the implementation of their local transport policies. This proposal reflects the fact that a number of local transport authorities are exempt from the requirement to produce bus

28 op cit., Putting Passengers First, p47
29 Q100
30 Ev 218
strategies, and that, under the proposals described below, PTAs would no longer be required to produce separate bus strategies.31

Scope of schemes

37. The Transport Act 2000 currently excludes requirements as to frequency or timing of services from the description of a “standard of service”.32 Clause 3 of the draft Bill would allow requirements such as these to be included in a quality partnership scheme. It would also enable a scheme to include standards on fares, including setting a maximum fare; a minimum period between maximum fare increases and a process for agreeing the setting and revision of maximum fares; and enable both facilities and service standards to be phased in on pre-determined dates over a period of time rather than the current procedure, under which all facilities and standards must be available when the scheme takes effect. Devon County Council argued that other factors, such as ticketing arrangements and fare structures should also be included in this power.33

38. All of the ‘big five’ bus operators—First Group, Stagecoach, National Express, Arriva and Go-Ahead—criticised the wording of Clause 3, which would allow for frequencies and timings to be included in a quality partnership without agreement from the operator. They considered agreement from all parties to the partnership to be critical to the success of such schemes.34 We were then surprised that, while the operators were looking for partnership on the one hand, they were seeking to undermine it on the other. In our recent report on bus services we criticised the bus operators for their menacing litigiousness over quality contracts.35 We were concerned to hear that this has not gone away and that it has even extended beyond quality contracts and into quality partnerships. Go-Ahead told us that a right of appeal by bus operators to local authorities should apply in the case of an ‘unfair burden’ placed on operators by partnership arrangements; they argued that without a right of appeal the only option open to operators would be to stop running services.36

39. Partnership should mean precisely that. It is not right that one party to an agreement can set bus frequencies, timings or anything else without the consent of the other parties. In return, the bus operators must recognise that partnership works both ways and that the price of being a full partner is not threatening the local authority when arrangements are not entirely to their liking. We recommend that the Government amend the wording of Clause 3 to guarantee that partnership criteria such as frequencies and timings are set by agreement between the authority and bus operators. The Clause should also provide that, where such an agreement is reached within a partnership, the right of the operator unilaterally to withdraw or alter services is nullified. The PTAs should be given powers to fine bus companies for breach of the partnership agreement. We think this is a fair balance which will aid partnership working, providing benefits for passengers, transport authorities and operators alike.

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31 op cit., The draft local transport Bill: Vol. 1, para 3.20
32 Section 114(6)(b)
33 Ev 191
34 Ev 127, 130, 155, 161 and 215
35 op cit., HC 1317, eleventh report of 2005–06, recommendation 8; we return to this in para 32, below
36 Ev 130
Operators outside a partnership scheme

40. A further issue raised in connection with quality partnerships was the ability of operators not included in the partnership to continue operating in the partnership area, potentially undermining the partnership. As Dr Roger Sexton of Nottingham Trent University put it, “the quality operator is still open to competition from operators who concentrate their efforts on weekday daytimes, and ignore evenings and Sundays”.37 The County Surveyors’ Society and the Greater Manchester Authorities both thought that the traffic commissioners should be given the power to refuse such services where they were likely to undermine a quality partnership.38 In contrast Mr Stephen Joseph, Director of Transport 2000, thought that partnerships could be used to cover whole areas and multiple operators in a quality partnership network:

…you should have long-term quality partnerships covering all operators and whole areas covering the same terms as the integrated transport strategies in local authorities so that you have got bus operators fully bought into the broader strategy and so that you can ally improvements in bus priority with improvements in bus services and build up services over time.39

The Department is keeping an open mind on this matter.40

41. Quality partnerships will not work if operators outside the partnership are allowed to come into the area and compete against partnership services, possibly overloading the network on the core routes and undermining the efficiency of the partnership. Quality Partnerships must not be a negotiated monopoly. Where a partnership exists bus operators should only be allowed to run bus services in competition where they comply with the standards of the partnership agreement. If an operator makes an application to run services in a partnership area the traffic commissioners should have the power to refuse to grant a licence if doing so would undermine any partnership agreement in place. If the commissioners do not have this power there is a real danger that the work that has gone into a partnership agreement will be wasted.

Clauses 7 to 23: Quality contracts schemes

42. Under current legislation, a quality contracts scheme cannot be made unless it is the “only practicable way” for a local authority to implement a policy in its bus strategy. It has been widely argued that this test sets too high a hurdle for local authorities to meet in practice.41 The Government’s guidance on quality contracts states that

The statutory requirement is that the making of a scheme must be ‘the only practicable way’ of implementing the bus strategy, which is not the same thing as 'the only possible way'. ... However, to set up a QC scheme is likely to involve a considerable amount of time and resources and should not be pursued if there are

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37 Ev 109
38 Ev 137 and Ev 197; councillors from Reading, Cambridgeshire and Wycombe made the same point (Q451)
39 Q284
40 Annex 1: Schedule of Comments
41 for example, by this Committee in op cit., HC 1317, eleventh report of 2005–06, recommendation 7
practicable alternatives that could produce comparable outcomes. LTAs proposing to make QC schemes will therefore need to give evidence of steps taken by them (and where appropriate, by other parties such as district councils) to deliver their policies on improving bus services. They should also provide evidence that they have considered other options carefully and have sufficiently good reasons for rejecting them, for example that they would not be economic, efficient and effective.42

It is perhaps unsurprising, given the stringency of this test, that there have been no quality contracts schemes made under the Transport Act 2000.

43 In addition to meeting this statutory requirement, a quality contracts scheme in England must be approved by the Secretary of State before it can be implemented. The current arrangements also limit quality contracts schemes to a ten-year period, within which individual contracts can last no longer than five years.

44 The draft Bill includes provisions which would:

a) replace the “only practicable way” test with a new set of “public interest” criteria and a new requirement for the local authority to publish a consultation document setting out various details of the proposed scheme;

b) reform the current arrangements for approval of quality contracts schemes in England (outside London) by creating a new Approvals Board for quality contracts schemes, chaired by a Traffic Commissioner (who would generally be the Senior Traffic Commissioner). The draft Bill also provides for a right of appeal to the Transport Tribunal against decisions of the Approvals Board;

c) allow individual contracts within a quality contracts scheme to run for up to ten years, in place of the current five-year limit and allow a quality contracts scheme to be extended beyond the ten-year limit;

d) replace the link to the local authority’s bus strategy with a link to local transport policies in England and Wales (outside London), as proposed for quality partnership schemes; and

e) allow the phasing-in of quality contracts schemes in England and Wales (outside London), as proposed for quality partnership schemes.43

45 The Secretary of State rejected the suggestion that quality contracts could involve a profit-sharing scheme. We think that, as a minimum requirement, bus operators involved in quality contracts should operate on an ‘open book’ basis.

42 Quality contracts for bus services: Guidance for English local authorities, DfT (February 2005), paragraph 12.
Operators’ responses to quality contracts

Legal challenge

46. The draft Bill represents a significant step forward for quality contracts and may, finally, make them a real possibility for those areas that have wanted to introduce them for seven years but have been unable to because of the ‘only practicable way’ test. As we have already noted, when considered this issue last year we expressed concern that bus operators might make legal challenges against the introduction of quality contracts and suggested that the Government indemnify local authorities and PTAs against such a possibility. Such challenges might arise under the enabling legislation itself or under the Human Rights Act 1998.44 The Secretary of State appeared confident that the Bill minimises the risk of legal challenge but this seems to be based on a rather optimistic view of bus operator behaviour which we do not necessarily share.

47. Several of the big bus operators and the Confederation of Passenger Transport told us that any proposal for a quality contracts scheme must include compensation for an incumbent operator “who may lose the right to trade and may be left with considerable residual costs and loss of future profits”.45 Dr Roger Sexton of Nottingham Trent University argued, persuasively in our view, that any such claim to compensation would be weak. An outgoing operator is being deprived of neither its vehicles, nor its real estate. The only “asset” which the operator might claim to have lost is the “goodwill” of its customers in a market where customer loyalty to an existing established bus operator is generally very weak. Dr Sexton suggested that this might merit the payment, at most, of very limited compensation.46

48. The Government is confident that any legal challenge to a quality contract scheme would fail. However, even an action which is unlikely to succeed could delay the implementation of a quality contract for years. Further claims for compensation under the Human Rights Act could then follow. If these legal actions are unsuccessful, there is the risk that the operator will cease to run services, with serious implications for passengers and staff. We recommend that the Government give further consideration to the ways in which the Bill might be amended so as to offer further reassurance to transport authorities faced with sabre-rattling bus company lawyers. Such measures could include compulsory purchase powers given to the transport authority to buy depots and the right of the transport authority to be the bus operator of last resort. This would also have the benefit of giving a public sector benchmark for competing bus operators.

44 Specifically, the First Protocol set out in Part II of Schedule 1 to the Act, which provides that “Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law”.

45 Ev 127; see also Ev 130, 153, 155

46 Ev 109
Transitional protection

49. The other legal issue that concerns us is the lack of any provision in the draft Bill for transitional protection for both existing services and bus employees should quality contracts be made. This is an issue that the Government must think about now, rather than at a much later stage when a proposed contract could be jeopardised by the complete withdrawal of a bus network by an outgoing operator or bus staff could find themselves hung out to dry with no TUPE protection.47

50. Both the Passenger Transport Executive Group (pteg) and Unite48 pressed for the introduction of transitional protections in the Bill for both people and assets.49 Mr Martin Mayer from Unite stated that the introduction of quality contracts should not see a repeat of what happened to bus employees when the industry was deregulated. The Bill should guard against a new contract operator introducing new lower starting rates of pay and reduced pensions and not carrying across collective bargaining and recognition agreements.50

51. Networks, assets and employees should be protected during any transitional period before the implementation of a quality contracts scheme. We recommend that the Government introduce transitional provisions, or at least the relevant regulation-making powers, into the Bill.

52. We also recommend that the Government produce guidance on transitional procedures for outgoing operators, including best practice for transfer of employees, protection of assets and assurance of the network until the day of transition.

Clause 7: Criteria for making a scheme

53. Clause 7 modifies the criteria that an authority must satisfy in order to make a quality contracts scheme. It removes the ‘only practicable way’ requirement and instead inserts the following tests:

a) it will result in an increase in the use of bus services in the relevant area;

b) it will bring benefits to local transport users by improving the quality of relevant services;

c) it will contribute to the implementation of local transport policies;

d) it will contribute to local transport policies in a way that is economic, efficient and effective; and

e) it meets the competition test.

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47 That is, protection under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (S.I., 2006, No. 246), which safeguards employees’ rights in the event of transfers of undertakings, businesses or parts of businesses. The rules also apply when a “service provision change” takes place (for example, where one contractor takes over a contract from another).

48 Unite – the Union was formed by the merger of Amicus and the T&G on 1 May 2007.

49 Ev 200 and Ev 146

50 Q196
54. The Clause also introduces a new definition of ‘meeting the competition test’. The test will be met unless:

a) the scheme is likely to have significant adverse effect on competition; and

b) the effect of the scheme on competition is not likely to be proportionate to the achievement of the objectives listed in paragraph 53, above.

55. Generally, witnesses were happy with the new scheme criteria; though some suggested that it be extended to consider non-transport policies such as health and education, where policy delivery requires good public transport inputs. The bus operators criticised Clause 7(6) which states that the requirement to increase bus services in Clause 7(1)(a) includes “reducing, arresting or reversing decline” in their use. Stagecoach, for example, felt that this definition “lacks ambition” and would not justify the considerable expense and upheaval involved in implementing a quality contract. The Department rejects this argument and states that if the criteria were restricted to achieving an absolute increase in patronage then some of the worst affect areas might be ineligible for a quality contracts scheme.

56. We welcome the new criteria for making a quality contracts scheme, which represent a clear improvement on the burdensome requirements of s. 124 of the Transport Act 2000.

57. Given the resources, effort and upheaval which will be involved in making a quality contracts scheme we are keen to ensure that passengers will obtain the maximum possible benefit from them. It is in precisely those areas where bus patronage is declining that authorities are likely to want to make schemes. They should be able to do so without having to demonstrate that the scheme will turn years of decline into passenger growth overnight. Though arresting or reversing a decline—stabilising or increasing the number of passengers—are legitimate aims of a quality contracts scheme, we feel that the provision in Clause 7(6) which permits an authority to make a scheme if they are confident that it will merely reduce an ongoing decline lacks ambition. We believe that the basis for a quality contract scheme to go ahead should be that it will improve significantly the predicted passenger numbers.

**Clauses 9 to 12: Approval of proposed schemes**

58. Under clauses 9 to 12, approval for a quality contracts scheme will be removed from the Secretary of State and given to an approvals board for England, chaired by a traffic commissioner (usually the Senior Traffic Commissioner). The approvals board will be empowered to hold inquiries into any proposals; parties will be able to appeal any decision by the board to the Transport Tribunal. This change to the quality contracts approvals process proved deeply contentious. Witnesses argued that the commissioners have no
expertise to decide what were essentially matters of local transport policy;\(^{55}\) that having to make such decisions might undermine their impartiality;\(^{56}\) and that decision to implement a contracts scheme should be left entirely to the local authority or authorities involved.\(^{57}\)

59. Mr Roy Wicks, Chairman of pteg, told us that the promoting local authority should be the final arbiter in approving a scheme and that the appeal would be a judicial review. He argued that the draft Bill sets out a number of stringent criteria that an authority must meet in able to implement a quality contract and that any such scheme would be embedded in the transport strategy for that area; this should pre-empt the need to make the same case to a board that would have no democratic accountability or local knowledge.\(^{58}\) The local authorities also told us that they were happy being ‘judge and jury in their own courts’; Councillor Page from Reading Council said: “it’s called democracy”.\(^{59}\) Mr Wicks thought that an independent approvals board could work if it performed the same kind of role that the Office of Rail Regulation (ORR) does for the railways—checking that the process has been carried out correctly—but not making a judgement on the scope, content or appropriateness of a scheme.\(^{60}\) The bus operators, on the other hand, thought that the process embedded local accountability well enough and that an independent final arbiter such as a traffic commissioner was desirable.\(^{61}\)

60. The traffic commissioners are in favour of their new role on the quality contracts approvals board. The Senior Traffic Commissioner, Mr Brown, and the commissioner for the North West, Mrs Beverly Bell, both thought that the relevant local commissioner should sit on the approvals board, not, as envisaged by the Department, the Senior Traffic Commissioner. Mrs Bell argued that the Senior Traffic Commissioner lacked local knowledge of any region but his own and was therefore not always best qualified to be involved in these decisions.\(^{62}\)

61. Witnesses were also concerned about the length of time it would take to go through this procedure if it went as far as appeal to the Tribunal. Mr Wicks explained that the procedure comprises three stages:

- a process of consultation and formulation of a case for doing quality contracts (approximately 12–18 months);
- a proposal submitted to the approvals board, which would then make a judgment on the merits of the application followed, in the event that any party is not satisfied with this decision, by an appeal to the Transport Tribunal (approximately one to three years);

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55 Ev 139, 200, 262  
56 Ev 116, 146  
57 Ev 146, 200  
58 Qq 16–17; Councillor Johnstone from Cambridgeshire made the same point (Qq 455–456)  
59 Q478  
60 Q42 and Q48, see also Ev 205  
61 Qq 138–139  
62 Q641
Taken together, it could take up to five years to bring in a quality contracts scheme, assuming that there is no other delay for reasons external to the approvals process. The Secretary of State told us that the Department estimated a quality contracts scheme taking not five years but between 14 and 20 months to set up.

62. We believe that the independent approvals board for quality contracts, as envisioned in the draft Bill, is the right approach. We have reservations, however, about the Senior Traffic Commissioner (STC) automatically chairing the approvals board as we believe the local traffic commissioner will often be more familiar with the local circumstances which have led to the scheme being proposed. We recommend that the provision for the STC to be the traffic commissioner on the approvals board be left out of the Bill. There will be times when it is appropriate for him to chair it but equally there will be occasions when the local traffic commissioner is a more appropriate person. The provision for a traffic commissioner not to chair the board where he or she feels that his or her ability to act impartially is compromised should be retained. The independent approvals board should not have the power or authority to substitute its judgement for that of elected councillors on transport authorities on matters of transport policy. It should base its decisions on whether or not the transport authority has followed the correct procedure and behaved in a reasonable way.

63. We share the concern voiced by pteg and others, that the approvals process is far too long; we were not persuaded that the Secretary of State’s estimate of 14 to 20 months was anything other than a “best case” estimate. We recommend that the Bill specify time limits for the approval period, including appeal to the Transport Tribunal, to a maximum of six months. The presumption should be that schemes which have not been rejected within this time should be permitted to proceed.

**Clauses 13 to 17: Phased implementation and length of contracts**

64. Clauses 13 to 15 provide that any appeal must be disposed of before a scheme can come into force and that different parts of the contract may come into force at different times. Clause 16 extends the maximum possible period of a contract from five to ten years and Clause 17 allows application to be made for a scheme to be extended for a further ten years following publication of a consultation document. Mr Neil Scales, Chairman of Merseytravel PTE, told us that although the minimum period of a contract is being extended to ten years and there is the power to renew a contract, that the initial period should be extended to fifteen years. He argued that this would provide stability, guarantee investment and allow for growth. Mr French from Go-Ahead observed that while pteg was looking for fifteen-year contracts, we are only twenty years from deregulation and that
on pteg’s rationale, benefits should just be emerging from that huge regulatory change twenty years ago, which in many places they are.67

65. Mr Warneford from Stagecoach argued that renewal could be taken for granted at the end of a ten-year contract as there would be no competition left in the market.68 This would only be true, however, where a quality contracts scheme involved one network-wide agreement with a single operator. This is unlikely; a scheme would probably involve portioning out various parts of the network in separate contracts which will work together to deliver an integrated whole (as in London). In Stockholm, where the tendering process for bus services reflects the quality contracts regime in the UK, there are several competing operators, each running services in one part of the city.69 It should also be noted that rail franchising has not resulted in an end of competition when franchises come up for renewal, though the pool of companies bidding for franchises is rather small.

66. We welcome the Government’s recognition in the draft Bill that the length of a quality contract should be longer than is presently allowed. While ten years is a significant increase, some argue for a fifteen-year period. We have previously considered the issue of contract length in relation to rail franchises, concluding that medium-length contracts of up to fifteen years with one or two in-built break points represented the best value and the optimum environment for development.70 We believe that many of the same considerations apply here. We recommend that the Government change the wording of the Bill to allow for flexible contracts of between ten and fifteen years; leaving the final decision to the local authority designing the contract.

Clause 24 and Schedule 2: Voluntary partnership agreements

67. Where local authorities wish to enter into negotiations with two or more operators to implement a more coherent pattern of services, they must ensure that agreements are compatible with UK and EC competition law, as set out in the Competition Act 1998 and Articles 81 and 82 of the Treaty establishing the European Community (“the Treaty”) respectively.

68. The draft Bill includes provisions designed to facilitate voluntary partnership agreements (“VPAs”) between local authorities and multiple bus operators, which may cover minimum frequencies, timings and maximum fares, as appropriate. The draft Bill would provide that where such agreements include more than one operator, or where a local authority makes a series of apparently bilateral agreements with different operators which, taken together, might have the effect of preventing, restricting or distorting competition, those agreements must pass a revised version of the competition test set out in Schedule 10 to the Transport Act 2000. The Government’s intention is that this revised test should apply in place of the test in section 9 of the Competition Act 1998, which is the one that currently applies.

67 Q141
68 Q156
69 See Annex 2
70 Passenger Rail Franchising (fourteenth report of session 2005–06), HC 1354, para 90.
69. The Government is proposing a revised test because the existing Schedule 10 test relates solely to bus functions of local authorities, which would not normally be subject to domestic competition law, whereas the nature of VPAs means that they would. The Government states that the ‘revised Schedule 10 test’ has been drafted:

so as to ensure that any agreement which satisfies it is also compatible with the existing provisions in Part 1 of the Competition Act 1998 and fully compliant with Article 81 of the Treaty which applies where there is an effect on trade between Member States – but would (like the current Schedule 10 test) be more closely tailored to the bus market. For agreements subject to the revised Schedule 10 test, the relevant provisions in Chapter 1 of Part 1 of the Competition Act 1998 could be disapplied. EC competition law would, of course, continue to apply and agreements, etc., which have as their object or effect the prevention, restriction or distortion of competition within the common market would have to pass the test in Article 81(3) of the Treaty.\(^{71}\)

70. The new test was broadly welcomed as a step in the right direction. Ms Shaw from First acknowledged that it would give operators and local authorities more certainty;\(^{72}\) Mr Martin Mayer from Unite stated that the new test gives a much better and more intelligent view of competition law as it should apply to the bus industry.\(^{73}\) Others were not clear as to whether the changes would be sufficient, or even what their final impact would be.\(^{74}\) Transport 2000 have commissioned an opinion by the former Rail Regulator, John Swift QC, to see whether it is possible to develop a public interest test for bus services.\(^{75}\)

71. We received several recommendations for expanding the scope of the new test. For example, Transport 2000 argued that competition law should be overhauled for bus operations so that it protects and extends passenger interests where at the moment it works against them. Their contention was that the law should apply only when an operator, local authority or passenger group believes that arrangements are working against their interest, which would trigger an investigation.\(^{76}\) Go-Ahead and the Association of Train Operating Companies (ATOC) stated that the revision of the rules was an opportunity to also review the OFT’s policy regarding rail franchise bids from companies that are the major bus operator in the corresponding area.\(^{77}\) We also received several representations from operators that the scope of the test should be extended to include how local authorities carry out their car park pricing responsibilities.\(^{78}\)

72. The changes to the Competition test for bus services in this Bill are a step in the right direction. For too long operators and local authorities have had difficulties operating integrated services within the present regulatory framework. We appreciate

\(^{71}\) op cit., The draft Local Transport Bill: Vol. I, p35
\(^{72}\) Q169
\(^{73}\) Q190
\(^{74}\) Q458
\(^{75}\) Q299
\(^{76}\) Ev 218
\(^{77}\) Ev 130, 144
\(^{78}\) Ev 127, 130, 153
that this is a complex issue, one that probably cannot be entirely resolved by this Bill. We commend Transport 2000 for commissioning a legal opinion on the viability of a public interest test for buses and we await the outcome with interest. If the conclusions are favourable the Government should look seriously at further legislative changes in this area.
Part 3: General provisions relating to passenger transport etc

Clause 26: Use of private hire vehicles to provide local services

73. At present, taxi owners are eligible to apply for a “special restricted” PSV operator’s licence, specifically to enable them to register and operate local bus services (“taxi-buses”). As a measure to assist community-based transport, the draft Bill includes a provision to extend similar eligibility to holders of a private hire vehicle (PHV) licence in England and Wales.\(^{79}\) Unite is opposed to the measures on taxi-buses for fear that they will undermine traditional bus services and would be difficult to monitor and police.\(^{80}\) Mr Mayer described it as “the ultimate deregulation because a taxi operator operating a vehicle as if it were a bus has even less regulatory control imposed upon him or her operating that vehicle than the current deregulated bus service does”.\(^{81}\) Go-Ahead suggested that providers of these types of service should have to meet the same safety standards as commercial operators.\(^{82}\)

74. We welcome the extension of taxi-bus licenses to private hire vehicles, which is likely to enhance the provision of community-based transport. Since they will be operating a bus service, we recommend that drivers of these vehicles should be subject to the same safety standards as other bus drivers; rather than the locally-applied standards for PHV drivers.

Clauses 31 and 32: Services not operated as registered, etc.

75. The Department intends to develop a new punctuality performance regime, in which both local authorities and bus operators can be held more strongly to account for their contribution to bus punctuality. At this stage, the Department considers that existing provisions in the Transport Act 1985 provide the necessary primary powers for this aspect of the proposed new regime. Regulations could be made under the 1985 Act to require operators to provide information in a specified format and at a specified frequency to the traffic commissioners. Other changes are, however, needed.

Clause 31: Attachment of conditions to related licences

76. Traffic commissioners already have the power to attach conditions to a bus operator’s licence if they are engaging in conduct such as failing to comply with certain requirements applying to local bus services or maintaining their vehicles in a fit and serviceable condition. The draft Bill includes provisions to ensure that where conditions are attached to a bus operator’s licence, they may also be attached to other licences held by the same operator or held by another undertaking within the same group. It is hoped that this would remedy the current situation, whereby some operators can circumvent licence conditions.

\(^{79}\) op cit., The draft Local Transport Bill: Vol. 1, para 3.46
\(^{80}\) Ev 146
\(^{81}\) Q211
\(^{82}\) Ev 130
applying to one subsidiary simply by transferring the relevant services to another subsidiary within the same operating group, as First Group did in Greater Manchester.

77. Clause 31 would also enable one commissioner to direct another commissioner to apply conditions to licences held in another traffic area by the same operator, or by another undertaking in the same group. The commissioner receiving that direction must then attach the relevant licence condition, unless he considers there is a good reason not to. Mr Steve Clayton from Arriva supported this in principle and stated that it was right that a company that had conditions put on its licence in one part of the country should not be allowed to use a licence from another part of the country to get around that condition.83 The Senior Traffic Commissioner, Mr Brown, was concerned that the attachment of conditions was not always practicable, particularly in an area where one operator runs most, if not all, of the bus services. To attach a condition to the licence of such an operator would effectively stop bus services in that area.84

78. We welcome the extension of the commissioners’ powers to attach conditions to bus operators’ licences. We do, however, agree with the Senior Traffic Commissioner that it will not always be appropriate to attach a condition to a licence if that results in an end to most or all bus services in a particular area. We therefore recommend that the powers in this clause be extended further to allow the commissioners to fine an operator in lieu of an attachment where an attachment would have a severely detrimental effect on services. Where actions have a detrimental effect on services the transport authority should be given the power to be the bus operator of last resort.

Clause 32: Powers of traffic commissioners where services not operated as registered

79. The draft Bill includes powers for the traffic commissioners to require local authorities to attend or give evidence to support their inquiries into poor punctuality; to supply them with information connected with the performance of their network management duties under the Traffic Management Act 2004; to prepare a report recommending the implementation of remedial measures that could be taken by the bus operator or the local traffic authority; and, where the commissioner decided to send them a copy of such a report, the Secretary of State (in England) or Welsh Ministers (in Wales) would be able to consider the evidence contained in it, in considering whether to exercise their powers to issue an Intervention Notice under the Traffic Management Act 2004.

80. Mr Trevor Errington from the West Midlands Metropolitan Authorities stated that the powers in the 2004 Act should be enough to ensure efficient network management and that the powers of the traffic commissioners on top of this are not necessary.85 Councillor Shona Johnstone from Cambridgeshire County Council, however, pointed out that there are often issues related to roads controlled by the Highways Agency: these would not be covered by the 2004 Act.86 Mr Alan Hill from the Association of Transport Co-ordinating

83 Q110
84 Q662
85 Q438
86 Q442
Officers (ATCO) did not however think that this was a problem and that local authorities could sit down with then Highways Agency and Network Rail (for level crossings) and solve their own problems.87

81. Mr Jon Freer from the Local Government Technical Advisers’ Group (TAG) made a similar point to that made by pteg did in relation to quality contracts approvals: that the traffic commissioners are remote from the areas they serve; are not democratically accountable and their powers for actually intervening and making an improvement to bus services are limited.88 Mr Colin McKenna from West Sussex County Council argued that local authorities should not have to spend time compiling reports and sending statistics to commissioners but should be left alone to “get on with what we should be getting on with”.89

82. Several of the big bus operators suggested that the scope of this clause should be extended to enable a commissioner to call local transport authorities to account in circumstances where such authorities are “demonstrably failing to manage the highway effectively”.90 Expanding on this, Mr Les Warneford from Stagecoach told us that there will be a real difficulty determining why buses are late and that these reasons were usually related to issues on the road network – e.g. road works, indiscriminate parking.91 TravelWatch South West suggested that punctuality is not an appropriate measure but that, rather, it should be bus speed and that the commissioners should be able to impose sanctions on local highway authorities who do not deliver on “their contribution to punctuality against the minimum bus speed”.92

83. Councillor Johnstone from Cambridgeshire County Council stated that all of the punctuality data gathered by the commissioners should be made publicly available.93 The commissioners themselves agreed that this is vital if the whole process is to be seen as open and accountable.94

84. We believe that the changes in the Bill to enable the traffic commissioners to request information from bus operators and local authorities and to take remedial measures against either when they are failing will be critical to the better functioning of bus services in this country. We did not find the arguments of the local authorities and pteg convincing. The Network Management Duty in the Traffic Management Act 2004 does not extend to the Highways Agency and Network Rail—both bodies that the local authorities themselves told us can have a dramatic effect on bus punctuality. Even if it did, the passenger ought to have the reassurance that an independent, locally knowledgeable authority is overseeing the performance of both operators and authorities.

87 Q512
88 Q513
89 Q515
90 Ev 127, 130, 155, 161 and Q108
91 Q114; see also Mr French from Go-Ahead (Q116) and Ms Shaw from First (Q121)
92 Ev 176
93 Q437
94 Qq 669–671
85. The Secretary of State, when giving oral evidence, informed the Committee that she was considering setting up a management board or committee to which the traffic commissioners would be expected to report. This board would be charged with the responsibility of collecting statistics on bus punctuality and reliability. On the arguments and evidence presented to the Committee by the Secretary of State we see no case for this new quango. It appears to be a device to enable the Department and the Secretary of State to interfere with the independence of the traffic commissioners. We agree with the Secretary of State that punctuality and reliability are vital to retain and attract new passengers to the bus. However, the most effective way of monitoring punctuality is to make the carrying of GPS equipment a requirement of a bus operator for registering a bus route. It should be a statutory duty of transport authorities to monitor every bus within its area using GPS. The statistics would then be publicly available and could be used as the basis for invoking the measures in the Traffic Management Act 2004.

86. All reports produced by the commissioners should be published as a matter of course on their website; the power to use their discretion in deciding whether to publish is unnecessary and should be left out of the Bill.

Clauses 27 to 30: Vehicles used under permits (“small bus permits”)

87. Small bus or minibus permits are issued under s. 19 of the Transport Act 1985. They allow certain organisations to charge passengers without having to comply with the full passenger carrying vehicle (PCV) operator licensing requirements and without the need for their drivers to have a PCV entitlement. The permits are used by volunteer groups concerned with education, religion, social welfare, recreations and other activities that are beneficial to the community. The service provided must be for their own members or for groups of people whom the organisation serves. The service must not be provided to members of the general public and the charges made must be on a non-profit basis.

88. Clause 27 transfers the responsibility for issuing small bus permits from a range of “designated bodies”, which include local authorities and various national charities and church organisations, to the Traffic Commissioners. The CTA objected to this move, arguing that the present system had not been shown to have any significant difficulties or failings. They also suggested that handing the process over to the Traffic Commissioners could lead to it taking longer and make it more expensive for operators. They also pointed out that many of the designated bodies were able to offer advice and support to community transport operators and expressed doubt that the Traffic Commissioners would be able to fulfil this role with their present level of resources.95

89. The Government argues that the proposal is intended to promote simplicity for permit-holders, better quality control and higher operating standards. The CTA argues that these objectives could be met under existing legislation, by rationalising the number of designated bodies to encompass those that are able to offer advice and promote best practice in the operation of minibuses. This requirement can be best achieved by those designated bodies that issue large numbers of permits every year and have developed the required unbiased expertise.

95 Ev 233 and Q564ff
90. We are not persuaded that giving the Traffic Commissioners exclusive responsibility for issuing section 19 small bus permits is necessary to producing a simpler, more effective system of issuing permits. We recommend that Clause 27 be omitted from the Bill.

**Smaller vehicles**

91. Clause 27 also amends the Transport Act 2000 so as to remove the current restriction which prevents the use of vehicles with fewer than nine seats for community transport services, but only where passengers pay separate fares rather than a group rate. The CTA welcomed the removal of the restriction, but argue that the “separate fares” requirement should be dropped because minibus services, which the smaller vehicles will mostly replace, are generally charged at a group rate.\(^\text{96}\)

92. The Government argues that the small bus permits system is part of the PSV regime and, as such, it makes sense for smaller vehicles operating under a section 19 permit to be subject to the separate fares requirement. Given that the vehicles in question are small—perhaps no bigger than a large family car in some cases—and they are often used by small groups of people travelling together, we believe that the requirement to charge each passenger a separate fare and possibly issue tickets is both unnecessarily burdensome and potentially unenforceable. We recommend that the Bill be amended to remove the separate fare requirement from smaller vehicles operated under section 19 permits.
Part 4: Passenger Transport Authorities etc

Introduction

93. The Government wants to create a more efficient and effective framework for the strategic planning and management of transport services. This would be achieved by strengthening the powers of PTAs, re-instating the possibility of creating new PTAs as well as the possibility of changing the geographical coverage of existing PTAs. It seeks to create greater flexibility to adapt governance structures to local transport needs and circumstances. The provisions would apply to England and Wales, but not to London.

The current position

94. There are currently six Passenger Transport Authorities (PTAs) in England, one in Scotland and none in Wales. PTAs were created under the provisions of the Transport Act 1968, and are responsible for the coordination and integration of some transport services, particularly bus services, across urban conurbations served by more than one local authority. Legislation in the mid-1980s closed down the option of creating further PTAs, and effectively froze the boundaries of existing ones. Passenger Transport Authorities (PTAs) comprise elected councillors from each of the local authorities covered by the PTA. PTAs draw up policy, which is in turn implemented by a Passenger Transport Executive (PTE). PTAs currently have powers in relation to buses and light rail, but not in relation to roads. The management of local roads remains with the metropolitan district councils within a PTA area whilst the Highways Agency retains control of the management of the strategic road network.

95. In non-PTA areas, County Councils and Unitary Authorities are responsible for setting and implementing transport strategy. They have responsibility for the procurement of local bus and light rail services as well as the management of local roads in their area. County Councils and Unitary Authorities thus have responsibilities for building new roads and carrying out maintenance, road works and determining traffic management measures on existing roads, such as traffic lights, traffic signs and bus lanes. These are powers which PTAs do not currently have.

The provisions of the draft Bill

96. The draft Bill would create a framework for the creation of new Passenger Transport Authorities, and facilitate greater variation in governance structures and the distribution of powers between PTAs and Councils. It would:

i. enable the Secretary of State to create, by Order (subject to affirmative resolution in Parliament), a new PTA where two or more Councils submit a proposal to do so. This does not necessarily have to be within an urban conurbation.

ii. enable the Secretary of State to vary, in accordance with local needs and circumstances, the structure of governance in individual existing PTAs. PTAs and their constituent Councils would need to propose such changes to the Secretary of State through a ‘scheme’. The following aspects could be altered:
the membership and structure of PTAs;

- the division of responsibilities between the PTAs and their respective PTEs;

- the allocation of responsibilities between PTAs and individual local authorities for highways and traffic functions;

- the ability of PTAs to influence the management by individual local authorities of their local road network; and

- the boundaries of PTA areas (e.g. to cover an additional local authority area).

97. Changes to current governance arrangements, or the creation of new structures would be set in motion by the Councils or PTAs concerned submitting a Review to the Secretary of State. A Review could be initiated by the Councils or PTAs themselves, or the Secretary of State could direct that they carry it out. In response to a Review, the Secretary of State may request that the Councils or PTAs concerned draw up a Scheme setting out concrete proposals for changes along with assessments of their potential costs and benefits. Where the Secretary of State accepted a Scheme, an Order (subject to affirmative resolution in both Houses of Parliament) would normally be required in most cases.

98. The draft Bill would also:

i. require PTAs to prepare:

- an Integrated Transport Strategy (ITS), and

- an Implementation Plan, demonstrating how the ITS is to be implemented.

Under the provisions of the Draft Bill, the ITS and accompanying Implementation Plan would replace Local Transport Plans which PTAs and their constituent councils are currently required to prepare jointly. Bus strategy would also be covered by the ITS, and therefore the current obligation on PTAs to produce a separate bus strategy would be revoked. In preparing their Integrated Transport Strategies and Implementation Plans, PTAs would have a statutory duty to have regard to any guidance issued by the Secretary of State;

ii. extend to PTAs the “well-being” power already enjoyed by local authorities under the Local Government Act 2000. This move would enable PTAs to undertake measures aimed at promoting or improving the economic, social and environmental well-being of their area; and

iii. place a duty on PTAs as well as individual councils within PTA areas to have regard to government policies and guidance on climate change, in carrying out their various functions and duties.

99. The Draft Bill seeks to avoid being prescriptive in determining the nature of any changes noting that the character of each local area should drive the reforms. The basic principle of bottom-up determination of the character and role of the PTAs has been
universally welcomed by organisations giving evidence including the Local Government Association.\textsuperscript{97}

100. We broadly welcome the governance changes proposed by the draft Bill. The reinstatement, after two decades, of the Secretary of State’s ability to create new PTAs is a major step forward. We support the possibility of changing PTA boundaries, structures and governance arrangements so as to suit local circumstances. We particularly welcome the emphasis on local determination. We are concerned that it is the Government’s intention to enact changes that amount to a major local government reorganisation but are only prepared to offer one and a half hours debate on this issue in the Commons. This is not acceptable. There are also a number of other specific aspects of the enabling legislation which appear unsatisfactory, or which at least need further clarification.

\textbf{Clause 40: Secretary of State’s power to direct a review}

101. Clause 40 introduces the right for the Secretary of State to require a review of transport governance arrangements and to consider the establishment of a passenger transport area and Passenger Transport Authority. Two criteria must be satisfied for new arrangements to be approved (Clause 39(2)). The first is that “the establishment of a PTA is likely to improve the exercise of statutory functions relating to transport in the proposed passenger transport area” and the second is that “the review and any scheme are likely to improve the effectiveness and efficiency of transport within such an area”. Two or more authorities must comprise a passenger transport area and Clause 39(5) indicates that an area must comprise the “combined areas of the authorities who publish the scheme”.

102. It is clear that travel to work patterns do not respect administrative boundaries and that there is a solid case for the possibility to create new PTA areas as well as the review of existing ones.\textsuperscript{98} The current provisions, however, appear limited in a number of respects which should be addressed during redrafting of the Bill:

\begin{itemize}
\item[a)] The Committee’s evidence provided several examples of areas where it would seem wholly logical for part of a local authority to join a Passenger Transport Authority.\textsuperscript{99} The requirement for the whole authority to join will stifle the development of passenger transport areas that truly serve the needs of passengers. The Committee does not take a view on how this should best be achieved although we note that the Audit Commission suggested that this could be based around Local Strategic Partnership Areas and the County Surveyors Society around Boroughs or Districts.\textsuperscript{100} \textbf{A mechanism to allow part of a local authority area to join a passenger transport area in exceptional circumstances should be developed and included in the Bill proper. It is vital that PTA boundaries can be fixed in ways that reflect local strategic partnerships as well as local travel-to-work-patterns.}
\end{itemize}

\textsuperscript{97} Ev 262, 200, 171, 137
\textsuperscript{98} Ev 116, 227, 237
\textsuperscript{99} Ev 137, 262, Q502
\textsuperscript{100} Q596, Ev 137
b) The West Midland Metropolitan Authorities noted that processes to review city region governance are already under way\textsuperscript{101} and the Local Government Association felt that local transport governance reforms were likely to be more effective if driven from the local level.\textsuperscript{102} \textbf{It should be considered whether the Secretary of State’s powers to direct a review were better framed as reserve powers only.}

c) According to Clause 40(8), one of the criteria for a review to be carried out is that “the effectiveness and efficiency of transport” within an area is likely to be improved. “Effective and efficient” are, however, ambiguous terms, and the Secretary of State was unable to eliminate this ambiguity in oral evidence to the Committee.\textsuperscript{103} Whilst some degree of flexibility will need to remain in their interpretation the absence of guidance on this raises the potential for future legal challenges. The West Midlands Metropolitan Authorities were concerned that transport should be seen in the wider city region governance context and did not wish to see these terms interpreted to the detriment of other reforms.\textsuperscript{104} \textbf{The criteria of “effective and efficient” must be more clearly explained if there is to be transparency and predictability for authorities seeking to develop new or review existing passenger transport areas. The ambiguities in the Bill are compounded by the absence of stated objectives and duties defined for the secretary of State. This could in future lead to a malevolent Secretary of State abolishing all PTAs and PTEs by Order.}

**Clauses 45 to 47: The remit and powers of PTAs**

103. Clauses 45, 46 and 47 set out the ability of the Secretary of State to confer on the PTA powers that are currently held by the Secretary of State (excepting “powers to make regulations or instruments of a legislative character or a power to fix fees and charges”) or by a local authority and also powers to ‘direct’ the actions of local authorities on particular roads or across an area. These are potentially far reaching powers which should enable PTAs to act with similar levels of decision-making and implementation powers to Transport for London, overcoming some of the perceived shortcomings of the current PTA – effectively local authority partnerships. The presence of stronger powers for delivery of passenger transport was broadly welcomed by our witnesses.\textsuperscript{105} However, there is currently a lack of clarity over the extent to which these powers are for the delivery of public transport users’ objectives and the objectives of the many other users of the transport network and the degree to which the local public would be consulted on these changes.\textsuperscript{106} The Secretary of State told us that there was an expectation that voters would be consulted.\textsuperscript{107} \textbf{We welcome the extension of the remit of PTAs, bringing it closer to the highly successful model witnessed in London. It should be a minimum requirement for local authorities to consult on any major transferral of power to an indirectly elected
body. We are concerned that the electorate do not have a formal involvement in the process via the ballot box. We recommend that the Secretary of State’s powers under Clause 44 should be exercised under the super-affirmative resolution procedure used for Regulatory Reform Orders.\(^{108}\)

**The relationship of PTAs to other Local Government reform**

104. In the past year the Eddington Review (transport), Lyons Review (local government) and Barker Review (planning) have all reported, with different emphases, on reforms to governance and planning processes. While this Committee is restricted to scrutiny of the draft Local Transport Bill, we note that these Reviews as well as the Sub-National Review, the Planning White Paper and recent reforms under the Local Government Act are all likely to have a direct or indirect bearing on the way the provisions of the draft Bill will function—on funding arrangements in particular.

105. Our evidence suggests that there is little clarity about the hierarchy of decision-making and processes by which transport and land-use will be integrated within the new structures that might appear.\(^{109}\) The funding and reward mechanisms for the distribution of government grant to PTAs and local authorities also remain fuzzy.\(^{110}\) When giving oral evidence to the Committee, the Secretary of State provided little clarification of how this will work.\(^{111}\) We recommend that the Department for Transport publish a joint document with the Department of Communities and Local Government setting out how a variety of governance models would connect and how funding arrangements would change to support the strategies.

**Clause 57: Nature of the duty to develop transport policies**

106. Clause 57 amends section 108 of the Transport Act 2000. In particular it inserts a duty for Passenger Transport Authorities to “take into account” government policies on climate change and “to have regard to any guidance issued” with respect to climate change. The Department for Transport has for many years published project and strategy assessment (appraisal) criteria. These allow the benefits of gains in one area of policy to be seen against potential losses in another. It is essential that the ability to balance crucial objectives such as economic growth, regional development and the reduction of social exclusion against other key objectives such as the limitation of the effects of climate change is retained. It appears that the provisions on climate change will override the balanced set of national decision-making criteria. Whilst the Committee supports efforts to reduce the impact of the transport sector on climate change this should be delivered through a balanced assessment process and appropriate targets rather than any one area being singled out. The wording of the Bill is such that, even were this a good idea, there would be no consistent need to act to tackle climate change. In oral evidence, the Secretary of State questioned the
need to impose a duty to tackle the issue of climate change, and undertook to review this provision.\textsuperscript{112}

107. Climate change is an important issue and we recognise the Government’s attempts to ensure that it is properly taken into account in transport policy at the local level. However, reducing harmful emissions is one of a number of vital objectives of transport policy—promoting economic growth and tackling social exclusion among them—to which PTAs ought to have regard. \textit{Clause 57 should be revised to place a duty on authorities to take account of the full range of national transport policies. Reducing the effects of climate change is only one of a number of vital policy objectives that should be observed in PTA decision-making, and one such objective should not be singled out on the face of the Bill.}

\textbf{Clause 58: Integrated Transport Strategies and Implementation Plans}

108. Clause 58 will require Passenger Transport Authorities to develop an Integrated Transport Strategy and an Integrated Transport Implementation Plan, replacing the current requirement to submit a Local Transport Plan once every five years. The Association of Transport Coordinating Officers was concerned that these strategies should be more than just integrated public transport strategies.\textsuperscript{113} The Freight Transport Association described the decision to delegate the Integrated Transport Strategy development to a passenger transport body as “wholly unacceptable and a retrograde step by the government in local freight transport planning”.\textsuperscript{114} The Local Government Technical Advisors Group was also “not convinced that PTAs are necessarily the correct body to take on wider powers”.\textsuperscript{115} However, the West Midlands Metropolitan Authorities, Association of Greater Manchester Authorities and Passenger Transport Executive Group all expect Integrated Transport Strategies to support all modes.\textsuperscript{116} The Department for Transport noted that the provisions of the Draft Bill expand those of Section 108(2) of the Transport Act 2000 to require the strategies to cover ‘transport’ in general and that guidance would be issued for the Integrated Transport Strategies to cover all modes.\textsuperscript{117}

109. Many more freight and car movements occur cross-boundary than do public transport movements yet it appears that little consideration has been given to their management in the proposals. The Mayor of London and Transport for London prepare a strategy for all forms of transport and have powers to deliver them and we suggest this acts as a model for reforms to the powers of PTAs. \textit{It is critical that the new powers vested in PTAs do not bias decision-making to the exclusion of some transport sectors such as freight. Integrated Transport Strategies must include all modes of transport and consider the needs of all users.}

\begin{itemize}
\item \textsuperscript{112} Q817
\item \textsuperscript{113} Q508
\item \textsuperscript{114} Ev 194
\item \textsuperscript{115} Ev 241
\item \textsuperscript{116} Ev 197, 200, 237
\item \textsuperscript{117} Annex 1: Schedule of Comments
\end{itemize}
Clause 60: Power to promote well-being

110. Clause 60 introduces powers for PTAs to promote economic, social and environmental well-being in their area. These powers were broadly welcomed.\textsuperscript{118} Clause 61 provides certain limits within which PTAs must operate whilst exercising those powers. Of greatest concern in relation to the delivery of transport is Clause 61(2) which would prohibit PTAs from raising money “whether by precepts, borrowing or otherwise”.\textsuperscript{119} In many respects, the reforms to governance in the Draft Bill seek to facilitate the adoption of policy setting and delivery powers mirroring those of Transport for London. However, where increased powers for delivery are not matched with increased flexibility on funding this will limit progress. The Secretary of State noted that PTEs already have powers to borrow prudentially against revenue streams. However, the Passenger Transport Executives felt that funding arrangements had not yet been adequately discussed and that the ways in which funding could be accessed were unclear.\textsuperscript{120} There is a lack of clarity over the future funding arrangements for new PTA areas and Clause 61 appears very restrictive. The options for borrowing available to PTAs need to be set out and consulted on prior to the Bill being presented to Parliament. Flexibility is required to enable transport initiatives to be funded that support the greater powers being provided.

\textsuperscript{118} Q12
\textsuperscript{119} Qq 13–14
\textsuperscript{120} Qq 68–75
Part 5: Local and London Charging Schemes

Road pricing: the current position

111. In 1858, the House received a Petition from the Toll Reform Association describing the continued existence of toll booths in London as

> an evil of such magnitude as to require … the immediate attention of Parliament, with a view to effecting a speedy abatement of a nuisance so long and so justly complained of by the public.¹²¹

The gist of their argument will be familiar to anybody who has followed the recent debates about road pricing: the various systems of “taxation upon Metropolitan locomotion” were already yielding more revenue than was required for the upkeep of the capital’s roads and any further charges would represent an additional, unfair burden on London’s road users.¹²²

112. Though debates about road pricing—systems which charge users directly at the point of use for access to the roads—have been going on for hundreds of years, with some serious studies commissioned by the Government in the 1960s,¹²³ it is only recently that the Government has made tentative noises about the possibility of a national road-pricing scheme as a solution to congestion, both in towns and cities and on major inter-urban routes. In 2003, the Department for Transport suggested that “a system of road pricing might allow motorists to make more informed choices about how and when they travel”.¹²⁴ This was followed, in 2004, by the Feasibility Study of Road Pricing in the UK, which found that with technological improvements a national road pricing scheme could be feasible within 10–15 years. Presenting the Study to the House, the Secretary of State said

> “Although a national scheme is not yet feasible, undertaking road pricing at a local level could be feasible now, and the Study says that that would greatly improve the understanding of the benefits, so we will need to look at that further with local authorities and take steps towards setting international standards for the equipment”.¹²⁵

113. The Government’s position since the publication of the Feasibility Study has been consistent: road pricing is part of a package of measures, including improved public transport, that will be used to tackle rising congestion. Though a national road-pricing scheme is likely to come in the fullness of time, it is some way off. In the meantime, local

¹²¹ CJ (1857–58) 131. Statement and Opinion as to the Metropolitan Turnpikes, Toll Reform Association (London, 1858), LSE Library collection, HE3/43.
¹²² This was some years after the “Rebecca” riots in West Wales, where men dressed in women’s clothing attacked and destroyed toll-gates.
transport authorities are being encouraged to adopt local schemes to test both technical viability and public acceptability.

114. In March 2005, the Transport Committee’s predecessor Committee published its report Road Pricing: the next steps.126 This Report recognised that if national road pricing were to be adopted, a phased approach would be the most sensible way forward, beginning with a number of local charging schemes. It called for an overriding national framework, to provide consistency for users, as well as economies of scale—the Bill seeks to provide such a framework.

115. The Government has made clear that its intention is to proceed with road-pricing pilots at the local level, initiated by local transport authorities. The power to introduce these schemes is already in statute, in the Greater London Authority Act 1999,127 and the Transport Act 2000.128 In its 10 Year Plan for Transport, the Government predicted that, outside London, there would eight local charging schemes in place by 2010. However, only London and Durham have so far introduced schemes, the latter on a single stretch of road through the historic Peninsula area of the City. The purpose of the present draft Bill is to make it easier for more road-pricing schemes to be established by allowing PTAs to be partners in the establishment of a scheme; removing the requirement that each scheme be approved by the Secretary of State; broadening the scope of the purposes for which schemes may be established; extending the requirement that revenues be spent on local transport; and amending a number of rules relating to the variation of charges, the type of equipment used and the provision of information.

116. Parliament has already given local authorities the power to establish local road charging schemes. However, it is important to recognise that the framework revisions contained within the Bill and the introduction of the Congestion Transport Innovation Fund significantly boost the potential for roll-out of these schemes, with the aim of establishing local road pricing initiatives across the country.

117. London First suggested that the current Bill should go further than it does and include powers to establish a national road pricing scheme.129 They argued that the time it took to get a bill onto the statute book, produce any necessary secondary legislation and specify, procure and implement a scheme meant that if the process did not begin now, with primary legislation, the introduction of a national road-pricing scheme could be significantly delayed. The Government has made clear that the time is not right for a national road-pricing scheme. The technology remains largely untested and there is a clear need for a full and informed public debate before any scheme could go ahead. Parliament should not be invited to confer powers on the Secretary of State which she has no intention of using in the immediate future and for which there is no present need. We believe the Government is right to leave powers to introduce national road pricing out of this Bill. A national road-pricing scheme would be a major departure from the local schemes envisaged in this Bill, which would merit its own piece of primary legislation.

127 s. 295 & Sched. 23.
128 Part III.
129 Ev 120, paras. 6.1–6.4.
Clauses 64 to 70: Involvement of Passenger Transport Authorities

118. Clauses 64 to 70 of the draft Bill provide for road charging schemes to be made jointly by a PTA and one or more eligible local traffic authorities. They require that charging schemes, whether they are made jointly or not, must further the achievement of the transport polices of both the local authorities involved and the local PTA and, in London, the Mayor. These proposals were in essence uncontroversial and our evidence supported them.

Clauses 67 and 71: Environmental effects of local charging schemes

119. Clause 67 and 71 amend the Transport Act 2000 so as to require charging authorities, in deciding whether to make a local charging scheme, to “have regard to the likely effects on the scheme on the level of emission from vehicles … of any substance which contributes to climate change or atmospheric pollution”. The requirement extends to emissions from vehicles in the area of the charging authority or authorities involved, and the adjacent traffic authorities.

120. This provision was generally welcomed by our witnesses as a step in the right direction but there was some disagreement about how effective it was likely to be. DPTAC pointed out that people with certain medical conditions, such as breathing difficulties, could be severely affected by poor local air quality both inside and outside a charging area and that it was therefore important for the effects to be taken into account.130

121. The Green Light Group argued that it was not possible to forecast the impact of road pricing on emissions with any degree of accuracy and were concerned that the requirement might become an obstacle to the introduction of charging schemes and a possible focus for legal challenge by people who might want to prevent the implementation of the charging scheme.131 Some witnesses expressed the view that road pricing was not necessarily the best tool to deal with emissions and that other policies, such as the more general duty in clause 57 for PTAs to take into account the Government’s climate change policies and guidance, might be more effective. The Government’s response was that the requirement was not additional regulatory burden but a requirement for authorities “to understand the impact of schemes on the environment as part of the scheme design”.132

122. Witnesses from the Local Government Association gave us examples of how additional measures to reduce emissions can be incorporated into charging schemes, for example, by exempting low-emission vehicles from the charge.133 When we visited Stockholm, we were told that their congestion tax had produced a 14% fall in harmful emissions within the charging cordon but only a 2–3% reduction in emissions over the County as a whole. Stockholm County’s Public Transport Authority has taken the view that encouraging the use of greener vehicles—such as ethanol-powered buses—by other means was more likely to be effective in reducing carbon emissions. The exemption for

130 Ev 245
131 Ev 168 & Q336ff.
132 Annex 1: Schedule of Comments
133 Q464
“green” vehicles will be removed in five years’ time because of fears that, otherwise, the uptake of cleaner vehicles will be sufficiently great to undermine the tax’s effect on congestion.

123. Improving local air quality and reducing carbon emissions are legitimate aims of road pricing schemes but, as we have already noted in relation to Clause 57, they are only one of a number of legitimate objectives for such a policy. **We recommend that the specific duty to have regard to the likely effects of the scheme on vehicle emissions should be supplemented by references to other environmental, social and economic objectives to which a charging scheme might contribute.**

**Clauses 72 and 73: Confirmation and consultation**

124. Clause 72 removes the requirement for the Secretary of State to approve charging schemes in England, but preserves the requirement for the Welsh Ministers to approve schemes in Wales. The Government says that the purpose of this is to provide greater flexibility and accountability at the local level, while relieving Ministers of their quasi-judicial role in approving individual schemes would give them greater freedom to support the development of road pricing schemes more generally. **134** Clause 73 removes the Secretary of State’s power to hold her own inquiry into a proposed scheme in England or to require a local authority to conduct a consultation itself. Local authorities will retain the power to carry out a local consultation if they choose to, and the Welsh Ministers retain the power to order an inquiry or consultation in Wales.

125. Several witnesses were concerned that removing the Secretary of State’s confirmation role could lead to a free-for-all in which local schemes could end up being inconsistent with each other. **135** The Department pointed out that the Secretary of State already has various powers under the Transport Act 2000 to ensure consistency of schemes, penalty regimes, etc, and that further such powers were included in the draft Bill. Other witnesses argued that, by jettisoning her approval role, the Secretary of State was distancing herself from road pricing as a policy, leaving local politicians to take difficult decisions without the explicit endorsement of the Department. **136** The Government maintains that this is not the case and that, once she is freed from her quasi-judicial role in approving schemes, the Secretary of State will be able to play a more active part in promoting road pricing as a policy.

126. In place of Ministerial approval, the Department proposes to establish local accountability measures which include, but go beyond, the local democratic framework. **137** They will include statutory guidance and regulations, including the guidance on TIF bids. **138**

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134 Cm 7043-I, p. 72.
135 Ev 120, 182, 194 & 225.
136 Ev 165, 168, 179 & 182.
137 Cm 7043-I, p. 74, Box 5.1.
a) Guidance will cover scheme design and appraisal, consultation, the legal framework for road pricing, the use of revenues and the setting of prices, and scheme operation.

b) Regulations will impose limits on the charges payable, regulate exemptions and discounts, make provision in relation to penalties and enforcement, ensure consistency of vehicle classification between schemes and govern equipment, signage and data formats.

127. Many of the relevant powers required to produce this guidance are already available in the Transport Act 2000. However, it is clear that under the draft Bill, these powers would become more significant as they would be used to fill the gap left by the removal of the Ministerial powers of approval in the 2000 Act. The draft Bill also contains significant new powers for the appropriate national authority to make regulations governing the operation of local charging schemes.139

128. Local authorities are accountable to their local residents at the ballot box. Although a modicum of national guidance will be necessary to ensure consistency and interoperability between schemes, there is no reason why democratically-accountable councils should have to seek national approval for transport schemes which will impinge only on their own electors. However, road pricing is perhaps a special case because in many areas a road pricing scheme will involve one local authority imposing charges on residents of a neighbouring area who travel into the city by car. This was a particularly prominent issue in Sweden, where the law forbids one municipality from levying a tax on residents of another. It was for this reason that the Stockholm Congestion Tax had to be implemented at the national, rather than the local, level.

129. Decisions about road pricing schemes will often turn on a very detailed examination of local traffic conditions which is best carried out at the local level; it is unlikely that a Government Minister would be better placed to take these decisions than local representatives who are intimately familiar with the area. However, there is also a need to balance the interests of local residents against those of other road users. The Government is right to seek to give local authorities more freedom to decide whether or not road pricing is appropriate for their areas and, if so, what form it should take.

130. Regulations and guidance governing local charging schemes must balance the need for consistency, interoperability and fairness against the need to provide flexibility to tailor schemes to local requirements. The strengths and weaknesses of this framework will play a key part in determining whether or not the local schemes are successful. We believe that Parliament should have a clear indication of the framework the Government intends to put in place; we therefore recommend that the Government publish a draft of the regulations and statutory guidance it intends to make in relation to road pricing schemes well before the Local Transport Bill begins its Committee Stage in the House.

139 The “appropriate national authority” is defined in s.198 of the Transport Act 2000. It is the Secretary of State in England, the Welsh Ministers in Wales and the two acting jointly in the case of schemes which may cross the border.
**Power to conduct an inquiry or require consultation**

131. Our evidence was firmly opposed to the removal of the Secretary of State’s power to hold an inquiry into a local charging scheme or require the local authority to consult. Indeed, much of the evidence we received on clause 73 argued that the consultation requirement should be strengthened, with a statutory duty to consult on all charging schemes, rather than only in cases specified by the Secretary of State. This view was shared by witnesses who were in favour of road pricing in principle as well as those who were against it.\(^{140}\) Several witnesses argued that there the duty should include reference to specific groups, such as local businesses,\(^{141}\) public transport providers,\(^{142}\) and disabled people.\(^{143}\) Given that the Department itself concedes that it is “inconceivable” that an authority would choose not to consult before implementing a scheme, it is difficult to see why Ministers want the consultation requirement removed.\(^{144}\) The Chairman of the RAC Foundation told us he was “puzzled why the Secretary of State [was] minded to remove this requirement”.\(^{145}\)

132. *Proper consultation should not be seen as an obstacle to introducing local charging schemes; it is an essential part of their proper introduction and a means of ensuring that they are well designed, that they meet local needs and that road users understand why they are being introduced and what the expected benefits are. We recommend that Clause 73 be omitted from the Bill.*

**Clause 74: Charges**

133. The Transport Act 2000 permits charging authorities to vary the charge according to the day of the week, the time of day, the type of road, the distance travelled and the class of vehicle.\(^{146}\) Clause 74 amends this provision to permit local authorities to vary the charge according to the method or means of recording, administering, collecting or paying the charge. This might mean, for example, that a driver who opts to have a transponder fitted to his vehicle pays a different rate than one who is monitored by a camera system. It could also mean discounts for direct debit or pre-payment. Clause 75 permits the appropriate national authority to specify that authorities must offer road users the option to pay charges in a specified manner.

134. The Green Light Group, though they welcomed the increased flexibility in principle, but argued that there was a danger that different charging regimes could cause confusion among users leading to inadvertent non-compliance and that a plethora of payment methods in different areas could increase user costs.\(^{147}\) The Freight Transport Association was also concerned about the potential need for multiple “tags” for different charging

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\(^{140}\) For example, Transport 2000 (Q252) and The National Alliance Against Tolls (Ev 165).

\(^{141}\) Ev 179

\(^{142}\) Ev 127, 130, 144

\(^{143}\) Ev 245

\(^{144}\) Annex 1: Schedule of Comments

\(^{145}\) Q289

\(^{146}\) s. 171(5)

\(^{147}\) Ev 168, para. 10.
schemes and pointed out that, at a cost of £15–20 per tag, a company with a fleet of 200 vehicles would face an outlay of a few thousand pounds for each area they are likely to enter.\textsuperscript{148} Even for an ordinary motorist, the need to have several tags in their car in order to enter several different town or city centres would at the very least be a significant inconvenience.

135. The provisions in clause 75 are intended to mitigate this potential problem and the Government assured us that

Our aim is to ensure that schemes are interoperable so that a road user who wishes to have a single tag and account can do so that would cover all their interactions with all local schemes, rather than having to deal separately with each local scheme operator.\textsuperscript{149}

We welcome the additional flexibility given local authorities to vary the level of charge according to the method and means of payment which a driver chooses. However, it is also important that a vehicle can be driven from one charging area to another without having to register for each scheme individually and possibly acquire several sets of in-car equipment. The Secretary of State, in making regulations governing charging schemes, must ensure that there is at least one universal method of collecting and paying charges which is transferable between all schemes.

Clause 78: Power to require information from charging authorities

136. Clause 78 allows the national authority to direct a charging authority to supply it with specified information connected with any aspect of their charging functions. Privacy has been a major concern surrounding the introduction of road pricing and it was the focus of much of the public debate surrounding the Downing Street road pricing petition.\textsuperscript{150} The National Alliance Against Tolls told us that they were concerned that the Bill would “give legal backing to the passing on of information with regard to individual vehicles and drivers”.\textsuperscript{151}

137. There was a general consensus among witnesses that it was technically possible to operate a charging scheme while protecting people’s privacy. Mr Skelton of ITS UK told us

the privacy issue is one that is very much to the public’s attention and has to be addressed to their reassurance. The management of data in many transactions is undertaken perfectly correctly and perfectly adequately, and provided the systems are transparent on the management of data, then I see that the issue should be resolved to the satisfaction and reassurance of the public.\textsuperscript{152}

\textsuperscript{148} Ev 194, paras. 2.9–2.11.
\textsuperscript{149} Annex 1: Schedule of Comments. See also the Road Tolling (Interoperability of Electronic Road User Charging and Road Tolling Systems) Regulations 2007 (SI 2007/58).
\textsuperscript{150} http://petitions.pm.gov.uk/traveltax
\textsuperscript{151} Ev 165, para. 16.
\textsuperscript{152} Q313
His colleague, Professor Blyth, went on to describe “a lot of urban myths … about ‘spies in the sky’ tracking vehicles”.\footnote{Q314}

138. If the technology is there to enable schemes to collect revenue while still protecting drivers’ privacy, it is still necessary to have the correct legal framework in place. The Government argues that the Data Protection Act 1998 provides this framework, but Ministers may exempt data from the provisions of the Act on the grounds of national security.\footnote{Data Protection Act 1998 (c. 29), s. 28.} \footnote{Ibid., s. 29.} Data collected for the purposes of preventing or detecting crime or for collecting taxes are partially exempt from the Act.\footnote{Ibid., s. 29.} \footnote{s. 28.} There are various other exemptions which are less likely to have a bearing on road pricing schemes and the Secretary of State has the power to make further exemptions by Order.\footnote{s. 38.}

139. Whatever its merits, the recent decision of the Home Secretary to allow anti-terrorist officers of the Metropolitan Police access to real-time information from the London Congestion Charging system is unlikely to allay motorists’ fears about the potential threat to privacy posed by road pricing schemes.

140. The potential intrusion into individuals’ privacy represented by the monitoring of vehicle movements is a significant and legitimate concern which tends to undermine public support for road pricing schemes. Although witnesses were confident that the technology was available to collect charges while protecting drivers’ privacy, we are not convinced that the current statutory framework is sufficiently robust to address these concerns. The Government must ensure that its statutory guidance relating to protecting privacy in charging schemes is tough enough to address public concerns. We recommend that the Government include more detail on the face of the Bill as to exactly what information may be required, and under what circumstances, under the provisions in clause 78.

**Clauses 79 and 80: Information**

141. Clauses 79 and 80 make provision for the disclosure by central government, the Welsh Assembly Government, a local authority or statutory body to provide information to a charging authority in connection with a proposed charging scheme. This supplements the provision in the Transport Act 2000 which enables information to be provided in connection with an existing scheme.\footnote{Section 194 (Information).}

142. Whereas the law provides for charging authorities to obtain the information they need for the United Kingdom authorities, there has been some difficulty in London with foreign-registered vehicles failing to pay the congestion charge. The Secretary of State told us that 40% of foreign-registered vehicles for which an address can be obtained do pay the charge.\footnote{Q 786ff.} She thought this was “a very significant proportion” but, taking account of the
number of vehicles for which no address can be obtained, it means that, in effect, for many of those driving foreign-registered vehicles in central London, the Congestion Charge is little more than voluntary. In Stockholm, foreign-registered vehicles are exempt from the congestion tax but, for the most part, foreign vehicles pay road user charges throughout Europe, often at an old-fashioned toll-booth.

143. **Charging authorities across the country will each need access to driver and vehicle licensing information from across Europe if they are to stand any chance of collecting charges from foreign-registered motorists. We recommend that the Government press for a European agreement on access by charging authorities to driver and vehicle licensing information, and for common enforcement standards.**

**Clause 82 and Schedule 5: Use of revenues**

144. Clause 82 and Schedule 5 amend the financial provisions relating to road user charging and workplace parking levy schemes set out in the Transport Act 2000. The effect is that all the net proceeds of all local charging schemes are to be used for local transport purposes, rather than enabling net proceeds in some circumstances to be applied as specified by the appropriate national authority. The requirement for the Secretary of State to approve an English charging authority’s general plans and specific programmes for the application of the net proceeds of a charging scheme is also removed.

145. Witnesses were in general agreement that revenue from road charging schemes should be spent on transport improvements. However, we heard some concerns that, in the fullness of time, the Government might attempt to offset road pricing revenues against local authorities’ allocations block capital funding and Revenue Support Grant. The Government has said that it has no plans to do so. The revenue from charging schemes represents an additional payment made by certain users of the local transport network. It is right that it should be retained for reinvestment at the local level. It should not be offset against local authorities’ funding allocations from central government.

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159 See, for example, Ev 120, 168, 182 & 262.

160 Ev 113
The Transport Innovation Fund

Introduction

146. The Transport Innovation Fund (TIF) was announced in July 2004 as part of the White Paper, The Future of Transport: a network for 2030. The purpose of the fund was provide “incentives to develop and deploy coherent, innovative, local and regional transport strategies”.

147. In July 2005 the then Secretary of State announced further details, including a split between the two strands of the fund known as Congestion TIF and Productivity TIF. The Congestion TIF will “support the costs of smarter, innovative local transport packages that combine demand management measures such as road pricing, with modal shift, and better bus services”, while Productivity TIF will “support the funding of regional, inter-regional and local schemes that are beneficial to national productivity”.

148. Funding will be available from 2008–09 to 2014–15 and in the following amounts:

<table>
<thead>
<tr>
<th>Year</th>
<th>08–09</th>
<th>09–10</th>
<th>10–11</th>
<th>11–12</th>
<th>12–13</th>
<th>13–14</th>
<th>14–15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds</td>
<td>£290m</td>
<td>£600m</td>
<td>£930m</td>
<td>£1.3bn</td>
<td>£1.68bn</td>
<td>£2.1bn</td>
<td>£2.55bn</td>
</tr>
</tbody>
</table>

149. The total amount allocated to Congestion TIF is £1.4bn, with an expected distribution rate of around £200m per year from 2008. The Department has indicated that additional funds may be available if a sufficient number of high quality bids emerge. The balance of the fund is due to be allocated through Productivity TIF. Each bid by a local authority, or group of authorities, for funding from Congestion TIF must include two elements: a demand-management scheme aimed at reducing congestion on the road network; and supporting measures to encourage modal shift. The guidance reveals a clear preference for schemes that include local road pricing to act as a pilot for the possible introduction of a national road pricing scheme around 2015.

150. The Department is engaging in a separate £10 million trial of the technology that would be necessary to support a national scheme: “We are asking private sector companies to prove that they can bring together technology and the supporting systems to produce bills that charge people according to where, when and how far they have driven and that are trusted both by those who receive them and those who receive the revenue.”

151. The bidding process is largely based on the NATA major scheme model. All schemes seeking funds from TIF will be subject to an assessment of value for money.

161 TIF Guidance, July 2005, para 1
162 TIF Guidance, July 2005, para 3
163 TIF Guidance, July 2005
164 TIF: business case requirements
165 New Approach to Appraisal
(VFM) which will play a key role in decisions on funding allocations, alongside other considerations such as deliverability.\textsuperscript{166} There is a specific VFM guide used by officials when providing advice to Ministers; it aims to ensure “a clear and consistent assessment of the costs and benefits of the scheme”.\textsuperscript{167}

152. The DfT has stated that the relevant criteria will include:

- effectiveness at reducing congestion;
- early implementation;
- transferability to other areas;
- breadth of geographic coverage;
- proportionality of costs;
- practicality/deliverability;
- public acceptability;
- distributional and equity impacts;
- affordability and financial sustainability; and
- contribution to central government, local and regional objectives.

153. The sum bid for should “represent the minimum additional funding required to deliver an eligible scheme”. The Fund should not be used to “offset pressures on existing budgets but to deliver radical schemes which require some additional funding to be deliverable. Further, schemes should be able to show that, without Transport Innovation Fund resources, they could not and would not be deliverable using either conventional or other funding sources”.\textsuperscript{168}

154. There is a general requirement that local authorities fund no less than ten per cent of a scheme from local resources. The guidance states: “We will be expecting significant local contributions towards the cost of packages – and the greater the contribution, the greater the authority’s chance of success. The local contribution can include private sector contributions, and we will expect authorities to seek as much from the private sector as they can”.

155. The guidance on Congestion TIF recognises that development and appraisal of such packages can be a complex and costly process for many authorities. With that in mind, the Department has allocated pump-priming funds in two separate rounds to ten different local authorities, including:

\textsuperscript{166} VFM measures the benefits per £1 spent
\textsuperscript{167} http://www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_033477.hcsp
\textsuperscript{168} Transport Innovation Fund; other available resources could include ‘national’ transport budgets; other central Government spending; local government revenues; local spending; and sources of private finance
• a joint package proposed by Bristol City Council, Bath & North East Somerset, North Somerset, and South Gloucestershire Council;

• Cambridgeshire;

• Durham County Council (for Durham);

• Greater Manchester;

• Shropshire County Council (for Shrewsbury);

• Tyne and Wear;

• West Midlands conurbation;

• Reading (round 2 only);

• Norfolk (for Norwich) (round 2 only); and

• Nottingham, Derby, Leicester and surrounding counties (round 2 only)

The funds are intended to cover up to 50 per cent of the cost of developing proposals.

156. The first round of bids are due to be submitted by the end of July 2007 with a final decision on funding allocations expected to be made by the end of the year. We are interested in the way in which Congestion TIF can be used to support the provisions on road pricing in Part 5 of the draft Bill. In the near future we will be holding an inquiry into freight and we will leave our consideration of Productivity TIF until then.

Is Congestion TIF a good thing?

157. The Department’s Feasibility Study (July 2004) and the Eddington Study (December 2006) both concluded that a national road pricing scheme could reduce congestion by up to half of the estimated levels in 2020 and 2025 respectively. The estimates contained in the studies on the growth and impact of congestion underline the importance of considering all options, including road pricing.

158. The Minister of State, Dr Stephen Ladyman MP, pointed to the significant increase in the number of vehicles on the road—from 26 million to 33 million in ten years:

Any analysis of the statistics about the distance people drive or their willingness to buy cars shows that, if the economy grows, their desire to drive and own a motorcar grows with it ... We have identified a whole range of measures ... like targeted road building; active traffic management systems; massive investments in the railway; massive investments in the buses. Despite all of that, including the fact that we are planning to spend £140 billion of central government tax in the years up until 2015, all our modelling suggests congestion is going to get worse ... we have to encourage people, through our partnerships with local authorities, to look seriously at demand management.169

169 TIF Q185 (Dr Ladyman)
159. The Greater Manchester Authorities told us that a package of infrastructure improvements that included local road pricing is likely to increase the average speed of journeys by 14%, compared to an increase of just 3% from a package that excluded road pricing.\(^{170}\) We were also told that the city would save more than 30,000 jobs by 2021 compared to projected growth in the absence of a road pricing scheme.\(^{171}\)

160. A key reason for the lack of progress in implementing road pricing schemes has been the limited availability of funds. Transport 2000 told us, “[funding has not been there to enable [local authorities] to put in place the public transport networks which will be essentially needed as part of the package of measures with road charging.”\(^{172}\) The introduction of TIF as a new source of funding to explore solutions to congestion has received broad support, although some have given the fund a slightly more cautious welcome. For instance, Centre for Cities stated, “[we] welcome TIF in principle so long as the mainstream transport funding continues to increase—the additionality point is crucial—and, secondly, TIF is used as it is intended, to tackle congestion on the one hand and enhance productivity on the other. If it is additional and achieves its declared aims then yes, we do welcome it.”\(^{173}\)

161. A lack of funding is not the only issue that has held back the development of local road pricing schemes. As the Deputy Chair of the Association of Greater Manchester Authorities explained, the use of the road-pricing powers by local authorities would also be contingent on authorities having the necessary powers to provide effective, integrated public transport. He thought that the draft Bill would go “some significant way” to providing that.\(^{174}\) The lack of strategic control over public transport and the problem of co-ordinating action across different authorities was emphasised by Transport 2000, who pointed to the division between the PTAs’ responsibility for public transport and the district councils’ responsibility for highways. Cross-boundary issues, for example, relating to out-of-town shopping centres, were also a problem in many areas.\(^{175}\)

162. We welcome the introduction of the Transport Innovation Fund to help local authorities explore solutions to the growing problem of congestion. But it can only be seen as one part of a much wider approach to tackling congestion. In particular it must be tied to improved local public transport, better co-ordination of neighbouring authorities, and increased strategic control over transport services.

**Road pricing restriction**

163. Many of those who have submitted evidence have remarked on the restrictive proviso that TIF money will only go to schemes that include road pricing or a workplace parking...
levy. As Merseytravel put it, “there is little innovation involved – it is funding in return for [road user charging] pilots/schemes”. The Centre for Cities agreed:

local stakeholders in many cities feel that they have no choice but to consider road-user charging and a bid for TIF funding – because it is believed that TIF is the only substantial new money available to fund major schemes. This has undoubtedly resulted in wasted time, effort and staff resource in a number of cities – large and small – which are not yet ready (politically, economically, or technologically) to submit TIF bids.

164. Others, such as Transport 2000, were not persuaded that the offer of additional funding to improve transport infrastructure in support of local road pricing pilots was unfairly twisting the arm of local authorities. They told us

Local authorities are not being blackmailed, though you will have to ask them whether they feel that … we do not want to see [the TIF] as the only route by which local authorities can get substantial amounts of money.

165. The Deputy Chair of the Association of Greater Manchester Authorities also rejected any suggestion of “blackmail”:

[We] are not being blackmailed. We have identified that congestion is a double problem for Greater Manchester. First of all, unchecked it will slow down economic growth and, secondly, it would add to environmental problems through both carbon usage and deteriorating air quality. We have also identified that congestion charging, as part of an appropriate package, is something we shall need to do in order to address that issue. On top of that we see road pricing as being inevitable if we are serious about the polluter-pays principles.

But the written evidence submitted by the Manchester Authorities did draw a clear link between the decision to consider road pricing and the availability of development funds through TIF. We were told that an “in principle” case was made for congestion charging to become a critical part of the Greater Manchester bid “having regard to Government policy, the need to actively promote the City Region’s economic objectives and the very real need to secure the earliest access to significant further investment to develop Greater Manchester’s transport infrastructure”.

166. The Minister of State told us that authorities were free to decide whether to apply for TIF funding in full knowledge of what the criteria were: “Nobody has been forced to come forward as part of this. They have all been asked to volunteer”. He argued that the regional funding allocation and the LTP2 funding would continue to be available and that

176 See, for example, evidence from the British Chambers of Commerce, Ev 319
177 Ev 324
178 Ev 306
179 TIF Q28 (Mr Joseph)
180 TIF Q89 (Sir Richard Leese)
181 Ev 359
182 TIF Q135 (Dr Ladyman)
local authorities had powers of borrowing. He also told us that any bids which proposed
a demand management scheme other than road pricing, for instance a workplace parking
levy, would be considered on their merits. Although Transport 2000 stated, “The only
innovation the Government have been interested in has been looking at innovation on
ways of bringing in congestion charging rather than looking at innovation on how to deal
with traffic. If you look at some of the documentation around [the draft] Bill, you will see
that the Government do not sound at all keen on proceeding with looking at workplace
parking levies, for instance, even though, as they point out, nobody has actually done it.
One would have thought the Government would be interested in comparing, say, a
workplace parking levy scheme with a congestion charging scheme or indeed one which
involved wider measures for parking.”

167. The Department provided us with various examples of non-road pricing schemes that
have been awarded funds to develop local transport infrastructure through the usual
regional channels. It contains a number of high value but, on the whole, quite narrowly
focused schemes. Given the general level of funding pressure we have doubts whether the
regional funding process will be viewed by many authorities as a satisfactory alternative to
submitting a bid for funding under TIF if they wish to achieve major public transport
improvements that integrate different modes of transport.

168. The draft Bill aims to create greater flexibility for transport authorities to decide
whether to introduce charging schemes and what form they should take. On the other
hand, access to Transport Innovation Fund money is entirely dependent on those
authorities being prepared to introduce charging schemes. Since the fund now
represents the only significant additional money that is available outside the regional
allocation process, the pressure on local government to bring forward proposals for
charging schemes is now very powerful. In the face of severe funding pressure we do not
accept that Congestion TIF guidance should, in effect, restrict the availability of funds
for much needed improvements in transport infrastructure to only those authorities
that will consider local road pricing schemes. This risks blackmailing local authorities
to conduct road pricing trials on behalf of Government in advance of a possible
national scheme. It is curious that the PSA target for one of the cities (Manchester)
bidding for Congestion TIF envisages no increase in congestion but cities whose PSA
anticipates large increases in congestion are not being considered.

Supporting Measures

169. The guidance on “supporting measures” emphasises the improvement of bus services,
although a range of other measures are mentioned including “road and rail enhancements,
better traffic management, smarter choices programmes and, potentially, tram schemes.”
The draft Bill gives authorities additional powers to improve bus services which in many
towns and cities, as in Stockholm, is the only effective way of improving local public
transport.

183 Q187 (Dr Ladyman)
184 TIF Q51 (Mr Joseph)
185 Ev 352
170. There is little additional guidance on the type of supporting measures that should be considered or an explanation of their role in tackling congestion. Sustrans stated that there is “insufficient emphasis in the Guidance on the role of soft measures/smarter choices/demand management. Although these are mentioned their role in producing quick, easy and effective reductions in transport is barely stated, and there needs to be closer synergy with road pricing.” Transport 2000 agreed:

This should not be just about public transport. There are other ways in which we can provide good alternatives to the car quickly through a range of what the department calls, rather badly, smarter choices, but which involve a range of measures to work with employers, schools and others to do individual marketing…

171. The English Regional Development Agencies also agreed that it was essential that congestion TIF packages were targeted at schemes which addressed genuine congestion issues which had an impact on regeneration opportunities, economic activity and productivity, rather than on experimental schemes which might be used by local authorities to access funding which they could not source elsewhere, or trial schemes for Government as a precursor to a national road charging scheme.

172. There has also been concern that the real ‘soft’ measures that work on the ground will be down-graded and fail to attract funding. For example, the Centre for Cities stated: “Regional cities have also told us that they will be unable to proceed with transport projects to underpin their local economies because these projects are not necessarily aligned with TIF requirements.” This leads us to return to the narrow focus of Congestion TIF. For some authorities it will encourage time and money to be wasted exploring road pricing where it is not appropriate; in other areas it is likely to frustrate authorities that are unable to access innovation funds in order to pursue the local solutions to congestion that best address their needs.

173. If the Congestion TIF is to encourage genuine innovation the fund should be open to all authorities, including those for whom road pricing does not represent the best solution to their congestion problems. We recommend that the requirement for TIF bids to include road pricing or a workplace parking levy be dropped. An important role that can be played by “soft” measures, which also need to attract funding in order to be developed more fully.

**Road building**

174. A considerable amount of the evidence that we have received suggests some authorities might be developing road pricing schemes as an attempt to raise funds for expensive and controversial road building schemes. We are not in a position to comment on specific bids or proposals, but we would be concerned if the Congestion TIF was used to...
implement extensive road building plans. Large-scale road building schemes would increase car dependency and increase traffic, rather than encourage modal shift. This would run completely counter to the aims of the TIF. Transport 2000 suggested that “linking progressive road pricing schemes to outdated and controversial road schemes … risks making road pricing unnecessarily unpopular and alienates the very people who might ordinarily be supporters”. Although there are occasions when limited road building may be an appropriate strategy to reduce congestion, we would generally agree that it is not necessarily “innovative” nor in line with the general thrust of the scheme.

175. The Guidance, however, does not take a detailed approach to the appropriateness of pursuing road building plans as part of a bid for funding. In its written evidence the DfT stated that, “while targeted transport improvements to the transport network will help manage certain congestion problems, the scale of road building needed to support the increased demand forecast would be neither affordable nor environmentally acceptable. Therefore we are looking more closely at demand management”. The then Minister of State told us that he was “open-minded” about the use of TIF funds to build roads: “if a piece of road improvement is an essential element of a wider package, then it might well be acceptable” but he “would be surprised if [the DfT] was] to consider it to be a good use of this particular funding if the money were only going to be used on building a road”.

176. While there may be a place for limited road building as part of an overall package of measures funded from the Congestion TIF, large scale road building has potential to run entirely counter to the objectives of the fund. We recommend that the Department clarify the extent to which road building can form part of a bid and the way in which it will be assessed. We urge the DfT to be vigilant in preventing opportunistic attempts to access Congestion TIF funds to support long-standing, controversial and expensive road building programmes, particularly as it could be linked to, and thereby undermine, support for local road pricing schemes.

Public Transport

177. The TIF Business Case Requirements state that: “bidders may want to distribute their local contributions across the package in ways that allow transport investment to be made in advance of the road pricing scheme”. A considerable amount of the evidence we have received expresses concern that public transport improvements must be in place before any road charging scheme begins. For instance, BCC stated, “[i]t is absolutely clear that if the Transport Innovation Fund is to work there must be significant upfront investment and new infrastructure in both roads and, importantly, public transport.” Many other witnesses agreed. In Stockholm, we saw the impact of a scheme in which public transport

192 Ev 345
193 Ibid.
194 Ev 349, para 13
195 TIF Q189 (Dr Ladyman)
196 TIF: Guidance on business case requirements, February 2007, para 26
197 TIF Q43 (Mr Frost)
198 See, for example, Ev 333 and 337.
improvements were introduced well ahead of road pricing, with a significant amount of additional publicity.

178. The Greater Manchester Authorities also agreed there is a need for up-front investment and suggested that much of this could be achieved through prudential borrowing that could be repaid by road pricing revenues.199

179. Depending on the specific needs of the particular area it is clear that different types and degrees of public transport improvements will be required before road pricing is introduced. This was acknowledged by the Minister of State.200 The Guidance places clear emphasis on the early implementation of schemes: “The speed at which a package, and particularly the road pricing scheme, can be delivered will be an important factor for us”. The Minister of State acknowledged that while he was open-minded about the extent of improvements to be made before road pricing is introduced, he had “an expectation that demand management would come in, perhaps not as the first thing that is done but somewhere during the process rather than just right at the end of it.”

180. It is important to recognise that public transport improvements go beyond providing an alternative mode of transport to car use; it extends to the whole issue of the public acceptability of road pricing. As the English RDAs told us, “[it] has become clear that in the majority of urban areas, local political support will not materialize unless alternatives to car use have been implemented before a charging system takes place. We would urge the DfT to focus on how this can be achieved”.201 Transport 2000 agreed that “in terms of selling this to the population at large, people will need to see improved public transport and indeed improvements to other choices for them other than car use before they will accept road charging. Anybody who has stood for elected office would understand why councillors might be a little bit reluctant to charge down this road without some guarantees of improvements.”202 The West Midlands reinforced these points in their evidence.203

181. Centre for Cities argued that city authorities would welcome a condition in the TIF Guidance that required a defined level of improvements to public transport before the road pricing element could be introduced.204 Without such a requirement, they argued, the road pricing schemes could be rushed into operation and, as a result, fail to offer suitable alternatives to car use and for this reason fail to attract the support of the public.205

182. We recommend that the Guidance include a specific requirement for local authorities to have made sufficient improvements to local transport in order to provide real alternatives to car use well in advance of any road pricing scheme coming into force. The improvements to public transport can then be linked to road pricing by

199 TIF Q90 (Sir Richard Leese)
200 TIF Q175 (Dr Ladyman)
201 Ev 327
202 TIF Q8 (Mr Joseph)
203 Ev 337
204 TIF Q56 (Mr Finch)
205 TIF: Guidance on business case requirements, February 2007, para 26
Government and local authorities when engaging the public and local business communities as a way of building the level of public acceptability.

**Broader Policies and Objectives**

183. The TIF guidance deals with broader policy issues as part of the new approach to appraisal (NATA). The appraisal centres on Government’s five key transport objectives:

a) Environmental: reducing the direct and indirect impacts of transport facilities on the environment of both users and non-users;

b) Safety: reducing loss of life, injuries and damage to property resulting from transport incidents and crime;

c) Economy: improving the economic efficiency of transport, and improving reliability and wider economic impacts;

d) Accessibility: improving the ability with which people can reach different locations and facilities by different modes; and

e) Integration: ensure that all decisions are taken in the context of the Government’s integrated transport policy.

The DfT tells us that in allocating TIF funds it will be looking for “mutually supportive packages that address local congestion problems in a way that supports economic growth, and supports other objectives for environmental protection, safety and social inclusion”.206

184. Some of the evidence we received points to the issue of climate change as being critical in any appraisal of the aims and benefits of TIF. For example, Transport 2000 argued that

As a matter of urgency, tackling climate change should be made one of the core objectives of TIF. It is not good enough that tackling climate change should be seen as one of many objectives within general project appraisal. It should be at the front and centre of every DfT policy, and not seen as a 'bolt-on' in the normal NATA appraisal. Schemes awarded funding via TIF should demonstrate that they contribute towards DfT’s PSA target to reduce CO₂ emissions.207

185. A number of local authorities were also concerned by a lack of emphasis on climate change. The Director of Sustainable Development for Cambridgeshire County Council suggested that the climate change issue was “underplayed”.208 The Director of Transport 2000 suggested that the guidance should be changed so as to give priority to schemes which reduce carbon emissions through Congestion and Productivity TIFs.209

186. The Minister explained that any scheme’s impact on climate change would be considered within a broader assessment of its value for money, but cautioned against trying

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206 Ev 349
207 Ev 345
208 TIF Q94 (Mr Hughes)
209 TIF Q32 (Mr Joseph)
to make the fund combat the dual issues of congestion and climate change: “people should be focused on its primary purpose, which is to deal with congestion and not try to deal with two issues at the same time. It may be they can do both, but let us solve one problem and then you can maybe lay other problems over it.”

187. Climate Change is not the only broad policy issue that has been raised. Sustrans states: “[the TIF guidance] is not properly addressing some of the key issues. We refer…to the desperately urgent issue of Climate Change and the need to make significant and rapid reductions in carbon emissions from Transport. But there are the other crucial issues: Peak Oil/ Energy security, promoting inclusion, better road safety, real accessibility planning, and creating liveable neighbourhoods.”

188. The West Midlands Authorities suggested that funding should be available for schemes aiding regeneration and employment not just those that tackle congestion”. Greater Manchester Authorities said thought it important that measures complemented the competitiveness and inclusion priorities of the sub-region and did not undermine the competitiveness of the regional centre or the town centres in the area”.

189. The Department has issued separate guidance on the social impacts of road pricing. It requires authorities to give particular consideration to the needs of households on a low income (the bottom two quintiles), particularly those who had no choice about when and how to travel.” The Minister told us that the Department had made clear that it would not support of any scheme that did not address social inclusion.

190. This message has been received by local authorities. For instance, the Chief Executive of Centro-WMPTA stated, “[The DfT is] interested in social inclusion, which is why the work we do also takes into account the impacts of the proposition, of the package, on social inclusion issues…[we] are actually looking at the impact on the economy of the various proposals and packages we are putting forward. So we are looking at public transport, the road pricing proposition and also the impact on the local economy and also in relation to social inclusion.”

191. The DfT tells us that in allocating funds it will be looking for “mutually supportive packages that address local congestion problems in a way that supports economic growth, and supports other objectives for environmental protection, safety and social inclusion”.

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210 TIF Q168 (Dr Ladyman)
211 Ev 354
212 Ev 337
213 Ev 359
214 Available at http://www.dft.gov.uk/pgr/scienceresearch/social/socialanddistributionimpacts/ (June 2007)
215 Available at http://www.dft.gov.uk/pgr/scienceresearch/social/socialanddistributionimpacts/reportoneoverview, at pages 8
216 TIF Q142 (Dr Ladyman)
217 TIF Q94 (Mr Inskip)
218 TIF Q75 (Mr Inskip)
219 Ev 349
192. The Minister’s evidence to us about the need for the TIF to address a wide range of social, economic and environmental issues is at odds with the provisions of the draft Bill which require authorities to have regard specifically to climate change, and nothing else. We believe a balanced approach, taking account of economic and social benefits of congestion-reducing measures is the right one. The Government should look amend the draft Bill so as to make this clear.

Displacement

193. In our 2005 Report *Road Pricing: The Next Steps*, we concluded that:

“Road pricing must not undermine efforts to deliver urban regeneration, or threaten the character of the countryside. If road pricing inadvertently promoted dispersal of land use and economic activity this could work directly against the traffic demand management intentions of the policy. Complementary planning restrictions should be introduced if national road pricing is introduced.”

We also commented that

Part of the risk associated with local road pricing schemes is whether an individual city would be able to withstand the economic impact of trade diverting to neighbouring cities that did not have a congestion charge.

194. The evidence that we have received in this inquiry reveals that these concerns have not gone away. A number of environmental campaign groups have expressed concern that road pricing could displace traffic into the countryside and adjacent urban and suburban areas. They also argue that, in the absence of strict planning restrictions, it may lead to the unsustainable development of rural areas. Other witnesses are concerned that market towns and cities inside a charging scheme could lose trade to local conurbations that do not operate road pricing.

195. The BCC is due to conduct a survey on the likely impact on businesses. They would prefer road pricing to be introduced nationally rather than locally due to the risks associated with displacement. The Director General of the BCC told us,

There is a degree of nervousness in some local authorities because clearly there is an issue about competitive cities and competitive regions. If a city or town produces some form of congestion charging and its neighbour does not, there will be a nervousness that business and trade and retail will suffer as residents and businesses move to other towns and cities in order not to pay any form of road pricing.220

196. We recommend that schemes under the Congestion TIF be used as an opportunity to explore the displacement effects of road pricing; otherwise it will not be possible to fully assess the strengths, weaknesses and potential design of a national scheme.

220 TIF Q9 (Mr Frost)
The Bidding Process

Complexity and cost

197. Several witnesses told us that the TIF bidding process is in itself costly and complex, with no promise that it will deliver real improvements to local areas. The English RDAs stated: “As each new funding stream is announced, Local Authorities and other delivery agencies spend time chasing the new funding streams that promise the large funds not available elsewhere… [M]any of these funding streams fail to deliver because of evolving and increasing complex appraisal processes, and also because the criteria for accessing the funding evolves after the fund has been announced and prove unachievable for the majority of project sponsors. The whole exercise therefore raises expectations, incurs project sponsors in cost and time delays and then fails to deliver. The RDAs believe that the Government should identify mechanisms which enable such funding packages to be put together in a way which reduces the risk of failure resulting from the existing processes”.

198. The Greater Manchester Authorities project that the cost of their bid will total £9.8 million of which £3.2 million has been received by way of pump-priming funds. The West Midlands Authorities hope to confine the cost of their bid to the pump-priming funds that were awarded - a total of £3.5 million. Cambridgeshire County Council was allocated £1.4 million in pump-priming funds and projects that a further £0.5 million to £1 million will be spent developing a bid.

199. The Tyne and Wear Authorities told us that: “One of the attractive elements of the original TIF concept was that it would allow the investigation of promising but radical ideas such as road pricing in a relatively open and flexible way… Subsequent guidance has imposed a substantially more rigid framework in terms of technical requirements and timescales. Technical issues have added to costs and raised concerns about the extent to which existing appraisal techniques are useful to this type of complex, multi-dimensional project”.

200. Kapsch TrafficCom AG, which supplies electronic toll systems, agreed that there were serious cost and resource implications related to applying for the various stages of TIF. This situation, accompanied by a lack of central guidance and general uncertainty, has meant that the smaller local authorities have been put off engaging with the TIF process, despite the fact that they could solve their congestion problems through very simple schemes at a reasonable price. Sustrans remarked on the slow progress of the fund. Local Transport Today has reported that only three out of the ten areas granted pump-priming plan to submit a bid in the first round of TIF proper. Also none of these has yet been out for formal public consultation.

201. Some, for example, Centre for Cities, have argued that a central fund is a wasteful and inappropriate way of distributing resources. They argued that mainstream transport funding should be routed through these new proposed strategic transport authorities, both
existing and new.224 They believed there were disadvantages to a “heavily bidded process” and that more devolved funding through regional strategic bodies would mean the money got closer to where it is needed in the first place rather than bids to central government all the time.225

202. Greater Manchester Authorities also believed that the Department should be exploring longer term funding deals with PTAs rather than following an annual process which did not promote stability. The DfT has entered into a long-term funding deal with Transport for London and consistently takes on long-term liabilities in respect of investment in the railways. Replicating this approach in the context of TIF would allow the DfT to spread the cost of its share for supporting packages over a longer timeframe, allowing them to leverage TIF funding. The upfront finance would be provided by the participating authorities through prudential borrowing, much as TfL is already able to do as a result of its long-term funding arrangement. This would mean that DfT would be able to deploy resource as well as capital funding towards the upfront costs securing TIF packages and, thereby, make significant progress with its national policy initiatives that sit at the heart of the TIF process.226

203. While there is a need to balance the cost and complexity of making a bid against the need for a rigorous and comprehensive assessment, we urge the Government to consider ways of simplifying the existing arrangements—we fear they may be especially burdensome for smaller authorities. We also urge DfT to consider distributing the funds as part of a longer-term approach that makes use of regional mechanisms with the aim of increasing certainty over funding and reducing the need for such a cost-intensive, and potentially wasteful, bid-orientated approach.

Timetable

204. The Department has invited the first full bids to be submitted in July 2007 with a decision to be taken by the end of the year. The Department has also emphasised that the speed at which a package, and particularly the road pricing scheme, can be delivered will be an important factor. They hope to see a first small scheme implemented around 2010–11 (if it gains the necessary approvals), and a larger scheme following a couple of years later.

205. Several witnesses felt this timetable was too short. The British Chambers of Commerce said that the pressure to have business cases to the Department by July appeared rushed and that bidders felt they were in a “race” for the funds.227 The Tyne and Wear Authorities thought that more flexibility was needed in the timetable, especially given that some of the technology for large-scale road pricing was still in its infancy.228 Greater Manchester and Cambridgeshire shared these views.229

224 TIF Q12 (Mr Finch)
225 TIF Q30 (Mr Finch)
226 Ev 359
227 Ev 319
228 Ev 343
229 TIF Qq 79–80 (Mr Hughes) and 125 (Sir Richard Leese)
206. One area where time pressure may be showing is in the lack of public consultation. The BCC told us that, in some areas, initial consultation may be for only four weeks and argued for a mandatory 12-week consultation period.\textsuperscript{230} Given the cost of running a consultation exercise, it appears that public consultation is viewed as something that will be undertaken after it becomes apparent whether TIF funding will be made available.

207. The DfT’s Director of Regional and Local Transport Delivery accepted that the time and money invested in a bid may be wasted in the event that the consultation revealed local opposition, but argued that this was the right approach as did the Minister of State. \textit{We understand the DfT’s desire to progress the bids as quickly as possible, but a failure to consult before the funding decision is made may waste the time and money that has been invested in the event that political support is not forthcoming within the local area. We recommend that minimum 12-week consultation before submitting a bid be stipulated in the TIF Guidance; the views of the local population should be fully considered within the bidding process. The Government should not accept bids where local authorities have not adhered to Cabinet Office guidelines on consultation, including the 12-week stipulation.}

\textbf{Alignment of the Timetable}

208. Some witnesses have suggested that the TIF funding process should be aligned to the funding processes that relate to other funding sources. In addition to the TIF itself, these include Regional Funding Allocations, Local Transport Plan, the Highways Agency, Network Rail/ SOFA, and various other miscellaneous grants. Most are allocated through the DfT; there is also funding available through other Departments.\textsuperscript{231}

209. \textit{We urge DfT to explore the possibility of aligning the timetable for seeking funds from TIF to the timetable for seeking funds from other sources, including the Regional Funding Allocation and Local Transport Plan funding.}

\textbf{Funding}

\textbf{Size of the Fund}

210. Major city-regions, such as Newcastle, Birmingham and Bristol, have repeatedly expressed doubts about the adequacy of the total level of funds available under the Congestion TIF. The relatively small scale of Congestion TIF funding—£200 million per annum— is seen by some as a \textit{disincentive} to proceeding with a road pricing scheme. Greater Manchester is calling for £1bn in up-front investment and the West Midlands asking for £2bn. Although Ministers have expressed doubt about these numbers, they do suggest that £200m a year is not enough to get a large scale road pricing scheme off the ground, let alone two or three.\textsuperscript{232}

\textsuperscript{230} Ev 319
\textsuperscript{231} See Ev 327
\textsuperscript{232} Ev 306
211. It is perhaps inevitable that demand for funding from Congestion TIF will far exceed the money that is available for distribution, although we are not in a position to assess whether the size of the fund is sufficient to meet its purpose given that final bids have yet to be submitted.

**Distribution**

212. During our inquiry we received comments about the Productivity TIF and the spread of funding across projects that could, nevertheless, be read across to the Congestion TIF. For example, the Centre for Cities states that: “The Government has acknowledged decades of under-investment by steadily increasing overall national spending on transport. This has been reinforced by the Eddington Transport Study. But with the case for a range of major projects – Crossrail, improved East-West road and rail links in the North, further improvements to the East and West Coast Main Lines, etc – accepted in principle by Government, cities are concerned that TIF resources could be diverted into a small number of national projects that do not address local needs.”

213. The DfT told us that “TIF offers local authorities the resources to make hard demand management a realistic intervention within their local transport strategies”. However, the size of the fund may not be sufficient to allow more than a small number of major projects to be progressed at the same time. We are concerned that the scale and cost of the emerging bids in relation to the overall allocation of funds might prevent a broad and varied range of town and city regions from being able to explore comprehensively the best solutions to congestion.

**Borrowing**

214. The TIF Business Case Guidance states that, as a result of the Local Government Act 1992 and subsequent guidance, local authorities may not securitise revenue streams such as those from road pricing in exchange for a lump sum from the private sector. Should local authorities wish to pursue this type of financing option they should use Prudential Borrowing through the Public Works Loan Board to secure upfront capital on the basis of all their potential revenue streams.

215. It is clear to us that prudential borrowing will form an integral part of the investment that is required to implement and support a road pricing scheme. Greater Manchester Authorities told us: “unless the DfT envisages a substantial increase in the scale of funding made available under C-TIF initiative, currently scaled at £1.4 billion in total, the affordability of such packages is likely to depend upon the local retention and use of charging revenues to fund a substantial proportion of the supporting public transport programme. The challenge placed by any funding limitations would, of course, be
intensified if C-TIF is required to satisfy demands across a number of metropolitan areas.”

216. Manchester argues that the current rules on retaining revenues locally, which do not guarantee that they will be available beyond the first 10 years, and provisions of the current local government finance regime, which requires authorities to set aside annually resource funding equivalent to 4% of total borrowings to repay principal from the year after borrowing is taken out (the Minimum Revenue Provision rule), both substantially undermine the ability of TIF authorities to use charging revenues to contribute towards the costs of supporting packages. West Midlands Authorities also told us they had concerns over Treasury rules for prudential borrowing which do not allow repayment based on projected cash flows.

217. The then Secretary of State confirmed that “local government funding… is a matter for the DCLG” and “DCLG have already indicated that they are looking at some of those rules anyway, so there may be changes as a result of their reflections on this matter that might make borrowing easier. Certainly, if there is something about the rules which make it difficult to do what would otherwise be exciting schemes, then we would certainly want to look at the rules.” We welcome the review of the local government borrowing rules and urge the DfT to treat the issue as a priority.

218. The BCC told us that the borrowing provisions should not be considered without taking into account the issue of supplementary business rates: “what has also been flagged up is the concept of a supplementary business rate and the ability to have a four pence levy on business which would then allow local authorities to use that borrowing power. That may be the mechanism to do it. Just to quote a concern, we would not want to see both a Transport Innovation Fund which extended over a long period of time and in addition another four pence in the pound supplementary business rate. Local authorities are going to have to make a decision which they are going to go for.”

219. Centre for Cities agreed: “The supplementary business rate element is critical to all this and I am sure will already be forming part of bids for the Transport Innovation Fund this July. Although from a business perspective that may not be welcome news, a levy of up to four pence on the business rate forms an important part of the overall funding package for local transport schemes.”

Revenue

220. Sustrans made the point that TIF will not help to “solve the acute shortage of revenue funding in Local Transport”. Indeed the TIF Business Case Guidance issued by the DfT in

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235 Ev 359
236 Ibid.
237 Ev 337
238 TIF Q196 (Dr Ladyman)
239 TIF Q159 (Dr Ladyman)
240 TIF Q55 (Mr Frost)
241 TIF Q55 (Mr Finch)
February this year says “The TIF can provide revenue resources as well as capital, but only very small amounts are likely to be available”. Given the size of the TIF pot, Sustrans finds this “very disappointing”. (Ev 354) [I’m not sure whether this was given sufficient attention to be included]

**Broader road pricing trials**

221. Some stakeholders have argued that local road pricing is not a sufficiently broad or ambitious way of testing the merits of road pricing. For instance, Transport 2000 stated “We would disagree that this is the only way in which charging can be rolled out and we would want to see the Government exploring other routes rather than just laying the whole emphasis on local authorities and letting them fight the battles from the front.” In particular, Transport 2000 told us, “there are two routes we would want to see the Government specifically proceeding with. One is to go back to looking at road charging for lorries, because that way you could get a national scheme together. That failed last time because they tried to overcomplicate it massively. If we do that it has the benefit of levelling the playing field with hauliers from other countries. It does mean that you could get a national charging scheme up and running in ways that would actually help the haulage industry and bring some real prices into freight. The other is to do in the public sector what the Norwich Union did in the private sector with pay-as-you-drive insurance. They did a trial with 5,000 volunteers and once they had worked out how that worked and what the issues were, Norwich Union offered it more widely. We think that the Government could, as in fact the RAC Foundation have suggested, look at a voluntary-based scheme and also piggy-back on the schemes that Norwich Union and other insurance companies are rolling out. Those are options that the Government could try and we think that the Government should be looking at other ways in which you could get towards national road charging other than just by putting local authorities in the front line, though we think that the local authority route is worth having too.” TIF Q13 (Mr Joseph)

222. Our predecessor Committee’s report *Road Pricing: The Next Steps* highlighted the potential for pilot schemes on the strategic road network: “The Government cannot expect local authorities to implement charging schemes, while it refuses to test the potential of road pricing on the strategic road network for which it is responsible. The Secretary of State has told us that he would not introduce charges on roads that have not changed; but if charges were introduced on congested roads, the motorist should gain from a smoother, more reliable journey. The Government must re-think its policy on charging for inter-urban strategic roads, and take responsibility for introducing measures on the congested roads under its control”.  

223. The then Minister for State did not rule out the possibility of trials on the strategic road network but expressed reluctance to introduce them unless they formed part of a local scheme: “if somebody comes to us with a proposal for their local community and within that local community it is clear that some sort of road pricing, as they have designed it, will necessarily include one of the trunk roads in their area, then we will consider it on its merits. We are not excluding that. The Bill that was published...does not make that any

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242 TIF Q12 (Mr Joseph)

243 Seventh Report of Session 2004–05
more or less difficult for us to do than it was prior to yesterday. We have always acknowledged that we could include the trunk road network within these local schemes, but we have not gone for a road pricing scheme on the strategic road network because essentially that would be a national road pricing scheme. Our strategy is to try to win the public over, to demonstrate to them that we can meet their concerns about privacy and fairness and that it will be effective and cost-effective before we put to the public the notion that we should have a national scheme.\(^\text{244}\)

The then Minister also stated that a pilot on a strategic road “would then have wider implications for the communities around that road because there would be certain people who would take journey planning decisions in order to avoid that particular strategic road, whatever road price we had introduced, and then we get into the fact that we would then have to impose some constraints on local councils. We would much rather do it the other way around: we would rather local councils considered the strategic issues and brought them to us so that we had a package we knew was going to work.”\(^\text{245}\)

The Government’s policy is to use TIF-funded projects at the local level to explore the impact of road pricing. These projects are supposedly trials and experiments but their costs are extremely high. In the cases of Greater Manchester and the West Midlands, £3 billion and £2 billion respectively, with debts lasting for up to 30 years. The failure of these projects would place a huge burden on the public purse. A range of town and city centre pricing schemes will not tell us a great deal about the impact of road pricing on inter-urban routes and major trunk roads. If the Government proposes to bring forward proposals for a national road-pricing scheme, we recommend that it first conduct pilot studies of the effect of pricing on the strategic road network.

\(^\text{244}\) TIF Q151 (Dr Ladyman)
\(^\text{245}\) TIF Q152 (Dr Ladyman)
Conclusions and recommendations

Introduction

1. It is extremely bad practice for the government to announce, in the middle of its own consultation and at the end of our inquiry, another consultation on matters which are included in the draft Bill. Some of the changes the Secretary of State indicated might be in the consultation were mooted seven months ago; with a little planning and foresight they could perfectly well have been incorporated into the present consultation exercise. (Paragraph 4)

2. We very much welcome the opportunity to consider this Bill in draft. The benefits of pre-legislative scrutiny are now well established and we believe that departmental select committees, with their accumulated experience of focusing on a particular subject area, are well placed to make a major contribution to this work. (Paragraph 10)

3. However, we are disappointed with the timing of the publication of the draft Bill. It has not in our view left time for a very detailed analysis either on our part or on the part of witnesses. We hope to see further opportunities to examine the Department’s proposed legislation in draft; we also hope to be given more time in which to do so. (Paragraph 11)

4. It would assist the House if the Government were to provide, in good time for the Public Bill Committee stage, a Keeling Schedule of the sections of and Schedules to the Acts listed in Clause 85 which are amended by the Bill (Paragraph 13)

The Traffic Commissioners

5. The traffic commissioners do a vital job in somewhat straitened circumstances; they are few in number and they have to operate on small budgets. This Bill greatly increases the powers of the commissioners, and gives them several new duties in relation to bus services. We welcome these provisions of the draft Bill. We do not, however, see how the commissioners will be able to perform these new duties properly without more staff and increased resources. We recommend that the Government increase the resources available to the traffic commissioners in line with their new duties. (Paragraph 18)

6. Although it does not require legislation, we also recommend that the Traffic Commissioners have their own website on which they can publish details of their investigations, reports, journey-time information, and provide information to the public. The current webpage they are allocated on the Department for Transport website is thoroughly inadequate. (Paragraph 19)

7. It is clearly important that potentially dangerous buses be removed from our roads. We recommend that new clauses be inserted into the Bill to give VOSA the power to impound illegal or unlicensed passenger-carrying public service vehicles. (Paragraph 21)
8. We welcome the move to put the role of Senior Traffic Commissioner on a statutory footing. We are, however, concerned that the power of the Secretary of State to issue guidance and general directions to the commissioners—and that of the Senior Traffic Commissioner to issue directions to his colleagues—might compromise the commissioners’ ability to operate independently as local circumstances dictate. The commissioners themselves are concerned that they are being asked to take a lot on faith as regards the Secretary of State’s powers of direction and guidance. The case for the Secretary of State to issue guidance and general directions to the Senior Traffic Commissioner and then on to his colleagues has not been made and we therefore do not support this initiative. (Paragraph 25)

Bus services

9. We were pleased to see that the Government had adopted many of our recommendations on bus services, particularly those relating to quality contracts and the powers of the traffic commissioners. We welcome the provisions in this draft Bill which will give effect to recommendations in our Eleventh Report of 2005–06. (Paragraph 29)

10. The existence of various non-statutory complaints bodies is evidence that there is genuine demand for an independent, publicly-funded body to hear the complaints of bus users. We recommend that the Government take powers in this Bill to establish such a body. (Paragraph 31)

11. The Bus Service Operators’ Grant, which acts as a general, non-targeted subsidy to all bus companies, however efficient or inefficient or however environmentally or non-environmentally friendly, is not justifiable and should be replaced. We recommend that the Government begin consultation as a matter of urgency in order that the relevant legislative changes can be incorporated into this Bill when it is presented to the House. (Paragraph 34)

12. We recommend that the Government amend the wording of Clause 3 to guarantee that partnership criteria such as frequencies and timings are set by agreement between the authority and bus operators. The Clause should also provide that, where such an agreement is reached within a partnership, the right of the operator unilaterally to withdraw or alter services is nullified. The PTAs should be given powers to fine bus companies for breach of the partnership agreement. (Paragraph 39)

13. Quality partnerships will not work if operators outside the partnership are allowed to come into the area and compete against partnership services, possibly overloading the network on the core routes and undermining the efficiency of the partnership. Quality Partnerships must not be a negotiated monopoly. Where a partnership exists bus operators should only be allowed to run bus services in competition where they comply with the standards of the partnership agreement. If an operator makes an application to run services in a partnership area the traffic commissioners should have the power to refuse to grant a licence if doing so would undermine any partnership agreement in place. If the commissioners do not have this power there is
a real danger that the work that has gone into a partnership agreement will be wasted. (Paragraph 41)

14. We think that, as a minimum requirement, bus operators involved in quality contracts should operate on an ‘open book’ basis. (Paragraph 45)

15. The Government is confident that any legal challenge to a quality contract scheme would fail. However, even an action which is unlikely to succeed could delay the implementation of a quality contract for years. Further claims for compensation under the Human Rights Act could then follow. If these legal actions are unsuccessful, there is the risk that the operator will cease to run services, with serious implications for passengers and staff. We recommend that the Government give further consideration to the ways in which the Bill might be amended so as to offer further reassurance to transport authorities faced with sabre-rattling bus company lawyers. Such measures could include compulsory purchase powers given to the transport authority to buy depots and the right of the transport authority to be the bus operator of last resort. This would also have the benefit of giving a public sector benchmark for competing bus operators. (Paragraph 48)

16. Networks, assets and employees should be protected during any transitional period before the implementation of a quality contracts scheme. We recommend that the Government introduce transitional provisions, or at least the relevant regulation-making powers, into the Bill. (Paragraph 51)

17. We also recommend that the Government produce guidance on transitional procedures for outgoing operators, including best practice for transfer of employees, protection of assets and assurance of the network until the day of transition. (Paragraph 52)

18. We welcome the new criteria for making a quality contracts scheme, which represent a clear improvement on the burdensome requirements of s. 124 of the Transport Act 2000. (Paragraph 56)

19. We believe that the basis for a quality contract scheme to go ahead should be that it will improve significantly the predicted passenger numbers. (Paragraph 57)

20. We believe that the independent approvals board for quality contracts, as envisioned in the draft Bill, is the right approach. We have reservations, however, about the Senior Traffic Commissioner (STC) automatically chairing the approvals board as we believe the local traffic commissioner will often be more familiar with the local circumstances which have led to the scheme being proposed. We recommend that the provision for the STC to be the traffic commissioner on the approvals board be left out of the Bill. There will be times when it is appropriate for him to chair it but equally there will be occasions when the local traffic commissioner is a more appropriate person. The provision for a traffic commissioner not to chair the board where he or she feels that his or her ability to act impartially is compromised should be retained. The independent approvals board should not have the power or authority to substitute its judgement for that of elected councillors on transport authorities on matters of transport policy. It should base its decisions on whether or
not the transport authority has followed the correct procedure and behaved in a reasonable way. (Paragraph 62)

21. We recommend that the Bill specify time limits for the approval period, including appeal to the Transport Tribunal, to a maximum of six months. The presumption should be that schemes which have not been rejected within this time should be permitted to proceed. (Paragraph 63)

22. We welcome the Government’s recognition in the draft Bill that the length of a quality contract should be longer than is presently allowed. We recommend that the Government change the wording of the Bill to allow for flexible contracts of between ten and fifteen years; leaving the final decision to the local authority designing the contract. (Paragraph 66)

23. The changes to the Competition test for bus services in this Bill are a step in the right direction. For too long operators and local authorities have had difficulties operating integrated services within the present regulatory framework. We appreciate that this is a complex issue, one that probably cannot be entirely resolved by this Bill. We commend Transport 2000 for commissioning a legal opinion on the viability of a public interest test for buses and we await the outcome with interest. If the conclusions are favourable the Government should look seriously at further legislative changes in this area. (Paragraph 72)

General provisions

24. We welcome the extension of taxi-bus licenses to private hire vehicles, which is likely to enhance the provision of community-based transport. Since they will be operating a bus service, we recommend that drivers of these vehicles should be subject to the same safety standards as other bus drivers; rather than the locally-applied standards for PHV drivers. (Paragraph 74)

25. We welcome the extension of the commissioners’ powers to attach conditions to bus operators’ licences. We do, however, agree with the Senior Traffic Commissioner that it will not always be appropriate to attach a condition to a licence if that results in an end to most or all bus services in a particular area. We therefore recommend that the powers in this clause be extended further to allow the commissioners to fine an operator in lieu of an attachment where an attachment would have a severely detrimental effect on services. Where actions have a detrimental effect on services the transport authority should be given the power to be the bus operator of last resort. (Paragraph 78)

26. We believe that the changes in the Bill to enable the traffic commissioners to request information from bus operators and local authorities and to take remedial measures against either when they are failing will be critical to the better functioning of bus services in this country. We did not find the arguments of the local authorities and pteg convincing. The Network Management Duty in the Traffic Management Act 2004 does not extend to the Highways Agency and Network Rail—both bodies that the local authorities themselves told us can have a dramatic effect on bus punctuality. Even if it did, the passenger ought to have the reassurance that an independent,
locally knowledgeable authority is overseeing the performance of both operators and authorities. (Paragraph 84)

27. On the arguments and evidence presented to the Committee by the Secretary of State we see no case for this new quango. It appears to be a device to enable the Department and the Secretary of State to interfere with the independence of the traffic commissioners. We agree with the Secretary of State that punctuality and reliability are vital to retain and attract new passengers to the bus. However, the most effective way of monitoring punctuality is to make the carrying of GPS equipment a requirement of a bus operator for registering a bus route. It should be a statutory duty of transport authorities to monitor every bus within its area using GPS. The statistics would then be publicly available and could be used as the basis for invoking the measures in the Traffic Management Act 2004. (Paragraph 85)

28. All reports produced by the commissioners should be published as a matter of course on their website; the power to use their discretion in deciding whether to publish is unnecessary and should be left out of the Bill. (Paragraph 86)

29. We are not persuaded that giving the Traffic Commissioners exclusive responsibility for issuing section 19 small bus permits is necessary to producing a simpler, more effective system of issuing permits. We recommend that Clause 27 be omitted from the Bill. (Paragraph 90)

30. Given that the vehicles in question are small—perhaps no bigger than a large family car in some cases—and they are often used by small groups of people travelling together, we believe that the requirement to charge each passenger a separate fare and possibly issue tickets is both unnecessarily burdensome and potentially unenforceable. We recommend that the Bill be amended to remove the separate fare requirement from smaller vehicles operated under section 19 permits. (Paragraph 92)

**Passenger Transport Authorities**

31. We broadly welcome the governance changes proposed by the draft Bill. The reinstatement, after two decades, of the Secretary of State’s ability to create new PTAs is a major step forward. We support the possibility of changing PTA boundaries, structures and governance arrangements so as to suit local circumstances. We particularly welcome the emphasis on local determination. We are concerned that it is the Government’s intention to enact changes that amount to a major local government reorganisation but are only prepared to offer one and a half hours debate on this issue in the Commons. This is not acceptable. (Paragraph 100)

32. A mechanism to allow part of a local authority area to join a passenger transport area in exceptional circumstances should be developed and included in the Bill proper. It is vital that PTA boundaries can be fixed in ways that reflect local strategic partnerships as well as local travel-to-work-patterns. (Paragraph 102.a)

33. It should be considered whether the Secretary of State’s powers to direct a review were better framed as reserve powers only. (Paragraph 102.b)
34. The criteria of “effective and efficient” must be more clearly explained if there is to be transparency and predictability for authorities seeking to develop new or review existing passenger transport areas. The ambiguities in the Bill are compounded by the absence of stated objectives and duties defined for the secretary of State. This could in future lead to a malevolent Secretary of State abolishing all PTAs and PTEs by Order. (Paragraph 102.c)

35. We welcome the extension of the remit of PTAs, bringing it closer to the highly successful model witnessed in London. It should be a minimum requirement for local authorities to consult on any major transferral of power to an indirectly elected body. We are concerned that the electorate do not have a formal involvement in the process via the ballot box. We recommend that the Secretary of State’s powers under Clause 44 should be exercised under the super-affirmative resolution procedure used for Regulatory Reform Orders. (Paragraph 103)

36. We recommend that the Department for Transport publish a joint document with the Department of Communities and Local Government setting out how a variety of governance models would connect and how funding arrangements would change to support the strategies. (Paragraph 105)

37. Clause 57 should be revised to place a duty on authorities to take account of the full range of national transport policies. Reducing the effects of climate change is only one of a number of vital policy objectives that should be observed in PTA decision-making, and one such objective should not be singled out on the face of the Bill (Paragraph 107)

38. It is critical that the new powers vested in PTAs do not bias decision-making to the exclusion of some transport sectors such as freight. Integrated Transport Strategies must include all modes of transport and consider the needs of all users. (Paragraph 109)

39. There is a lack of clarity over the future funding arrangements for new PTA areas and Clause 61 appears very restrictive. The options for borrowing available to PTAs need to be set out and consulted on prior to the Bill being presented to Parliament. Flexibility is required to enable transport initiatives to be funded that support the greater powers being provided. (Paragraph 110)

**Charging schemes**

40. Parliament has already given local authorities the power to establish local road charging schemes. However, it is important to recognise that the framework revisions contained within the Bill and the introduction of the Congestion Transport Innovation Fund significantly boost the potential for roll-out of these schemes, with the aim of establishing local road pricing initiatives across the country. (Paragraph 116)

41. Parliament should not be invited to confer powers on the Secretary of State which she has no intention of using in the immediate future and for which there is no present need. We believe the Government is right to leave powers to introduce national road pricing out of this Bill. A national road-pricing scheme would be a
major departure from the local schemes envisaged in this Bill, which would merit its own piece of primary legislation. (Paragraph 117)

42. We recommend that the specific duty to have regard to the likely effects of the scheme on vehicle emissions should be supplemented by references to other environmental, social and economic objectives to which a charging scheme might contribute. (Paragraph 123)

43. The Government is right to seek to give local authorities more freedom to decide whether or not road pricing is appropriate for their areas and, if so, what form it should take. (Paragraph 129)

44. Regulations and guidance governing local charging schemes must balance the need for consistency, interoperability and fairness against the need to provide flexibility to tailor schemes to local requirements. The strengths and weaknesses of this framework will play a key part in determining whether or not the local schemes are successful. We believe that Parliament should have a clear indication of the framework the Government intends to put in place; we therefore recommend that the Government publish a draft of the regulations and statutory guidance it intends to make in relation to road pricing schemes well before the Local Transport Bill begins its Committee Stage in the House. (Paragraph 130)

45. Proper consultation should not be seen as an obstacle to introducing local charging schemes; it is an essential part of their proper introduction and a means of ensuring that they are well designed, that they meet local needs and that road users understand why they are being introduced and what the expected benefits are. We recommend that Clause 73 be omitted from the Bill. (Paragraph 132)

46. We welcome the additional flexibility given local authorities to vary the level of charge according to the method and means of payment which a driver chooses. However, it is also important that a vehicle can be driven from one charging area to another without having to register for each scheme individually and possibly acquire several sets of in-car equipment. The Secretary of State, in making regulations governing charging schemes, must ensure that there is at least one universal method of collecting and paying charges which is transferable between all schemes. (Paragraph 135)

47. The potential intrusion into individuals’ privacy represented by the monitoring of vehicle movements is a significant and legitimate concern which tends to undermine public support for road pricing schemes. Although witnesses were confident that the technology was available to collect charges while protecting drivers’ privacy, we are not convinced that the current statutory framework is sufficiently robust to address these concerns. The Government must ensure that its statutory guidance relating to protecting privacy in charging schemes is tough enough to address public concerns. We recommend that the Government include more detail on the face of the Bill as to exactly what information may be required, and under what circumstances, under the provisions in clause 78. (Paragraph 140)

48. Charging authorities across the country will each need access to driver and vehicle licensing information from across Europe if they are to stand any chance of
collecting charges from foreign-registered motorists. We recommend that the Government press for a European agreement on access by charging authorities to driver and vehicle licensing information, and for common enforcement standards. (Paragraph 143)

49. The revenue from charging schemes represents an additional payment made by certain users of the local transport network. It is right that it should be retained for reinvestment at the local level. It should not be offset against local authorities’ funding allocations from central government. (Paragraph 145)

The Transport Innovation Fund

50. We welcome the introduction of the Transport Innovation Fund to help local authorities explore solutions to the growing problem of congestion. But it can only be seen as one part of a much wider approach to tackling congestion. In particular it must be tied to improved local public transport, better co-ordination of neighbouring authorities, and increased strategic control over transport services. (Paragraph 162)

51. The draft Bill aims to create greater flexibility for transport authorities to decide whether to introduce charging schemes and what form they should take. On the other hand, access to Transport Innovation Fund money is entirely dependent on those authorities being prepared to introduce charging schemes. Since the fund now represents the only significant additional money that is available outside the regional allocation process, the pressure on local government to bring forward proposals for charging schemes is now very powerful. In the face of severe funding pressure we do not accept that Congestion TIF guidance should, in effect, restrict the availability of funds for much needed improvements in transport infrastructure to only those authorities that will consider local road pricing schemes. This risks blackmailing local authorities to conduct road pricing trials on behalf of Government in advance of a possible national scheme. (Paragraph 168)

52. If the Congestion TIF is to encourage genuine innovation the fund should be open to all authorities, including those for whom road pricing does not represent the best solution to their congestion problems. We recommend that the requirement for TIF bids to include road pricing or a workplace parking levy be dropped. An important role that can be played by “soft” measures, which also need to attract funding in order to be developed more fully. (Paragraph 173)

53. While there may be a place for limited road building as part of an overall package of measures funded from the Congestion TIF, large scale road building has potential to run entirely counter to the objectives of the fund. We recommend that the Department clarify the extent to which road building can form part of a bid and the way in which it will be assessed. We urge the DfT to be vigilant in preventing opportunistic attempts to access Congestion TIF funds to support long-standing, controversial and expensive road building programmes, particularly as it could be linked to, and thereby undermine, support for local road pricing schemes. (Paragraph 176)
54. We recommend that the Guidance include a specific requirement for local authorities to have made sufficient improvements to local transport in order to provide real alternatives to car use well in advance of any road pricing scheme coming into force. (Paragraph 182)

55. The Minister’s evidence to us about the need for the TIF to address a wide range of social, economic and environmental issues is at odds with the provisions of the draft Bill which require authorities to have regard specifically to climate change, and nothing else. We believe a balanced approach, taking account of economic and social benefits of congestion-reducing measures is the right one. The Government should look amend the draft Bill so as to make this clear. (Paragraph 192)

56. We recommend that schemes under the Congestion TIF be used as an opportunity to explore the displacement effects of road pricing; otherwise it will not be possible to fully assess the strengths, weaknesses and potential design of a national scheme. (Paragraph 196)

57. While there is a need to balance the cost and complexity of making a bid against the need for a rigorous and comprehensive assessment, we urge the Government to consider ways of simplifying the existing arrangements—we fear they may be especially burdensome for smaller authorities. We also urge DfT to consider distributing the funds as part of a longer-term approach that makes use of regional mechanisms with the aim of increasing certainty over funding and reducing the need for such a cost-intensive, and potentially wasteful, bid-orientated approach. (Paragraph 203)

58. We understand the DfT’s desire to progress the bids as quickly as possible, but a failure to consult before the funding decision is made may waste the time and money that has been invested in the event that political support is not forthcoming within the local area. We recommend that minimum 12-week consultation before submitting a bid be stipulated in the TIF Guidance; the views of the local population should be fully considered within the bidding process. The Government should not accept bids where local authorities have not adhered to Cabinet Office guidelines on consultation, including the 12-week stipulation. (Paragraph 207)

59. We urge DfT to explore the possibility of aligning the timetable for seeking funds from TIF to the timetable for seeking funds from other sources, including the Regional Funding Allocation and Local Transport Plan funding. (Paragraph 209)

60. The DfT told us that “TIF offers local authorities the resources to make hard demand management a realistic intervention within their local transport strategies”. However, the size of the fund may not be sufficient to allow more than a small number of major projects to be progressed at the same time. We are concerned that the scale and cost of the emerging bids in relation to the overall allocation of funds might prevent a broad and varied range of town and city regions from being able to explore comprehensively the best solutions to congestion. (Paragraph 213)

61. The Government’s policy is to use TIF-funded projects at the local level to explore the impact of road pricing. These projects are supposedly trials and experiments but their costs are extremely high. In the cases of Greater Manchester and the West...
Midlands, £3 billion and £2 billion respectively, with debts lasting for up to 30 years. The failure of these projects would place a huge burden on the public purse. A range of town and city centre pricing schemes will not tell us a great deal about the impact of road pricing on inter-urban routes and major trunk roads. If the Government proposes to bring forward proposals for a national road-pricing scheme, we recommend that it first conduct pilot studies of the effect of pricing on the strategic road network. (Paragraph 225)
### Annex 1: Schedule of Comments

<table>
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<tr>
<th>Clauses</th>
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<th>Govt dept Comments</th>
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<tr>
<td><strong>PART 1</strong></td>
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| 1 | **Senior traffic commissioner**  
After section 4 of the PPVA 1981 (traffic commissioners) insert... | “Given the greater expertise needed for bus regulation and its differentiation from HGV work, we see a need for some splitting of TC functions and the recruitment of more bus operational expertise.” | TravelWatch South West, Ev 176 | We are considering whether further modifications to the traffic commissioner system might help to ensure effective delivery of our proposed bus measures and will be seeking to ensure that both goods vehicle and bus sectors get the attention and resources they deserve. |
<p>| | | | Traffic Commissioners, Ev 233, para 4.3 | Preserving the Commissioners’ judicial independence is vitally important. The powers to issue directions and guidance are only intended to ensure that the traffic commissioners exercise their functions in a transparent and consistent manner. The Bill draft would also replace the existing power for the Secretary of State to issue general directions to the Commissioners with a power only to issue guidance to the Senior Traffic Commissioner. This will strengthen the Commissioners’ overall independence. |
| | | | Traffic Commissioners, Ev 233, para 5.3 | We agree. The draft Bill would replace the existing power for the Secretary of State to issue directions to the Commissioners with a power only to issue guidance to the Senior Traffic Commissioner. This would strengthen the Commissioners’ overall independence. |</p>
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<th>Clauses</th>
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<td></td>
<td>“the traffic commissioners should become part of a new, fully-fledged bus regulator and statutory complaints body for bus passengers”</td>
<td>T2000, Ev 218, para 7.3</td>
<td>The draft Local Transport Bill seeks to empower local authorities to develop local solutions to the local transport challenges they face. As such we believe it is more constructive for any bus passenger groups to work at the local level. The Office of Fair Trading is the UK’s competition authority and exercises competition functions for the bus market. The creation of an additional regulatory body for bus services would conflict with the Government’s wider agenda to reduce the number of regulatory bodies. At national level, the non-statutory Bus Users UK and the Bus Appeals Body play a useful role in representing bus users and giving them a channel for complaints. We do not see any particular advantage in putting these arrangements on a statutory footing.</td>
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<td>the STC powers of direction to TCs must not “have a detrimental effect on their independence from prejudicial intervention, which is the key to the freight industry’s trust in the …system”</td>
<td>Freight Transport Association, Ev 194, para 4.2</td>
<td>The Senior Traffic Commissioner’s powers to direct could not be implemented unilaterally and could not extend to matters such as how to interpret the law (where only guidance can be issued). Both directions and guidance would also be subject to consultation with the other commissioners. Individual decisions by the Commissioners would also continue to be subject to a right of appeal to the Transport Tribunal.</td>
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<td>PART 2</td>
<td>Quality partnership schemes</td>
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<td><strong>3</strong></td>
<td>Section 114 of the TA 2000</td>
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<td>(quality partnership schemes) is amended as follows...</td>
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- **Lack of clarity:** “we believe the principle of proportionality is critical to the success of schemes and that requirements with regard to fares, frequencies and timings should only be included with the agreement of the operator”.

  - First Group, Ev 215, para 3.5;
  - Stagecoach, Ev 127, para 3.3;
  - National Express, Ev 155, para 7;
  - Arriva, Ev 161, para 6.4; and Go-Ahead, Ev 130, para 3.2

- **The draft Bill proposes that any requirements with regard to maximum fares should be included only with the agreement of operators.** We are aware of bus operators’ views in relation to frequencies and timings and are prepared to keep an open mind for the present. We will continue to work with stakeholders, and take on board responses received to the consultation, before developing a final set of proposals for partnership working.

- **“A right of appeal by operators to local authorities should apply in the case of ‘unfair’ burden... without a right of appeal the only option open to many operators is to stop running services which is unsatisfactory to all parties”**.

  - Go-Ahead, Ev 130, para 3.2

  - See response above. The local authority is required to consult operators and would be very foolish to impose conditions so stringent that no operator would be prepared to provide the services in question.

- **“There should be an additional power vested in the traffic commissioner where there is an objection by the local authority to refuse organisations which undermine the viability of SQPs”**.

  - County Surveyors’ Society (Ev 137), para 5.2; Greater Manchester, Ev 197, para 1.3

  - We are considering whether there is scope to allow the traffic commissioners powers to refuse or modify an application to register a service on the grounds that a quality partnership scheme is in operation in the proposed area of the service where a service so registered might have a negative impact on services provided under the quality partnership scheme.

- **Other factors, such as ticketing arrangements and fare structures, should be included**.

  - Devon County Council, Ev 191, para 3

  - The draft Bill would enable a quality partnership scheme to include requirements as to maximum fares chargeable for particular journeys or journeys of a particular description. It is not clear what more is required regarding “fare structure”. Regarding ticketing, there are provisions under section 135 of the Transport Act 2000 for local authorities to make multi-operator ticketing schemes, and operators may also agree on multi-operator tickets making use of the block exemption from the Competition Act 1998.
<table>
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<th>3(5)</th>
<th>The standard of services which may be specified in a scheme may also include requirements as to the maximum fares that may be charged for particular journeys of particular descriptions, on services to which the scheme applies.</th>
<th>“arrangements that gave local authorities or other operators an opportunity to set fares that artificially depress revenue (and, thus, prevent our ability to operate a successful and attractive service) would be entirely misguided. In addition, such an approach would not match EU rules about the impact of public service obligations on operating companies.”</th>
<th>Arriva, Ev 161, para 6.5</th>
<th>The clause includes a requirement for the operators to agree to the setting or revision of a maximum fare. This cannot simply be imposed on them.</th>
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<td>7</td>
<td>Quality contracts schemes</td>
<td>Bill should include provisions to secure people and assets during a transition period in event of quality contract being agreed</td>
<td>pteg, Ev 200, para 3.14; and Unite, Ev 146</td>
<td>We recognise the need to protect passengers during the pre-contract transitional period for a quality contracts scheme. We will consider the options in light of the consultation responses.</td>
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<td>Section 124 of the TA 2000 (quality contracts schemes) is amended as follows...</td>
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<td>Bill should include ‘operator of last resort’ powers for PTEs, where a franchisee found itself unable to deliver on the contract.</td>
<td>pteg, Ev 200, para 3.20</td>
<td>We have considered this, but do not think it is necessary. There are powers in the Transport Act 2000 to re-let quality contracts in cases of urgency.</td>
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<td>any proposal for a quality contract “must include compensation for an incumbent commercial operator who may lose the right to trade and may be left with considerable residual costs and loss of future profits”</td>
<td>Stagecoach, Ev 127, para 3.5; National Express, Ev 155, para 9; Go-Ahead, Ev 130, para 3.3; Confed. Passenger Tspt, Ev 153, para 2.3.2</td>
<td>We do not accept this argument. Bus operators will not be deprived of their assets, but will be free to deploy them elsewhere if they do not wish to tender for quality contracts, or fail to win any tenders.</td>
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<td>“many of the disadvantages that some people have attributed to a quality contract framework could be avoided if its management was widened to include not only the LTA involved but also relevant bus and train operators, user representatives, and adjacent LTAs.”</td>
<td>T2000, Cambs &amp; w Suffolk, Ev 124, para 2.3.2</td>
<td>This would be a matter for the relevant local authority, taking into account competition and value for money considerations.</td>
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<td>“Commercial operators should be allowed to run services in addition to those specified in a quality contract except where it can be shown (e.g. to the traffic commissioner) that this would undermine the network.”</td>
<td>T2000, Cambs &amp; w Suffolk, Ev 124, para 2.3.6</td>
<td>It is possible for a quality contracts scheme to exclude a particular service or type of service that can then be registered in the usual way. We are considering whether to enable in defined circumstances any other additional services to be registered in an area where there is a quality contracts scheme.</td>
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### 7(2)

In subsection (1) (power of local transport authorities etc to make quality contracts schemes if satisfied it is the only way to implement policies in their bus strategies and it is economic etc) for paragraphs (a) and (b) substitute... the QC criteria should also consider non-transport policies, e.g. health and education “where policy delivery requires good public transport inputs”

| Devon County Council, Ev 191, para 6; West Mids. Authorities, Ev 237, para 25 | We appreciate this point, but in practical terms one would not want a totally open-ended condition. It would be possible for such matters to be considered as part of the QC criteria if they were part of the authority’s local transport plan. |

### 7(6)

The reference in subsection (1)(a) to increasing the use of bus services includes a reference to reducing, arresting or reversing decline in the use of bus services

| Stagecoach, Ev 127, para 3.4; National Express, Ev 155, para 12; and Confed. Passenger Tspt, Ev 153, para 2.3.3 | We consider it is precisely in places where patronage is falling and more conventional strategies are failing to arrest or reverse the decline that a quality contracts scheme may be the best way of doing so. But it may not always be possible to demonstrate that the measures proposed for which a quality contracts scheme is essential would lead to an actual growth in patronage, whatever the local transport authority’s aspirations. If the criterion were restricted to achieving an absolute increase in patronage, then the worst affected areas may prove ineligible for Quality Contracts. |

### Approval of proposed scheme

Section 126 of the TA 2000 (approval of proposed scheme) is amended as follows...

| pteg, Ev 200, para 3.17; and RMT, Ev 139, para 3.6; LGA, Ev 262, para 2.12 | Traffic commissioners have wide knowledge and understanding of the bus industry and the practicalities of running buses. The other members of the approval body would be experts in economics and transport planning. The Transport Tribunal is a flexible organisation and has had various appeal functions in its time. Additional lay members can be appointed if it is necessary to extend their expertise. |

<p>| Traffic Commissioners and Transport Tribunals have … no expertise, remit or accountability to determine whether a city region’s transport strategy should go ahead or not.” | The Traffic Commissioners and Transport Tribunals have … no expertise, remit or accountability to determine whether a city region’s transport strategy should go ahead or not.” |</p>
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<th>78</th>
<th>“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”.</th>
<th>pteg, Ev 200, para 3.19; and Unite, Ev 146</th>
<th>A quality contracts scheme could involve a substantial changes to bus services in an area, with potential implications for incumbent bus operators. We proposed an independent approval authority as a safeguard to ensure that schemes are introduced only where there is a genuine public interest case for doing so, taking into account all relevant considerations. Our aim is to strike an appropriate balance between the legitimate interests of bus operators, and the need to avoid unnecessary delay to the implementation of schemes where they are in the public interest.</th>
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<td>94</td>
<td>“we would question the advisability of involving the traffic commissioners in what is essentially a political process … we believe their reputation for impartiality will be compromised.”</td>
<td>Unite, Ev 146; and TravelWatch North West, Ev 116, para 3.2</td>
<td>The whole point of this legislation is that the decision to make a quality contracts scheme should not be an “essentially political process”. It needs to be objectively justified because of the very major impact on transport markets that a scheme would have.</td>
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<td>250</td>
<td><strong>24 Voluntary partnership agreements</strong> For section 153 of the TA 2000 (competition test for exercise of bus functions (see schedule 10 to that Act) substitute...</td>
<td>pteg, Ev 200, para 3.8</td>
<td>We would be happy to consider widening the definition of a voluntary partnership agreement but would need to set some limit to it.</td>
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<td>230</td>
<td>the scope of the test should be extended “so that it embraces the actions of an authority when acting as an undertaking in carrying out its car parking pricing responsibilities”.</td>
<td>Stagecoach, Ev 127, para 3.7; Go-Ahead, Ev 130, para 3.1; and Confed. Passenger Tsp, Ev 153, para 2.1.1</td>
<td>As above.</td>
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<td>PART 3</td>
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| **26** Use of private hire vehicles to provide local services | Section 12 of the TA 1985 (use of taxis in providing local services) is amended as follows... | “all providers must be required to meet the necessary safety standards (which apply to commercial operators) to safeguard the public”.

Go-Ahead, Ev 130, para 3.4 | Private hire vehicle licensing authorities impose their own safety standards which would continue to apply while the vehicles are being used to provide a local service. This has not caused problems with taxis used as PSVs under section 12 of the Transport Act 1985 in its current form.

Go Ahead Group (Ev 130); CPT (Ev 153); First Group (Ev 215) | VOSA currently have powers to check any vehicle for over 8 passengers, whether under an operator’s licence or not. We will consider the implications for vehicle safety standards of the proposed changes in the draft Bill. |
| **27** Permits in relation to use of vehicles by educational and other bodies | It allows vehicles with fewer and more seats to be used. All permits would now be issued by the Traffic Commissioner rather than designated bodies. | The same vehicle safety standards should apply to professional and voluntary vehicles.

Go Ahead Group (Ev 130); CPT (Ev 153); First Group (Ev 215) |...
<table>
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<tr>
<th>Community Transport Sector</th>
<th>Permit Operation Standards</th>
<th>CPT (Ev 153)</th>
<th>We are not aware of any detriment to the public from the way that vehicles have been operated under permits since the TA 1985 came into force. See also previous answer.</th>
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<td>Community Transport Sector</td>
<td>Funding Arrangements</td>
<td>County Surveyors Society (Ev 137)</td>
<td>There are a number of issues that would need to be properly considered before concessionary travel on all community transport services would be made statutory; for example, whether the sector could meet the extra demand generated; the impacts on local bus services, and the extra burdens that would be placed on the voluntary sector. Furthermore, any extensions to the scope of the statutory minimum concession bring with them associated costs. As well as having to be fully funded, any decision to extend the national entitlement would require careful consideration of its full impacts and, at present, Government must focus on delivering its current and future commitment to concessionary travel with the available funding allocation. These matters have been discussed during the passage of the Concessionary Bus Travel Bill.</td>
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<td>Community Transport Sector</td>
<td>Designated Bodies</td>
<td>Hackney Community Transport (Ev 188); GMCVO (Ev 170); CTA (222)</td>
<td>We proposed these changes to the permit issuing system with a view to increasing simplicity for the community transport sector, to help ensure effective quality control, and to promote higher operating standards. Traffic commissioners had also raised some concerns about the administration of the section 19 permit system by designated bodies. However, we welcome views from interested parties, and will consider their representations carefully before taking any final decisions.</td>
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<td>The Bill would make Section 19 permits applicable to smaller vehicles with less than 8 passenger seats. This has been achieved by using the definition “public service vehicle”. The effect of this means that these smaller vehicles can only be used under a “separate fares” arrangement. This would prevent a number of community transport and other third sector operators from delivering locally needed services. It should be removed.</td>
<td>GMCVO (Ev 170); CTA (Ev 222); Hackney Community Transport (Ev 188)</td>
<td>In general, PSV (i.e. bus) licensing arrangements for vehicles with fewer than 9 passenger seats apply only where passengers are carried at separate fares, whilst taxi and PHV (minicab) licensing applies where a vehicle with fewer than 9 seats is hired as a whole. The permits scheme is part of the PSV regime so the proposal in the draft Bill is consistent with these arrangements. This dividing line between the two licensing regimes was reinforced in the Transport Act 2000. However, we recognise the point that has been raised, and will give further consideration to this issue in the light of consultation responses.</td>
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<td>The Bill should be phrased such that MPVs would also be covered by the Bill.</td>
<td>CTA (Ev 222)</td>
<td>We believe this comment relates to the CTA’s view that voluntary and community organisations might struggle to meet the requirement to be engaged in a ‘business of carrying passengers’, in order to be classed as a public service vehicle. We would be happy to explore this issue further with the CTA.</td>
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<td>28</td>
<td><strong>Transitional provisions relating to permits</strong> Existing permits remain in force</td>
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<td>29</td>
<td><strong>Further provision with respect to such permits</strong></td>
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<td>30</td>
<td><strong>Relaxation of rules relating to community bus services</strong> Removes prohibition on drivers being paid</td>
<td>The Bill should contain safeguards to ensure that community transport provision does not undermine scheduled services that are already in place or undermine the terms and conditions of full time bus workers.</td>
<td>RMT (Ev 139)</td>
</tr>
</tbody>
</table>
## Attachment of conditions to related licences
Section 26 of the TA 1985 (conditions attached to PSV operator’s licence) is amended as follows...

There should be an additional duty of regulation on the UK coach industry via the senior traffic commissioner.

TravelWatch West Midlands, Ev 145

The coach industry has been deregulated, so far as the provision of services is concerned, since 1980 and we have no intention to bring it under traffic commissioner control. Traffic commissioners are of course responsible for ensuring the safe operation of coaches under their operator licensing powers, and section 26(5) of the Transport Act 1985, applies to coaches as well as buses, as would the additional subsections inserted by subsection (8) of this clause.

## Powers of traffic commissioners where services not operated as registered
After section 27 of TA 1985 (supplementary provisions with respect to conditions attached to a PSV operator’s licence under section 26) insert...

The process is far too long and cumbersome, “unless the TC can have some faster and more certain way of holding the LAs to account for their (lack of) contribution to punctuality, why should operators accept the immediate and definite penalties that the TC can apply to them?”

TravelWatch South West, Ev 176

[It appears that this comment is addressed at clause 32 rather than clause 31. Assuming that to be the case our response is as follows.] Clause 32 addresses the matters for which primary legislation is needed. Traffic commissioners will be encouraged to engage at an earlier stage with both operators and local authorities and prevent problems from developing. The statutory powers are only for use if other measures fail. This is the same principle that applies with the Secretary of State’s intervention powers under the Traffic Management Act 2004.

As mentioned above, we hope the procedures set out in this clause will encourage operators and local authorities to engage at an early stage where operators are not satisfied with the management of the highways they rely on to provide their services. The traffic commissioners may also engage at that stage if they see fit. The powers they have under this clause are intended to encourage the informal processes to take place to avert more stringent action being taken. However, in the event that tougher action is needed, appropriate powers will be available.
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<td>None of these extended powers (nor those in clauses 9 and 31) can be achieved unless the TCs are resourced efficiently.</td>
<td>Traffic Commissioners, Ev 233, para 3.3</td>
<td>We are considering whether further modifications to the traffic commissioner system might help to ensure a more effective delivery of our proposed bus measures.</td>
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<td>“Punctuality is not the appropriate measure; it should be bus speed … the TC should be given direct and immediate sanctions against LAs not delivering their contribution to punctuality against that minimum bus speed.”</td>
<td>TravelWatch South West, Ev 176</td>
<td>We agree that bus speeds are important and will consider whether this and any other indicators might be also adopted as measures of performance. But for the passenger it is the total journey time, including waiting at stops, that is most important. The traffic commissioner’s primary role should remain to manage the performance of bus operators, bringing in the local authorities when their actions (or inaction) can help or hinder that performance. We do not think it would be practicable to give him a direct sanction against local authorities, nor would that be consistent with wider Government policy towards local government. The Secretary of State (or Welsh Ministers) can give an Intervention Notice or make an Intervention Order relating to a local traffic authority under the Traffic Management Act 2004.</td>
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<td>“How is the traffic commissioner to judge whether the transport authority has devoted sufficient resources to addressing the problem and the members of the authority had devoted sufficient attention to the matter compared with their other responsibilities? There may also be complex issues of value for money, project management, consultation, and public acceptance.”</td>
<td>County Surveyors’ Society, Ev 137, para 7.2</td>
<td>Traffic commissioners are accustomed to considering a range of evidence and reaching a balanced judgement in the light of the evidence. Their role would not be to micro-manage local traffic even if they had the resources to do so. Ultimately it is for the Secretary of State (or Welsh Ministers) to decide whether stronger intervention measures are necessary.</td>
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<td>This should not be a matter for the traffic commissioner; “local authorities should be given the responsibility for working in partnership with all operators in their area for the purpose of identifying matters that affect punctuality, reliability and speed of local bus services” and produce regular reports.</td>
<td>ATCO, Ev 171, para 7.1; West Mids. Authorities, Ev 237, para 27</td>
<td>We are still discussing with stakeholders (including ATCO) precisely how this should operate and would be prepared to amend the provisions in the draft Bill in the light of that. However it is only the traffic commissioner who can impose sanctions on bus operators.</td>
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<td>Extension of maximum Length of Service Agreements</td>
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<td>36</td>
<td>Why are the Highways Agency and Network Rail excluded from this provision of the Bill when delays can be caused by congested trunk roads or having to cross level crossings?</td>
<td>County Surveyors' Society, Ev 137, para 7.6</td>
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|   |   |   |
| 37 | Removal of certain requirements for Secretary of State's consent |   |   |
|   | Part 4 of the TA 1985 (which makes provision for the establishment of public transport companies and for the powers of Passenger Transport Authorities etc in relation to them) is amended as follows... | AGMA, GMPTA and GMPTE, Ev 197, para 3.3 | The proposed increase in maximum contract length to eight years sought to balance the benefits of flexibility to award longer contracts with ensuring value for money through maintaining competition for contracts. We will give consideration to this suggestion in the light of consultation responses. |

This could result in the selling off of the remaining municipal bus companies without Ministerial approval, “we fear this will make it easier for councils to take a short term view in regard to these companies and go for a quick sale if they are under financial pressure”.

Local authorities would still be answerable to their auditors and to the electorate. We do not see the need for the Secretary of State to be involved in the process. Since the provision was enacted, the Secretary of State has never refused outright to consent to a sale of a bus company.
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<th>PART 4</th>
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39 **Power to establish a new PTA**

> “It is important that the process for establishing a new PTA, or extending the area of an existing one, should not bring with it uncertainty, and a hiatus in planning and development of schemes to benefit passengers. Thus the process should be time limited, perhaps designed to be complete within a year once determined, not subject to change for a period of five years.”

> Association of Train Operating Companies, Ev 144; Stagecoach Group Plc, Ev 127, para 4.5

> We agree that where the need to revise existing arrangements in a particular area has been identified there should be no unnecessary delay in implementing the changes, although it is clearly also important that any such proposals have been the subject of wide local consultation beforehand. We would expect to make clear in guidance the need both to consult and to ensure that the process of introducing changes does not undermine the delivery of local transport services and schemes. We will give further consideration as to whether areas should be required not to make further changes within a given period.

39 (5) **A passenger transport area may be designated ... (ALSO relevant to cl 49 (1))**

> “[Clause 39(5)(a)] requires the PTA formed from two or more authorities to cover the whole area of both authorities. This does not necessarily provide the best arrangement for all parts of the country. There may be two or more distinct economic sub regions in a larger county which may demand different approaches and different partners.”

> County Surveyors' Society, Ev 137, para 3.3; TravelWatch North West, Ev 116, para 3.7; Association of Transport Co-ordinating Officers, Ev 171, para 10.4; North Staffs Rail Promotion Group, Ev 229; Local Government Association (LGA), Ev 262, para 3.4;

> Currently Passenger Transport Authority Areas are comprised of the entire territory of a Metropolitan county; the draft Bill adopts a similar approach in allowing a new PTA to comprise the entire area of 2 or more non-Metropolitan counties and/or unitary authorities. However, we would welcome views on the desirability and feasibility of allowing only part of the territory of another local authority area to join a PTA area. We will look at this issue further in considering possible changes to the draft Bill.

40 **Secretary of State's power to direct a review**

> “The issue of which body the SoS should direct to undertake a review of transport governance needs to integrate with wider governance issues…. It is important that the body charged with the task has sufficient political authority to undertake it successfully and resolve any local political differences.”

> West Midlands Metropolitan Authorities and West Midlands PTA, Ev 237, para 9

> The draft Bill does not prescribe which bodies should be responsible for carrying out reviews. This allows the flexibility to identify which body – or bodies – are best placed to carry out the review in each area.
<table>
<thead>
<tr>
<th>44 Constitutional arrangements</th>
<th>“… central Government needs to have backstop powers to ensure that cities decide on the best form of governance for the area, and can plan and deliver public transport effectively.”</th>
<th>Transport 2000, Ev 218, para 2.1</th>
<th>Clauses 44 to 53 of the Bill provide powers for the Secretary of State to make the necessary secondary legislation to enable those governance changes proposed by a particular city or area to be implemented. This includes the power not to make changes which he considers to be inappropriate or where he considers that an area has failed to comply with the terms of a direction under clause 40.</th>
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<tr>
<td>45 Delegation of functions of the Secretary of State</td>
<td>“We have no objection to the principles of greater delegation… But these are … wide ranging powers … We expect that through the consultation process on the Bill, the DfT will give greater guidance on the circumstances in which, and criteria that will be used to evaluate whether, these powers will be exercised.”</td>
<td>National Express Group plc, Ev 155, para 20</td>
<td>These provisions are drafted in order to provide the necessary flexibility to allow for functions to be delegated where there is a proven need in a particular case. We would want to look at each case on its merits, and, as suggested, would envisage giving guidance on how we would expect to exercise this power.</td>
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<td>87</td>
<td>47</td>
<td>Conferral of power to direct</td>
<td>“... such conferment powers should be extended further to also encompass direction over matters concerning parking supply, pricing and enforcement if a PTA is to have the ability to ensure delivery of its integrated transport strategies.”</td>
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<td>57(4)</td>
<td>49 (1)</td>
<td>Changing the boundaries of a passenger transport area (ALSO relevant to cl 39 (5))</td>
<td>“… should be revised to allow the extension to apply to part of, rather than the whole of a local authority area where this is logical. For example, to encompass areas within travel to work patterns without bringing in other areas that have little direct links and are likely to be unsuitable for inclusion.”</td>
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<td>57(4)</td>
<td>57(4)</td>
<td>Nature of duty to develop transport policies (duty to take account of policies and have regard for guidance on climate change)</td>
<td>“We recommend that this requirement be extended to all local authorities and for the requirement to be measurable and therefore accountable.”</td>
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<td>58</td>
<td><strong>Integrated Transport Strategies and Implementation Plans</strong></td>
<td>“These new powers are welcome... However, if the ITS is to have force, it's important that it acts as a key conduit for local transport funding...”</td>
<td>PTEG, Ev 200, para 2.3</td>
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<td>“…until such a time as new governance arrangements are in place, the Strategies should be prepared jointly by the Local Authorities and the PTA or any successor body – perhaps with a formal role for groups such as the Freight Quality Partnerships to ensure that all interests are represented.”</td>
<td>West Midlands Metropolitan Authorities and West Midlands PTA, Ev 237, para 12</td>
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<td>“The local delivery focus of the ... Bill is appropriate ... However, there needs be clarification on how the inevitable variety of local policies fit into the context of the national transport infrastructure. Local policies must be consistent, integrated and coherent so as to achieve an efficient and effective national structure.”</td>
<td>Society of Motor Manufacturers and Traders, Ev 136;</td>
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<td>“…some modes of transport will remain outside the control of those drawing up the plan. This may lead to aspirational statements in the integrated transport strategy, rather than deliverable and measurable targets and objectives, with a clear strategy of how to reach them.”</td>
<td>Disabled Persons' Transport Advisory Committee (DPTAC), Ev 245, para 37</td>
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</table>
“The transfer of powers to develop the Integrated Transport Strategy to a Passenger Transport Authority is wholly unacceptable... Any body responsible for planning local transport must have a statutory duty to facilitate the movement and delivery of goods to an urban area.”

We believe that making the PTA, or its successor body, responsible for the production of the Integrated Transport Strategy should help ensure that the necessary strong leadership is in place to deliver effective strategies. But we recognise the importance of ensuring a holistic transport strategy for the area, reflecting the needs and interests of all modes and all users. Clause 57(1) to (3) widens the local transport duty in section 108 of the Transport Act 2000 to transport in general, and this follows through to the reference to freight in section 108(2) of the latter Act. The presence of local authority members on PTAs ensures proper democratic accountability for transport decision making is retained. We expect to make very clear in guidance on integrated transport strategies that the need to facilitate the movement and delivery of goods is taken fully into account in drawing up strategies.
In preparing their Strategy… “...it would be beneficial if the draft Bill required a closer alignment between the plans of local transport authorities and Network Rail (through their Route Utilisation Strategies). This will become extremely important if local transport authorities plan to implement local road pricing schemes which are likely to result in mode switching to rail as well as bus with all the attendant capacity issues.”

FirstGroup Plc, Ev 215, para 9.2; Stagecoach Group Plc, Ev 127, para 4.3; Passenger Focus, Ev 272, para 3.3

We agree that authorities planning road pricing schemes should involve transport operators, including Network Rail where appropriate, from the earliest stages. We would expect to make clear in guidance the need for those drawing up transport strategies at a local level to have proper regard to relevant rail strategies and plans, including Network Rail’s Route Utilisation Strategies. Network Rail regularly consults local authorities during the preparation of its Route Utilisation Strategies and route plans and we would expect this approach to continue. Network Rail’s licence already requires it to manage the rail network so as to satisfy the reasonable requirements of train operators and funders such as local authorities. Network Rail must also prepare and comply with a code of practice covering its dealings with its dependent customers, which include local authorities. We would welcome views from consultees on whether more can be done to strengthen alignment between local authority and Network Rail plans.

“There [should be] a requirement for a timetabled strategy for making public transport more accessible to disabled people, to be drawn up in consultation with DPTAC”

The Guide Dogs for the Blind Association and the Joint Committee on the Mobility of Blind and Partially Sighted People, Ev 234; Hackney Community Transport, Ev 188; Disabled Persons Transport Advisory Committee (DPTAC), Ev 245

DfT encourages transport providers to address the needs of all groups in society. We recognise that ensuring public transport is accessible rests largely with transport operators. It will, therefore, be important that, in preparing their strategies, each metropolitan area works closely with them, and with other stakeholders, in the context of their disability equality duties. We would expect to make this clear in the guidance on Integrated Transport Strategies.
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<th>PART 5</th>
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<tr>
<td>64</td>
<td><strong>Power of PTAs to make charging schemes</strong></td>
<td>PTEs and PTAs are not directly elected and should not therefore have the power to introduce road pricing.</td>
<td>National Alliance Against Tolls (Ev 165)</td>
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<td>The Bill should go further than extending charging powers to PTAs; the provisions should cover the whole road network. The time required to get a Bill to Royal Assent and the schemes being commenced means that the Government should provide powers to introduce a national road user charging scheme now.</td>
<td>London First (Ev 120)</td>
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<td>A PTA would not be able to make a scheme independently; it could only be a partner in a scheme with one or more local authorities.</td>
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<td>65</td>
<td><strong>Local charging schemes to implement policies of PTAs</strong></td>
<td>Local road pricing schemes should only be able to progress where a minimum standard of public transport provision has been met.</td>
<td>Transport 2000 (218)</td>
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<td>We have said that we will make funding available from the Transport Innovation Fund from 2008 onwards for schemes in England that combine demand management, including road pricing, with improvements to local transport.</td>
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<td>66</td>
<td><strong>Joint local charging schemes to implement policies of PTAs</strong></td>
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<td>67</td>
<td><strong>Joint local-PTA charging schemes</strong></td>
<td>Emissions standards is an already confused regulatory area. In London goods vehicles must pass a regular Freight Transport Association check, and meet the London Low Emission Zone standard. Further regulation should seek to rationalise rather than add to existing regulations, by requiring local authorities to review any existing legislation as part of the process of introducing a charging scheme.</td>
<td>London First (Ev 120)</td>
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<td>The provision in question is not requiring a further degree of regulation. Rather it is requiring charging authorities to understand the impact of schemes on the environment as part of the process of scheme design.</td>
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<td>The proposal for PTAs to be required to have regard to Government policies and guidance on climate change needs to go much further. This requirement should be extended to all Local Authorities and should be measurable and therefore accountable.</td>
<td>Transport 2000 (Ev 218)</td>
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<td>These comments refer to clause 57. Please see our earlier answer.</td>
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<td><strong>68</strong></td>
<td><strong>Joint local-London charging schemes to implement policies of PTAs</strong></td>
<td>With the current state of the art, it is not possible to forecast local impacts of emissions, with any meaningful accuracy. We are concerned these provisions might prove burdensome, and a potential source of legal challenge.</td>
<td>Green Light Group (Ev 168)</td>
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<td><strong>69</strong></td>
<td><strong>Joint PTA-London charging schemes</strong></td>
<td>London local authorities will not be able to implement any charging schemes on their roads because the Low Emission Zone will be introduced as a Scheme Order. Clause 9 (4) of Schedule 23 of the GLA Act 1999 states that: “A road shall not be subject to charges imposed by more than one charging authority at the same time”. Since the LEZ will cover the whole of Greater London, this prohibits individual London boroughs from introducing their own charging schemes.</td>
<td>London Councils (Ev 150)</td>
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<td><strong>70</strong></td>
<td><strong>Consequential amendments</strong></td>
<td>The legislation provides protection for local authorities against PTAs acting independently to set up a system of road charging. London boroughs are not offered the same protection against TfL setting up a system of road charging against the wishes of boroughs.</td>
<td>London Councils (Ev 150)</td>
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<td><strong>71</strong></td>
<td><strong>Environmental effects of local charging schemes</strong></td>
<td>There are demonstrable links between some aspects of environmental quality, health and disability, for example for people with breathing difficulties. It is important that these issues are considered both inside and outside the charge and the wider local authority area.</td>
<td>DPTAC (Ev 245)</td>
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<td>Abolition of requirement for confirmation of English schemes</td>
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<td>72</td>
<td>The Secretary of State should retain powers to arbitrate in the case of any local disputes. A fair prosecution and adjudication system must be established which is able to support a fair penalty Road User Charging structure defined at a national level.</td>
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<td>London First (Ev 120); ITS UK (Ev 182); AA (Ev 225)</td>
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<td>We do not believe that it is appropriate for the Secretary of State to act as arbitrator in the case of any local disputes. At a national level, the Transport Act 2000 provides powers for the Secretary of State to make regulations on penalty charge structures and adjudication processes. We will make decisions about the use of these provisions in the light of the development of local authority schemes.</td>
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<td>Green Light Group (Ev 168); National Alliance Against Tolls (Ev 165); British Chambers of Commerce (Ev 179); ITS UK (Ev 182)</td>
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<td>The opposite is the case. Removing the approval role allows for Government to support Local Authorities in a way which would be difficult under the current arrangements, where the Secretary of State has a quasi-judicial approval role.</td>
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<td>ITS UK (Ev 182); FTA (Ev 194)</td>
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<td>Government accepts that DfT has a role to facilitate the development of interoperable local schemes. As stated above, we have not made any decisions about national road pricing.</td>
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<td>FTA (Ev 194)</td>
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<td>Government accepts that DfT has a role to facilitate the development of schemes that are consistent from a road user’s perspective. A number of relevant regulation-making powers already exist under the Transport Act 2000, and the draft Bill would extend these powers in certain respects.</td>
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<td>The Secretary of State will retain a responsibility for choosing schemes in terms of allocating the Transport Innovation Fund for road pricing projects. The Department should therefore have retain explicit responsibility for approving schemes.</td>
<td>Green Light Group (Ev 168); Green Light Group (Ev 168);</td>
<td>It is important to understand that the Secretary of State will be approving a funding investment package under the rules of the Transport Innovation Fund. It is more difficult under the existing legislation for the Government to encourage schemes in this way whilst he retains his approval role.</td>
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<td>The government proposes to introduce “an appropriate framework of accountability” through statutory guidance and regulation. Any such guidance and regulation should allow for a scheme to strike a balance between the need for interoperability, and retaining enough flexibility to allow a scheme to take account of local needs. The Guidance should not be over-prescriptive.</td>
<td>AGMA (Ev 197)</td>
<td>We agree.</td>
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<td>Exemptions should be set locally.</td>
<td>AGMA (Ev 197)</td>
<td>The Transport Act 2000 allows for Government to set national Regulations on exemptions and scheme charges. The Department believes there are a limited number of vehicles, usually public vehicles, where such exemptions from the scheme charge are appropriate. This is an area where we are seeking to develop consistency and interoperability (such that a vehicle would only need to be registered once and have that registration recognised by all schemes). Subject to any Government regulations, the Transport Act allows local charging authorities to specify their own exemptions.</td>
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<td>The Guidance should outline nationally exemptions for disabled people.</td>
<td>Guide Dogs for the Blind (Ev 234); DPTAC (Ev 245)</td>
<td>The Transport Act 2000 allows the Government to set national Regulations on exemptions and scheme charges. The Department believes there are a limited number of vehicles, usually public vehicles, where such exemptions from the scheme charge are appropriate. This is an area where we are seeking to develop consistency and interoperability (such that a vehicle would only need to be registered once and have that registration recognised by all schemes), and we will take stakeholders’ views fully into account as we progress these issues. Subject to any Government regulations, the Transport Act also allows local charging authorities to specify their own exemptions.</td>
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<td>An independent body to oversee development, implementation and operation of any scheme should be established.</td>
<td>RAC Foundation (Ev 153)</td>
<td>We do not believe that such a body is necessary at this point in time.</td>
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<td><strong>73</strong></td>
<td><strong>Abolition of power to require consultation or inquiries for English schemes</strong></td>
<td>Removing the power of the Secretary of State to require a consultation or inquiry will reduce the opportunity for stakeholders to have their views heard, and to influence the detail of the schemes.</td>
<td>Help the Aged (Ev 253); Association of British Drivers (Ev 107); British Chambers of Commerce (Ev 179); DPTAC (Ev 245)</td>
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<td>Inquiries initiated and held by local authorities will be “a sham”, lacking objectivity and rigour.</td>
<td>NAAT (Ev 165)</td>
<td>We propose in the draft Bill that it should be for local authorities to decide whether to hold an inquiry into a local scheme. If they decided to do so, it would also be for them to decide what steps to take to ensure objectivity and rigour.</td>
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<td>74</td>
<td><strong>Charges</strong></td>
<td>The public acceptability of road pricing depends on it being seen to be transparent and accountable. Consultation and inquiry are vital elements of achieving this and should be a requirement of taking forward a charging scheme. There should be a statutory requirement to consult.</td>
<td>SMMT (Ev 136); RAC Foundation (Ev 153)</td>
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<td>There should be a requirement to formally consult public transport providers (bus companies, Network Rail, TOCs) whose operations will be affected by the implementation of a scheme and who must be ready to respond accordingly.</td>
<td>Stagecoach (Ev 127); Go Ahead Group (Ev 130); ATOC (Ev 144)</td>
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<td>Charging schemes should be required to undergo strict financial scrutiny before implementation.</td>
<td>AA (Ev 225)</td>
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<td>Any authority that puts forward road pricing proposals should have a statutory duty to consult either DPTAC or the consultative mechanism for local disabled people that it has set up in connection with its disability equality duty.</td>
<td>DPTAC (Ev 245)</td>
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<td>The consultation should include proving information in large print, tape, electronic and Braille formats.</td>
<td>DPTAC (Ev 245)</td>
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<td>The Bill should require any charging schemes to be independently monitored once implemented to promote transparency and confidence in the scheme.</td>
<td>London First (Ev 120)</td>
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<td>The charge levels should vary according to different types of vehicles. This should be used to give commercial vehicles preferential treatment.</td>
<td>London First (Ev 120)</td>
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<td>75</td>
<td>Manner of payment of charges</td>
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<td>Regulations made under this clause could make provisions so that a road user could register with one charging scheme, install any appropriate equipment and make arrangements for payment in a particular way. The user could choose for these arrangements also to apply to other charging schemes.</td>
<td>It is not acceptable for drivers to be required to have a whole series of different “tags” in their vehicle, each requiring a different account to be set up. Each device costs money to the road user.</td>
<td>FTA (Ev 194)</td>
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| 97  | Varying the charges according to different payment methods discriminates against the less well off who are less likely to pay in advance or set up direct debit arrangements etc. It is also likely to discriminate against casual users who use the roads the least. | NAAT (Ev 165) | It is for local authorities to decide how to vary charges depending on local needs. Local authorities should ensure that they have struck the right balance between providing incentives to use efficient payment methods and avoiding discrimination. |

| 00  | The provisions allowing charges to vary could lead to confusion if different schemes across the country adopt different rules and tariffs on this basis. This would not aid interoperability from the road user perspective. | Green Light Group (Ev 168) | Government wishes to ensure a degree of consistency across schemes but does not want to rule out local flexibility. Again, a balance needs to be struck. |

| 00  | Varying the price by the method of payment chosen will only be acceptable where all payment methods are equally accessible to disabled people. | DPTAC (Ev 245) | It is for local authorities to decide how to vary charges depending on their local needs. Local authorities should ensure that they have struck the right balance between providing incentives to use efficient payment methods and avoiding discrimination. |

<p>| 45  | Charges for local schemes must be accompanied by reductions in other motoring taxes. | RAC Foundation (Ev 153) | We have made clear that any money raised by local pricing schemes would be used by the local authorities concerned to improve local transport. In the longer term, a national road pricing scheme could have implications for motoring taxes and could mean moving away from the present system – but decisions on that are for the future. |</p>
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<tr>
<td>98</td>
<td>DVLA must be given new powers to permit the exchange of registered owner details with selected authorities in other EU member states. Non-existent data sharing between UK and European vehicle licensing authorities and an absence of any legal framework for enforcing penalties in other European countries means almost all penalty charge notices issued to foreign-registered vehicles are never paid.</td>
<td>ITS UK (Ev 182); London Councils (DTLB 150); FTA (Ev 194); SPARKS (Ev 212); The enforcement of penalty charge notices is not a simple issue which can necessarily be solved unilaterally by purely domestic legislation. What is needed is a coordinated and consistent framework for the exchange of information between all Member States that also provides for the cross border enforcement of civil penalty charges. Regardless of whether information is obtained, there are obstacles to the enforcement of penalty charges once the driver or keeper has left the UK. The best way of enabling data sharing and cross border enforcement is to pursue the issue at European level, which is what the Government is doing.</td>
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<td>76</td>
<td>Interference with functioning of equipment</td>
<td>FTA (Ev 194); Any effective civil enforcement system needs to be fair to both UK and non-UK drivers alike. Stopping vehicles not registered with DVLA before they leave the UK to collect charges could contradict the European principle of freedom of movement.</td>
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<td>For enforcement to be effective, the accuracy and completeness of the DVLA database must be satisfactory and the degree to which vehicles not registered by the DVLA can be identified must be appropriate.</td>
<td>ITS UK (Ev 182); The accuracy of DVLA’s vehicles register in relation to registration and licensing purposes was last assessed in 2005, and traceability of vehicle keepers was calculated at 97.4%. Once there is a clearer understanding of the local Road Pricing scheme requirements it will be possible to better assess whether the DVLA has sufficient data and accuracy levels to support their needs. DVLA already provides data to support TfL’s Congestion Charging scheme.</td>
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<td>For enforcement purposes a scheme operator needs access to the data held by Revenue &amp; Customs on non-UK registered vehicles at the point of entry to / exit from the UK.</td>
<td>ITS UK (Ev 182); It is unclear to us how accessing this information would assist in the enforcement of road pricing.</td>
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Local Authorities will need inspection and enforcement powers for tags and GPS-based on-board units. ITS UK (Ev 182) The existing legislation allows us through regulations to enable charging schemes to examine or enter a motor vehicle to ascertain, amongst other things, whether any equipment required to be carried or fitted to the vehicle is properly working and has not been interfered with. We will make decisions about the use of these provisions in the light of the development of local authority schemes.

Use of equipment for charging schemes Subsection (2) amends the TA 2000 to allow a national authority to regulate the manner in which charging scheme equipment is used. The regulations must protect the privacy of motorists. Charging technologies and back office systems must be non-intrusive as regards the use of personal data. They must also be reliable and transparent with a full independent scrutiny and appeal processes if there are errors. RAC Foundation (Ev 153); AA (Ev 225) All schemes must be designed, implemented and operated in accordance with the requirements of the Data Protection Act. Within these requirements there can be a range of approaches offered to meet the individual requirements of users. Through guidance to local authorities the Department is encouraging scheme owners to offer different options to users, of which at least one solution maximises privacy. The guidance also requires scheme owners to put in place proper regimes for scrutiny and appeal.

The Government must require a high level of consistency and interoperability between schemes. If the schemes are to operate cooperatively, and in the longer term converge to form a national scheme, then the means of intercept needs defining. Green Light Group (Ev 168); BCC (Ev 179); ITS UK (Ev 182) We will be working closely with stakeholders to ensure that different road pricing schemes are interoperable with each other. We are also working with the European Commission and other Member States to establish a basis for road pricing interoperability across the EU. We have already made a start on this by introducing The Road Tolling (Interoperability of Electronic Road User Charging and Road Tolling Systems) Regulations 2007, which limit the type of electronic technologies that can be used by road pricing schemes to: I) satellite positioning technology. II) mobile communications technology using the GSM-GPRS standard. III) 5.8GHz microwave technology.
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<td><strong>The technology framework must be compatible with European requirements.</strong></td>
<td><strong>ITS UK (Ev 182); Devon County Council (Ev 191); RUA (Ev 231)</strong></td>
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<td><strong>Local Authorities should be encouraged to avoid individual procurements and pool their needs rules thereby avoiding multiple inefficient exercises. The Government could issue standard “framework” contracts centrally for Local Authorities to use.</strong></td>
<td><strong>ITS UK (Ev 182)</strong></td>
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<td><strong>The Bill should make explicit that the data gathered from devices enforcing tags and GPS-based charging systems, can be used for evidential purposes.</strong></td>
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<td><strong>78</strong></td>
<td><strong>Power of national authority to require information from charging authorities</strong></td>
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<td><strong>79</strong></td>
<td><strong>Information: England and Wales</strong></td>
<td><strong>NAAT (Ev 165)</strong></td>
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<td><strong>This would widen the extent to which information is shared between various bodies. Some people will be concerned about moves towards a surveillance state.</strong></td>
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If a national body charged for the supply of specific information necessary for introducing road pricing, for example DVLA data, this would increase the costs of operation of any road pricing scheme, (potentially eroding the local transport benefits a scheme could accrue).

Devon County Council (Ev 191)

We consider it would be reasonable to expect local authorities to contribute to the administrative costs of providing such information. We would expect any road pricing scheme to be designed in such a way that it covers its operational costs and obtaining data that the scheme needs to function should be covered in this way.

London First (Ev 120)

Net revenues should continue to be hypothecated to local projects where those paying the charge can directly benefit from the revenue investment.

London First (Ev 120); ITS UK (Ev 182)

Public trust depends on the use of net revenues. Withdrawing the applicability of schedule 23 of the GLA Act 1999 would be damaging because schedule 23 helps to maintain the visibility of the use of net revenues.

We note this comment and will consider it as part of the consultation.

LGA (Ev 262)

Under current TIF guidance, there is a prohibition on local authorities using road pricing revenue directly to securitise borrowing. The Bill should make this permissible. The Bill should increase the freedom for local decision on both charging and investment.

TIF guidance makes it clear that local authorities cannot securitise revenue streams to the private sector (this results from the Local Government Act 2003). However this does not preclude local authorities using all the flexibilities the Prudential Code offers them, and we will be happy to discuss the value for money implications of any proposals a local authority wishes to make in this area.
82. **Other amendments relating to schemes under Part 3 of TA 2000.** Schedule 12 to the TA 2000 is amended to the effect that all the net proceeds of all local charging schemes are to be used for local transport purposes. A detailed programme for the application of net proceeds is required to be produced every five years. The Secretary of State will no longer be required to approve plans for the application of net proceeds.

The Government should clarify that the revenue obtained from a local road pricing scheme is not taken into account by central government when fixing the annual amount of funding for individual local authorities (i.e. no ‘offsetting’).

Mid-Yorkshire Chamber of Commerce and Industry (Ev 113)

Annual allocations of block capital funding and Revenue Support Grant for local authorities are currently distributed on the basis of broad formulae intended to reflect need. Such formulae do not generally take into account the various alternative sources of revenue available to authorities. There are no plans to change this policy. In allocating specific grants for major schemes however the Department takes into consideration any revenue likely to be generated by the investment.

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<th>Mid-Yorkshire Chamber of Commerce and Industry (Ev 113)</th>
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| The Bill should remove any time limit over which net proceeds must be spent on local transport improvements. This should always be the case. |
| Green Light Group (Ev 168) |
| The draft Bill requires local authorities to apply their share of the net proceeds of any scheme to support the achievement of its local transport policies and does not put a time limit on this obligation. |

| Road pricing schemes are being designed as part of a package, and these are based on the revenues being available to be reinvested locally for at least 30 years. The Bill should provide assurance that revenues will be available over the 30-year timeframes relevant to pricing schemes. |
| AGMA (Ev 197); LGA (Ev 262) |
| As said above, the draft Bill requires local authorities to apply their share of the net proceeds of any scheme to support the achievement of its local transport policies and does not put a time limit on this obligation. |

**Sched. 2**

**Competition test: amendments of schedule 10 to the Transport Act 2000** Schedule 10 to the TA 2000 (competition test for the exercise of bus functions) is amended as follows...

“the easement of competition law to allow the inclusion of timetables and fares is welcome; although it is not made clear why the Bill modifies … the competition test … only in respect of the latter.”

TravelWatch North West, Ev 116, para 3.1

This comment is not understood. The Draft Bill would enable timings, frequencies and fares to be included in a quality partnership scheme, which would continue to be subject to the competition test in Schedule 10 to the Transport Act 2000. The draft Bill also includes a revised competition test which would only apply to voluntary partnership agreements.
Annex 2: Local Transport in Stockholm

1. We visited Stockholm from 2–4 July 2007, primarily to look at the “Stockholm Trial”. This was a trial of a road pricing scheme accompanied by significant improvements to public transport, conducted in the first half of 2006. We also held discussions about the arrangements for procuring local bus services in Sweden, which have some points of similarity with the quality contracts envisaged in the Transport Act 2000 and the draft Bill.

2. We held meetings with a wide range of politicians, officials, academics and private-sector transport operators. We are extremely grateful to all those who took the time to meet us during our visit and in particular to the British Ambassador, HE Andrew Mitchell, for his kind hospitality and to Anna Komheden of the British Embassy for organising our programme and accompanying us throughout our visit.

Stockholm and Sweden

Public administration

3. The Swedish administrative structure is very decentralised compared to that of the UK. The 290 municipalities and the 21 county councils have income-tax-raising powers and provide most day-to-day public services. Most public transport is the responsibility of the county councils, along with health and regional planning. Swedish legislation is largely framework legislation that leaves scope for local and regional authorities to decide on practical implementation and provision of services. Local self-rule means that there is little scope for the national level to control local and regional levels e.g. through legislation or funding decisions. Instead, local councils are held accountable at local elections by their electorates.

4. The national government offices are small—we were told that the Transport Policy Division of the Ministry for Enterprise, Energy and Communications had only around 35 staff—and much of the administrative work of government is carried out by agencies and Non Departmental Public Bodies such as the Swedish Roads Administration (Vägverket) and the National Public Transport Agency (Rikstrafiken).

National transport policy

5. The objective of national transport policy, established by Act in 1997, is that it should contribute to socially, culturally, economically and environmentally sustainable development. The transport system should offer citizens and the business sector throughout Sweden a good, environment-friendly and safe infrastructure that is efficient in terms of the economy as a whole and sustainable in the long term. The overall transport policy objective is broken down into six sub-goals:

   a) an accessible transport system;

   b) high standards in the design and functionality of transport infrastructure;

   c) safe transport;
d) a good environment;

e) favourable regional development; and

f) a transport system that is managed by, and serves the interests of women and men equally.

**Stockholm**

6. The population of the City of Stockholm in 2000 was 750,000 and is projected to rise to more than 800,000 by 2015. The population of the County of Stockholm is 1.9 million—one fifth of the population of Sweden—and is projected to rise to over 2 million by 2015. The County’s Regional Development Plan describes the region as a “single-core” region with businesses and workplaces concentrated in the central area, but there are seven regional cores, outlying areas whose economic importance in the region is projected to grow in coming years.

7. Stockholm is one of the cleanest capital regions in the world. It is a major transport and trade hub for the whole Nordic region and has established significant links with the growing markets on the other side of the Baltic in recent years. Copenhagen, London, Helsinki and Oslo are the most frequent destinations for business travellers from Stockholm, but there are also regular flights to Tallinn, Riga, Vilnius and St Petersburg.

**Transport in Stockholm**

8. Most of Stockholm County—60%—is farmland and forest. Urban areas account for only 10% of land use, other developments for 14%. Several of the people we spoke to pointed to the “star-shaped” configuration of the conurbation, which consists of alternate arms of developed land and countryside radiating from a central hub. The City itself stands on 14 islands and 30% of the central area is water, which has been a major factor in the development of its infrastructure.

9. There are plans to complete the partial ring-road around the city by building the missing sections of the loop to the north and east. There are also plans to develop the outer transverse route to the west that joins the northern and southern parts of the region. We were told that the fact that each municipality was responsible for giving planning permission for the roads in its area had delayed both projects as multiple permissions were sought. It was possible for one small local authority to block the development of an entire section of the strategic road network for the city.

10. Public transport use in the City of Stockholm is high, with 650,000 people using local public transport services every day, about half of all public transport use in Sweden. Bus journeys account for around 40% of public surface transport journeys, underground for 45% and other rail and tram transport for 15%. Around 70% of city journeys are by public transport; the rest by car. Nonetheless, the city’s transport system is close to saturation point during the rush hour. In the County as a whole, around 46% of journeys are by car, but these account for 64% of all person-kilometres travelled. Stockholm County has 402 cars per 1,000 people, compared with 459 for the country as a whole.
AB Storstockholms Lokaltrafik (SL)

11. SL is the public transport authority for Stockholm County, with the overall responsibility for ensuring that the Stockholm region has a well-functioning, cost-effective public transport system with high quality and capacity. SL procures services, mostly from private contractors, and monitors contract compliance. SL is currently a relatively small organisation with just over 500 employees, but it accounts for 10,000 jobs when staff employed under its contracts are included. Around half its budget comes from subsidy, half from fare revenue (under the “gross contracts” described in paragraph XX, below).

12. Stockholm County Council owns the company and county councillors nominate the SL Board. The Board consists of councillors reflecting the party balance of the council and of employee representatives. The Board, together with SL’s management, makes all strategic public transport decisions for the region, for example on bus routes, fares, ticketing and the construction of certain types of infrastructure such as train stations.

The “Stockholm Trial”

13. The Stockholm Trial was conducted between August 2005 and July 2006, combining a road-pricing scheme, the congestion tax, with improved local public transport services. The public transport improvements were introduced before or at the beginning of the Trial period, with the congestion tax coming into force in January 2006. The Congestion tax and the trial period ended at the end of July 2006 although most of the improved public transport services were kept in place till the end of the year.

14. The trial was initiated by Stockholm County Council in 2003 and the road-pricing element was originally envisaged as a local charge imposed by the City Council (i.e. the municipality). A Government-commissioned inquiry found that the charge should properly be considered a tax, as in Swedish law a charge can only be made by government in exchange for a service provided. The use of already existing road infrastructure was not considered to equate to the provision of a service. Since the Constitution also forbids one municipality from levying a tax on residents of another, and those driving into Stockholm every day come from numerous surrounding municipalities, the only way to introduce road pricing in central Stockholm was in the form a tax levied by the national Government and approved by the national Parliament (the Riksdag). The Trial was essentially therefore a joint venture between the Swedish Roads Administration, which collected the congestion tax on behalf of the National Tax Board (Skatteverket) and SL, which managed the public transport improvements.

15. The relevant legislation was passed in June 2004, and the end-date for the trial, 31 July 2006, was set out on the face of the Act. We were told that the intention had originally been to run the Trial for a complete year, partly, at least, to take account of significant seasonal variations in travel patterns—winter minimum temperatures can fall well below -20° C and summer maxima can rise above 30°. However, problems with the procurement process led to a legal dispute which was only resolved in March 2005, delaying the implementation of the congestion tax element of the Trial. With the end-date already established in law, the effect was to truncate the period of the full-scale Trial—when both the charging and public transport elements were in place—to six months.
The congestion tax

16. The tax was based on a perimeter around the city centre, with vehicles paying each time they crossed the boundary in either direction, whether entering or leaving the central zone. There was no charge for vehicles which remained within or outside the central zone without crossing the boundary. The charge applied between 6.30 am and 6.29 pm at a rate of 10, 15 or 20 SEK (around 73p to £1.46), with the higher charges applying at the morning and evening peak. The charge was capped at 60 SEK (£4.38) per vehicle per day, equivalent to between three and six movements across the cordon.

Monitoring and payment

17. The cordon consisted of a series of 18 control points at the entrances to the central area—the city’s insular topography means that comparatively few points were needed. Vehicle movements were monitored primarily by automatic number plate recognition (ANPR) cameras mounted on gantries above the road, activated when the vehicle passed under a laser beam. Drivers could also sign up for a voluntary transponder (or tag-and-beacon) system, provided that they arranged for their payments to be made by direct debit. The advantage of this system was that drivers did not have to remember to make the payment and 63% of payments were made by this method during the Trial period.

18. For drivers who did not use the transponder system, there were two main payment options: over the counter at 7-Eleven shops or Pressbyrån kiosks (24% of payments), or by direct bank payment at a branch, in person or via Internet banking (13%). Half-way through the trial, a website for taking payments directly online was established. Those not using the tag-and-beacon system had to pay the tax within five days. No invoices were issued but drivers were able to view a list of their “tax decisions” (charges in respect of individual journeys or days) on-line. We were told that the ANPR system proved to be more reliable than the tag-and-beacon system and the latter is to be dropped when the tax is introduced on a permanent basis from 1 August 2007.

19. In 96% of cases, the tax was paid within five days. If it was not, the vehicle owner was sent a postal reminder which incurred a 70 SEK (£5.10) administrative surcharge. If this was not paid after four weeks, a further surcharge of 500 SEK (£36.50) was incurred. Drivers could appeal against decisions on the tax and surcharges to the National Tax Board and from the Board to the Stockholm County Administrative Court.

Exemptions

20. There were a range of exemptions for emergency vehicles, busses and taxis, and vehicles used by a person with a disabled parking permit. “Green” vehicles which ran on electricity, gas (other than LPG) or ethanol were also exempt. There were also two exemptions for through traffic. Vehicles using the Essingeleden bypass which skirts the western edge of the zone did not have to pay the charge and any vehicle entering the zone from Lidingö, an island to the north-east, and exiting the zone via any other control point within 30 minutes, or vice versa was also exempt. We were told that this was because the

246 Exchange rate calculated at £1 = 13.71 SEK, the effective rate at the time of our visit.
Lidingö Bridge was the only link between the municipality of Lidingö and the rest of the national road network. Foreign-registered vehicles were not liable for the tax.

**Tax deduction**

21. Drivers were able to offset the congestion tax against their income tax bill provided that their journey to work was more than [36 km] and the time-saving of using their car as opposed to another mode of transport was more than two hours. We were told that this was because the tax was classified as an excise duty and that this was a general provision that applied to all excise duties in Sweden. We were also told that the Swedish tax system generally allows more personal costs to be offset against income tax than in the UK and that other costs associated with travelling to work could also be reclaimed in this way. We were also told that, because it was the keeper of the vehicle and not the driver who was liable to pay the tax, employers rather than employees were liable for all charges in relation to their company cars.

**Revenue and benefits**

22. We were told that the operational reliability of the monitoring system—the proportion of time when each lane crossing the cordon was effectively monitored—was more than 99.9% of lane-hours. Around 1% of cars passed through the cordon without being correctly identified. The seven-month Trial generated a total of 14.5 million “tax decisions” from 33.5 million “taxable movements”, suggesting that the typical decision represented a return journey passing through the cordon each way. There were a further 13 million non-taxable movements. The revenue raised came to a total of 399 million SEK (£29.1 million). We were told that this would translate into a net monetary surplus of 550 million SEK (£40.1 million) per annum, not including the amortisation of any initial investment outlay. Some people argued that it was difficult to calculate, on the basis of the short trial, exactly what the net revenue would be in the longer-term.

23. The scheme also generated a net social surplus of 800 million SEK (£58.4 million), taking into account the non-monetary benefits of reduced journey times, environmental benefits and improved traffic safety. On the basis of the net fiscal and social surpluses combined, we were told that the tax would break even in four years and produce a net benefit in each year thereafter.

**Political controversy and the referendum**

24. Unsurprisingly, the congestion tax was highly controversial. Emanating from a decision of the City Council, it enjoyed support in the municipality—many of whose residents could drive around freely within the cordon without incurring a charge—but was resisted in other municipalities in the County, many of whose residents had to cross the cordon for work, shopping or leisure journeys.

25. Opinion polls showed that support for the trial was low initially, but rose as the effects became apparent. Among residents of the municipality of Stockholm, support rose from 30–39% at the outset of the Trial to 52% at its conclusion. Among residents of the Stockholm region, other than the municipality of Stockholm, support rose from 26–29% to 43–48% over the same period. Attitudes to the permanent introduction of charges also
changed significantly in the course of the trial, with 56–58% of those living in the municipality of Stockholm as well as those living in the outer areas of the Stockholm region supporting the introduction of charges. Only those living outside the central municipality but close to it remained predominantly opposed to the introduction of a permanent congestion tax (47%).

26. It was always envisaged that the Trial should culminate with a referendum in the City of Stockholm on the same day as the national elections. Given the controversy surrounding the scheme, other Stockholm municipalities were also encouraged to hold referendums and around two-thirds of the County’s residents were given the opportunity to vote. The overall result across all the boroughs holding referenda was a majority of 52% against the tax, but in Stockholm City, 53% were in favour. The dense population of the municipality meant the votes cast in the City accounted for 58.5% of all votes cast in the referendum.

27. Another interesting aspect of the referendum was that those who commuted by car before the Trial voted 60% / 40% against the tax; those who commuted by public transport were 60% / 40% in favour. This suggests that the modal split between the car and public transport before road pricing is introduced is a likely indicator of how popular or unpopular it will be. Areas, like Stockholm, with a high rate of public transport use may be quicker to adopt road pricing that areas where car users are in a majority.

Privacy

28. In addition to the principle of charging, issues of personal privacy and freedom of movement were prominent in the debate. Swedes, we were told, are less used to CCTV and other forms of automated surveillance and the Trial therefore, for many people, represented a threat to their personal integrity. These concerns were reflected in the design of the scheme. The ANPR system was designed so as to capture only the number plate, using an infrared flash, and the image was cropped in the camera, before transmission to the processing point, to remove any images of other parts of the vehicle or driver. Three pieces of data were recorded in respect of each transit: the ANPR image, the time of day and the location of the control point crossed. This information was held only for long enough to ensure that the charge had been paid and then destroyed. Information about the control point and the time of day was classified as an official secret under the Official Secrets Act 1980.

The public transport improvements

29. Most of the public transport improvements were in place for 16 months, from August 2005 to the end of 2006. The public transport improvements were an important part of the Trial and there is evidence that they managed to attract a significant number of new passengers in the months before the tax was introduced. It was suggested that this might have been due in part to the intensive publicity surrounding the tax which also drew attention to the public transport improvements and was therefore tantamount to a major advertising campaign for local public transport.
Contracts for local public transport

30. The majority of local public transport in Sweden is provided by private operators under contract to the local public transport authority, SL in the case of Stockholm County. The system of competitive tendering was first introduced in the early 1990s but there are still a few public transport services run directly by transport authorities, primarily in the more remote northern parts of the country. Stockholm has five main public transport operators providing services under 31 contracts though one of them, Connex, provides around half of all services. Around 50% of the funding for public transport in Stockholm comes from fare revenue, 50% from subsidy. There is significant variation around the country, though, with subsidy rates ranging from about 30% to about 70%.

31. Contracts in Stockholm are “gross contracts”, which means that the operator receives agreed payments to provide the service and the fare revenue is passed directly to SL. They typically last for five to ten years. Net contracts, where the operator keeps the fare box but receives a lower level of payment from the transport authority, operate in some parts of the country but are not common. Net-contract operators generally have greater freedom to take measures to attract more customers—variations to routes and fares, for example—and thereby increase their revenues. Gross-contract operators are generally confined to providing a service specified very precisely by the transport authority. There are no current plans to move towards net-contracts in Stockholm, though refinements are being made to the gross-contract model used.

32. In recent years, SL has reviewed its contracts with bus operators in order to increase the focus on quality. A greater focus on strategic development of bus services is the key objective for the new bus contracts, and the model is based on the creation of economic incentives for operators to improve and maintain high quality standards and increase passenger numbers. A base-line level of performance is agreed between SL and the operator, based on the number of vehicles required by the contract, the distance covered and the number of hours of operation. On top of this, there is a system of bonuses and penalties for exceeding or failing to meet the agreed standards. The principal targets relate to punctuality, the standard and condition of vehicles, and revenue protection measures (under a gross contract, fare evasion is a problem primarily for the transport authority rather than the operator). The potential bonus to operators may constitute up to 15-20% of the overall value of contracts.

33. Targets for punctuality and frequency are symmetrical. It is not that the contract specifies a minimum level of service which the operator may exceed; the contract specifies a precise level of service from which the operator may not deviate. For example, we were told that when an operator becomes aware of overcrowding on a particular route they may put more busses on the route if they arrive and leave at the scheduled time agreed in the contract (i.e. they travel in tandem with the scheduled bus) but they may not unilaterally increase the frequency of the service without re-negotiating the contract with SL. We were told that, during the Trial period, drivers had to drive more slowly in order to avoid reaching stops early as a result of reduced congestion.

34. The incentives for punctuality are based in part on research about the monetary values that customers attach to delays and the number of minutes’ delay per trip is the measure of performance. Delays which affect more customers incur higher penalties, as do longer
delays. Compliance is monitored by a combination of scheduled inspection of busses at depots, SL “mystery shoppers”, customer feedback and other forms of monitoring by SL. Operators are required to specify their internal quality management arrangements in their tender bids.

35. In practice, we were told that there were grey areas in the quality specifications of the bus contracts. Whether or not contractors were liable for delays caused by roadworks was often a matter for negotiation. SL was attempting to get operators to take account of various contingencies when putting their bids together.

36. Delays do not always automatically result in penalties being claimed. Under some contracts, SL first demands that the operator address the problem within 30 days. It may then demand that the operator introduce a longer-term action plan and, after that, it may claim penalties. The next step would be termination of the contract.

The new public transport services

37. The Congestion tax trial required significant increases in the capacity of public transport in the Stockholm area. The possibility of increasing capacity on the underground and local rail, for example, by changing signalling arrangements to accommodate more frequent services, was quickly dismissed as being unreliable, so from an early stage the focus of efforts to improve public transport was bus services. A combination of increased frequency on 20 existing routes and 14 new “direct” routes was settled on. The new direct express bus routes taking commuters from the periphery of Stockholm to the city centre had a short local leg at the beginning of their journey, then went directly to the city centre without any intermediate stops, dropping passengers off at a few central locations, in many cases new bus stops rather than existing bus terminals. They then returned empty to their starting points to pick up more passengers; this was reversed at the evening peak.

38. Before the Stockholm Trial, there were concerns that it might be difficult to bring in enough vehicles—nearly 200 were required—and train enough new drivers (around 300) in the time available. The National Road Administration, which awards PSV licences, was asked to increase its testing capacity, and a special finance package, underwritten by central government, was put in place to acquire the new busses. Under this arrangement, the vehicles were bought by a private finance company which had won the contract in a competitive procurement exercise. They were leased to a subsidiary company of SL, which in turn leased them on to the operators.

39. Additional depot capacity was also a problem which was solved partly by the bus manufacturers providing depot functions at their own factories. Additional temporary depots were also brought into service.

40. The new bus services were not subject to a normal procurement processes. Existing bus contracts covered specific areas, within which the current operator had the sole right to operate services. The new services were therefore obtained by renegotiating new contracts with existing operators.
**Park and ride**

41. Additional park and ride facilities were also introduced as part of the Trial. Municipal councils were heavily involved in this process because, as with road building, the planning decisions rested with them. The municipality made the land available without charge and also covered the cost of operating and maintaining the facility. In most cases, car parks were situated on existing bus routes, rather than running dedicated park and ride bus services.

42. The overall increase in park and ride space was modest, from around 8,200 spaces to 9,600. Comparison between spring 2005 and spring 2006 showed that occupancy of the spaces increased from 5,978 to 7,465, still significantly short of 100% occupancy. In any event, it was pointed out to us that a park and ride network with fewer than 10,000 spaces was not a very significant part of a transport network in which there were 600,000 journeys every day.

**Evaluation of the Trial**

43. The Trial had four main objectives:

a) to reduce the traffic flow in and out of the city centre by 10–15% at peak time;

b) to improve traffic flow in Stockholm;

c) to reduce emissions of CO₂, nitric oxides and particulates; and

d) that residents of the city should perceive an improvement in the environment.

**Reduction in traffic volumes**

44. According to the official evaluation, these objectives were largely met. The overall reduction in traffic flow in and out of the congestion tax cordon was 20–25%. This ranged from 9% on the partially-exempt Lidingö crossing to a 26% reduction in vehicles crossing the south-eastern control points. Some of those we spoke to argued that these official evaluations were flawed. One confounding factor could have been differences in the weather between the first half of 2006 and the first half of 2005, the control period. Another factor was the rise in the price of petrol between the two periods. Though there is some debate about the extent of the traffic reduction, there is general agreement that traffic levels did fall.

45. Some of the reduction was a result of commuters switching to public transport. The 30/70 modal split between cars and public transport meant that a 25% reduction in car use translated into an increase in public transport use of around 5%. The rest was attributed to reduced recreational and shopping trips through a combination of people making fewer journeys and changing their destinations.

46. There is some controversy about how much of the reduction in traffic is due to modal shift. The figure of 50% is widely cited but SL’s figures for increased public transport use suggest that 40,000 to 50,000 additional trips per day were made during the charging period, which is less than half the reduction in the number of car passages. It has been
suggested that some motorists adapted to the charge by changing the time at which they travelled, though we were told that there had been no problem of motorists “camping” by the cordon to wait for the end of the charging period. It is also likely that some of those who continue to commute across the cordon have reduced the number of passages, for example, by remaining in the central zone for lunch, shopping and similar activities during the working day. There was no evidence of an increase in car-sharing.

47. The sharp reduction in traffic volumes, significantly exceeding the target, surprised many observers, as did the stability of the reduction. A further unexpected result of the Trial was the fact that reduced traffic flows were observed some distance away from the cordon, reinforcing the evidence that the reduction represented genuine modal shift rather than displacement of traffic. Traffic reductions within the cordon were not so pronounced, largely because the design of system allowed residents and others to drive freely around the central zone without incurring charges once the vehicle was within the cordon.

48. We were told that the Trial produced a significant effect in comparison to other possible measures to relieve congestion. The SRA told us that projections for the as yet unbuilt western bypass and the Eastern ringroad suggested that they would produce a reduction of 14% and 11% respectively in car traffic entering and leaving the central zone. It was estimated that making public transport free to the end-user would produce a 3% reduction in car traffic nationwide.

**Accessibility and queuing time**

49. As well as a reduction in traffic flow across the cordon, the Trial also saw a reduction of 30–50% in traffic queuing times in the city, though there was an increase of 4–5% on the Essingeleden bypass as through traffic was displaced onto that route. The reduction was particularly marked on approach roads to the city, producing both shorter and more predictable journey times. Inevitably, these improvements make commuting by car a more attractive option.

**Emissions**

50. A reduction of 14% in relevant emissions was observed within the cordon, resulting both from fewer vehicles and reduced queuing times. There was a 2–3% reduction in overall emissions across the County of Stockholm. Though the improvement in local air quality within the cordon was modest but significant, many of those we spoke to acknowledged that the tax was not a particularly effective means of reducing carbon emissions and other measures would be necessary. More environmentally-friendly vehicles, especially those running on ethanol, were often suggested as a more effective measure. The tax-exemption for “green” cars has been time-limited to five years, at least in part because the use of such vehicles is expected to grow to such an extent that continuing with the exemption could undermine the impact of the tax on congestion.

**Residents’ views**

51. Residents’ views were difficult to measure. The consensus among those we spoke to seemed to be that there was insufficient hard evidence to say with certainty that residents perceived a more agreeable living and working environment.
**Road safety**

52. Though it was not one of the primary objectives of the Trial, we were told that the introduction of the Congestion Tax had led to a reduction in personal-injury collisions. Though the increase in average traffic speed brought about by reduced congestion should, in principle, have produced an increase in injuries, this was offset by the reduced risk produced by the reduction in the number of vehicles. Precise figures were hard to come by, but it was suggested that the Trial produced an overall reduction of a few dozen injuries per year.

**The tax and public transport**

53. The success of the Trial was due, in many people’s view, to the combination of the public transport improvements and the tax. In the four months up to the trial, when new and improved public transport services were put in place, there was little evidence of increased use of public transport. SL collected some data from passenger surveys on the new express bus routes which suggested that some of the passengers were former car commuters who had chosen to switch to the new service, but overall passenger figures showed only a very small net increase in public transport, and this was attributed at least in part to higher petrol prices.

54. Once the congestion tax was introduced, however, the overall increase in public transport use was significant, at about 5–6%. Some of this could be ascribed to external factors, but the consensus is that much of it represented a modal shift from car to public transport.

**Reintroduction of the congestion tax**

55. Following a decision of the national Parliament, the tax is to be reintroduced on a permanent basis from August 2007. Following the lessons learned from the Trial, a number of changes are to be made in the new system:

a) The tax will not be charged in July, the summer holiday month.

b) The payment period will be increased to 14 days, with the possibility of monthly payment being investigated.

c) The exemption for taxis and public cars for disabled people will be lifted.

d) The exemption for “green” cars will be limited to five years. We were told that this was because the tax itself, along with other Government measures, was intended to encourage the use of more environmentally-friendly vehicles. The expected increase in the proportion of green vehicles on the road resulting from these combined measures might, within a few years, offset the impact of the tax on congestion.

e) The surcharge is to be lowered from 500 SEK to 200 SEK (£14.60), with a monthly limit of 2,000 SEK (£146) surcharge per vehicle.
f) Changes to tax legislation will enable commuters to off-set the cost of the charge against income tax, provided that conditions relating to the distance travelled and the amount of time saved by travelling by car as opposed to other modes are met.

56. In addition to these changes, set out in the new Act, the SRA is making some administrative improvements, such as simplifying the process for paying by direct debit, introducing single accounts for company fleets and allowing a person other than the vehicle owner to pay the charge.

Use of tax revenue

57. The Government had originally intended that revenue from the tax should be used for public transport improvements, sustaining some or all of the enhanced services that were implemented as part of the Trial. Some of the revenue from the Trial period, a total of around 200 million SEK (£14.6 m), is being returned to the County Council for investment in public transport, primarily in real-time information at bus stops and measures intended to improve the safety of bus passengers.

58. The new Government elected in September 2007, however, decided that the revenue from the permanent reintroduction of the congestion tax should be used for road improvements rather than public transport. This decision, we were told, was an attempt to find a compromise between the advocates of the scheme and its opponents. Nobody had any clear idea of what the overall impact of this decision would be. The evaluation of the Trial seemed to suggest that the public transport improvements in themselves did not entice drivers out of their cars without the added incentive of the tax, but there was a general view that drivers were less likely to switch to public transport and more likely to find other ways of adapting to the tax—varying their time of travel, for example—in the absence of the public transport improvements.

59. Some of those we spoke to suggested that the political will to persevere with the decision to spend the revenue on roads might fade over time. Apart from anything else, the major road-building schemes planned for the city had been delayed more by the planning process than by lack of funds and there were natural limits to the road improvements that could be made in the densely-built-up central area.

Conclusion

60. The Stockholm Trial is instructive because it combined the three central aspects of the draft Bill: road pricing, a strong passenger transport authority, and a system of bus procurement that gives the transport authority significant powers to insist on high-quality services. The significant changes to the system between the comparatively short Trial and the permanent introduction of the congestion tax make it difficult to predict what the overall, long-term impact of the tax will be, but there are several aspects of the Trial which point to how the powers in the draft Bill might be used.

61. The key message we received was that the Trial succeeded because it combined road pricing with improved public transport. Nobody was prepared to argue that either component of the Trial would have been successful on its own. Another key fact is that the public transport improvements, mostly in the form of the direct express commuter bus
services, were well established before the congestion tax came into force. It was suggested to us that the decision to spend the tax revenues on roads rather than public transport was something of a political compromise which might not stand the test of time.

62. Secondly, the local transport authority had the power to ensure that high-quality bus services were provided where and when they were needed. Although existing operators had the exclusive right to run services in their contract areas, SL had the power to specify new routes where and when it wanted them. On the other hand, it was suggested that the contract system was slow to respond to market changes as anything but the most trivial changes to services triggered a renegotiation of aspects of the contract between the operator and SL.

63. Finally, we were interested to see that in Sweden, a country whose political culture is so different from that of the UK, road pricing is just as controversial an issue as here. No amount of consultation, no level of improvement to public transport services and no degree of benefit to drivers in the form of shorter, more predictable journey times will make road pricing an easy option to implement. The fact that road pricing is controversial in principle should not be allowed to overshadow that fact that, even in cases where it is part of the solution to an area’s traffic problems, getting the design of the scheme right is absolutely essential. What works in Stockholm, with its islands and bridges, its high initial rates of public transport use and its freezing winters and hot summers may not work in a city with a different geographical and social character.
Formal minutes

WEDNESDAY 25 JULY 2007

Members present:

Mrs Gwyneth Dunwoody, in the Chair

Mr David Clelland  Mr Eric Martlew
Clive Efford       David Simpson
Mr Philip Hollobone  Mr Graham Stringer
Mr John Leech       Mr David Wilshire

Draft Report (The draft Local Transport Bill and the Transport Innovation Fund), proposed by the Chairman, brought up and read.

Ordered, That the Chairman’s draft Report be read a second time, paragraph by paragraph.

Paragraph 1 read, as follows:

“The draft Local Transport Bill was published on 22 May 2007. Its purpose is to tackle congestion and improve public transport, producing

a transport system which sustains economic growth and improves productivity; contributes to [the Government’s] objectives for tackling climate change and other environmental challenges; and enhances access to jobs, services and social networks, including for the most disadvantaged.

There is, as the Government acknowledges, no single measure that, will by itself, produce such a system. The Bill consists of a package of measures intended to promote stronger joint working between local authorities and bus operators, to support the introduction of local road pricing schemes, and to enable changes to be made to local transport governance.”

Amendment proposed, at the end of the paragraph, to insert “To better reflect the actual content of the bill, and its most important provisions, it should be renamed the Local Public Transport and Road Pricing Bill.”—(Mr Philip Hollobone.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1
Mr Philip Hollobone

Noes, 2
Mr David Clelland
Mr Clive Efford

Paragraph agreed to.

Paragraphs 2 and 3 read and agreed to.
Paragraph 4 read, amended and agreed to.
Paragraphs 5 to 14 read and agreed to.
Paragraph 15 read, amended and agreed to.
Paragraphs 16 and 17 read and agreed to.
Paragraph 18 read, amended and agreed to.
Paragraphs 19 and 20 read and agreed to.
Paragraph 21 read, amended and agreed to.
Paragraphs 22 to 24 read and agreed to.
Paragraph 25 read, amended and agreed to.
Paragraph 26 read, amended and agreed to.
Paragraphs 27 to 33 read and agreed to.
Paragraph 34 read, amended and agreed to.
Paragraphs 35 to 38 read and agreed to.
Paragraph 39 read, amended and agreed to.
Paragraph 40 read and agreed to.
Paragraph 41 read, amended and agreed to.
Paragraphs 42 and 43 read and agreed to.
Paragraph 44 read and agreed to.

A paragraph—(Mr Graham Stringer)—brought up, read the first and second time and inserted (now paragraph 45).

Paragraphs 45 and 46 (now paragraphs 46 and 47) read and agreed to.
Paragraph 47 (now paragraph 48) read, amended and agreed to.
Paragraphs 48 to 55 (now paragraphs 49 to 56) read and agreed to.
Paragraph 56 (now paragraph 57) read, amended and agreed to.
Paragraphs 57 to 60 (now paragraphs 58 to 61) read and agreed to.
Paragraph 61 (now paragraph 62) read, amended and agreed to.
Paragraphs 62 to 74 (now paragraphs 63 to 75) read and agreed to.
Paragraph 75 (now paragraph 76) read, amended and agreed to.
Paragraph 76 (now paragraph 77) read and agreed to.
Paragraph 77 (now paragraph 78) read, amended and agreed to.
Paragraphs 78 to 82 (now paragraphs 79 to 83) read and agreed to.
Paragraph 83 (now paragraph 84) read and agreed to.
Another paragraph—(Mr Graham Stringer)—brought up, read the first and second time and inserted (now paragraph 85).
Paragraphs 84 to 89 (now paragraphs 86 to 91) read and agreed to.
Paragraph 90 (now paragraph 92) read, amended and agreed to.
Paragraphs 91 to 97 (now paragraphs 93 to 99) read and agreed to.
Paragraph 98 (now paragraph 100) read, amended and agreed to.
Paragraph 99 (now paragraph 101) read and agreed to.
Paragraph 100 (now paragraph 102) read, amended and agreed to.
Paragraph 101 (now paragraph 103) read, amended and agreed to.
Paragraphs 102 to 109 (now paragraphs 104 to 111) read and agreed to.
Paragraph 110 (now paragraph 112) read, amended and agreed to.
Paragraph 111 (now paragraph 113) read, as follows:

“The Government’s position since the publication of the Feasibility Study has been consistent: road pricing is part of a package of measures, including improved public transport, that will be used to tackle rising congestion. Though a national road-pricing scheme is likely to come in the fullness of time, it is some way off. In the meantime, local transport authorities are being encouraged to adopt local schemes to test both technical viability and public acceptability.”

Amendment proposed, in line 3, after “Though” to insert “if the balance of nationwide public opinion on the issue continues to be ignored by the Government,”—(Mr Philip Hollobone.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 2
Mr Philip Hollobone
Mr David Wilshire

Noes, 5
Mr David Clelland
Mr Clive Efford
Mr John Leech
Mr Eric Martlew
Mr Graham Stringer

Paragraph agreed to.
Another paragraph—*(Mr Philip Hollobone)*—brought up, read the first and second time and inserted (now paragraph 114).

Paragraph 112 (now paragraph 115) read, amended and agreed to.

Paragraph 113 (now paragraph 116) read, amended and agreed to.

Paragraph 114 (now paragraph 117) read and agreed to.

Another paragraph—*(Mr Philip Hollobone)*—brought up and read the first time, as follows:

“Whilst it is recognised that the Bill does not introduce powers to facilitate a national road pricing scheme, it is important to recognise that it does establish a national framework to encourage and accelerate the spread of local road pricing schemes across the country. This will enable far more local road pricing initiatives to be established which will act as pilots in testing evolving road pricing technology as well as public acceptability, whilst at the same time passing responsibility for the establishment of such schemes onto local authorities and Passenger Transport Authorities. This neatly fills the 10–15 year technology gap in establishing a national road pricing scheme, whilst advancing through local schemes the cause of road pricing across the country. Whilst Clause 72 explicitly removes the approval mechanism for such schemes from the Secretary of State, thus passing to local authorities responsibility for such schemes, accountability measures including statutory guidance and regulations on scheme design, appraisal, consultation, use of revenues, price setting and scheme operation, implicitly give the Secretary of State powers to co-ordinate local road pricing schemes into parts of a emerging nationally co-ordinated road pricing network”

Question put, That the paragraph be read a second time.

The Committee divided.

<table>
<thead>
<tr>
<th>Ayes, 2</th>
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<tr>
<td>Mr Philip Hollobone</td>
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<td>Mr Graham Stringer</td>
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Paragraphs 115 to 124 (now paragraphs 118 to 127) read and agreed to.

Another paragraph—*(Mr Philip Hollobone)*—brought up and read the first time, as follows:

“The importance of these new powers and the intent of the Government with regard to them should not be underestimated. They effectively facilitate the national co-ordination of a local road pricing network thus allowing the Secretary of State to extend road pricing across the country under the guise of local authority control. If road pricing is what the public wants, then this is a sensible and practical way in which to proceed given the technological constraints in introducing a national road pricing system. However, given that there is growing evidence that road pricing is not popular with the public, the provisions in this Bill effectively allow the Secretary of State, with minimum public
consultation or fanfare, to encourage the growth of a national network of road pricing initiatives, using the same technology, equipment and charging mechanism if the Secretary of State so dictates, so that at some future date, say in 10–15 years time, the creation of a national road pricing scheme will be far easier to achieve given that its substantial foundations will already have been laid.”

Question put, That the paragraph be read a second time.

The Committee divided.

Ayes, 2
Mr Philip Hollobone
Mr David Wilshire

Noes, 5
Mr David Clelland
Mr Clive Efford
Mr John Leech
Mr Eric Martlew
Mr Graham Stringer

Paragraphs 125 and 126 (now paragraphs 128 and 129) read and agreed to.
Paragraph 127 (now paragraph 130) read, amended and agreed to.
Paragraphs 128 to 164 (now paragraphs 132 to 167) read and agreed to.
Paragraph 165 (now paragraph 168) read, amended and agreed to.
Paragraphs 166 to 190 (now paragraphs 169 to 193) read and agreed to.
Paragraph 191 (now paragraph 194) read, amended and agreed to.
Paragraphs 192 and 203 (now paragraphs 195 and 206) read and agreed to.
Paragraph 204 (now paragraph 207) read, amended and agreed to.
Paragraphs 205 to 221 (now paragraphs 208 to 224) read and agreed to.
Paragraph 222 (now paragraph 225) read, amended and agreed to.
Annexes agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No.134 (Select committees (reports)) be applied to the Report.

Several Papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(The Chairman.)

[Adjourned till Wednesday 10 October at 2.30 pm.]
Witnesses (The draft Local Transport Bill)

Wednesday 13 June 2007

Mr Roy Wicks, Chair of PTEG and Director General South Yorkshire PTE, Mr Neil Scales, Chief Executive, Merseytravel

Mr Les Warneford, Managing Director, Stagecoach UK Bus, Mr Martin Hancock, Marketing and Development Director, National Express Buses, Ms Nicola Shaw, Managing Director, UK Bus, Mr Steve Clayton, Group Managing Director, Corporate Affairs, Arriva plc, and Mr Roger French, Managing Director, Brighton and Hove Bus and Coach Co.

Mr Jack Dromey, Deputy General Secretary and Mr Martin Mayer, Passenger Transport General Executive Member, Unite – The Union (The Transport and General Workers’ Union), and Mr Manuel Cortes, Assistant General Secretary, Transport and Salaried Staffs’ Association (TSSA)

Mr John Moorhouse, Company Secretary, and Mr Paul Fawcett, Advisory and Research Consultant, TravelWatch North West

Wednesday 20 June 2007

Mr Stephen Joseph, Executive Director, Mr Jason Torrance, Campaigns Director, Transport 2000, Mr David Holmes, Chairman, RAC Foundation, and Mr Paul Watters, Head of Public Affairs, The AA

Mr Neal Skelton, Head of Professional Services, ITS (UK), Professor Phil Blythe, Professor of Intelligent Transport Systems, Newcastle University, Mr Howard Potter, member of the Institution of Civil Engineers’ Transport Board and Chairman of the Green Light Group, Mr Martin Richards, member of the Chartered Institute of Logistics (CILT) and Transport Road Capacity and Charging Forum and member of the Green Light Group

Mr James Firth, Manager for Roads Policy, Mr Malcolm Bingham, Head of Roads Policy, Freight Transport Association, Mr Jack Semple, Director of Policy, and Mr Roger King, Chief Executive, Road Haulage Association

Wednesday 27 June 2007

Mr Martin Yardley, Chairman, Mr Trevor Errington, West Midlands Chief Engineers and Planning Officers Group (CEPOG), Cllr Tony Page, Reading Borough Council, Cllr Shona Johnstone, Cambridgeshire County Council, Cllr Sylvia Dunkley, Sheffield City Council and South Yorks Passenger Transport Authority, and Cllr Malcolm Blanksby, Wycombe District Council

Mr Bob Saxby, Chairman, Mr Alan Hill, Chairman, ATCO National Bus Sub-Committee, Association of Transport Co-ordinating Officers (ATCO), Mr Jon Freer, Chairman, TAG Transportation Committee, Mr Colin McKenna, Head of Highways & Transport, West Sussex County Council, and Mr Andrew Stokes, Passenger Transport Manager, Warwickshire County Council

Mr Keith Halstead, Chief Executive, Mr Brian Shawdale, Advice & Training Director, Community Transport Association UK (CTA UK), Mr Peter Huntington, Chief Executive, GoSkills
Wednesday 11 July 2007

Mr Peter Wilkinson, Managing Director for Policy, Research and Studies, and Mr Andrew Walford, Service Head for Environment, The Audit Commission

Mr Philip Brown, Senior Traffic Commissioner and South Eastern and Metropolitan traffic area, Mr Tom Macartney, North Eastern traffic area and Ms Beverley Bell, North Western traffic area, Traffic Commissioners

Rt Hon Ruth Kelly, Secretary of State, Mr Steve Gooding, Director of the Road Pricing and Statistics Directorate, and Mr Bob Linnard, Director of Regional and Local Transport Policy Directorate, Department for Transport

Witnesses (The Transport Innovation Fund)

Wednesday 23 May 2007

Mr Dermot Finch, Director, Centre for Cities, Mr David Frost, Director General, The British Chambers of Commerce, Mr Stephen Joseph, Director, Transport 2000

Sir Richard Leese, Deputy Chair, Association of Greater Manchester Authorities, Mr David Leather, Interim Chief Executive, Greater Manchester Passenger Transport Executive, Mr Graham Hughes, Director of Sustainable Infrastructure, Cambridgeshire County Council, Mr David Bull, Assistant Director Development Strategy, Birmingham City Council, and Mr Geoff Inskip, Chief Executive, Centro-WMPTA, The West Midlands Passenger Transport Authorities

Dr Stephen Ladyman, Minister of State, and Ms Lucy Chadwick, Director, Regional and Local Transport Delivery Directorate, Department for Transport
List of written evidence

The draft Local Transport Bill

1  GreenSpeed  Ev 104
2  Association of British Drivers (ABD)  Ev 107
3  Dr Roger Sexton, Nottingham Trent University  Ev 109
4  Ten Percent Club  Ev 112
5  Mid Yorkshire Chamber of Commerce and Industry  Ev 113
6  TravelWatch North West  Ev 116
7  London First  Ev 120
8  Transport 2000 Cambs & W Suffolk  Ev 124
9  Stagecoach Group plc  Ev 127
10  Go-Ahead Group plc  Ev 130
11  The Society of Motor Manufacturers and Traders Limited (SMMT)  Ev 136
12  County Surveyors Society (CSS)  Ev 137
13  National Union of Rail Maritime & Transport Workers (RMT)  Ev 139
14  Association of Train Operating Companies (ATOC)  Ev 144
15  North Staffordshire Passenger Transport Users Forum & Travel Watch Midlands West  Ev 145
16  Unite – the Union  Ev 146
17  London Councils  Ev 150
18  RAC Foundation for Motoring  Ev 153
19  Confederation of Passenger Transport  Ev 153
20  National Express Group plc  Ev 155
21  Living Streets  Ev 158
22  Sustraco Ltd  Ev 159
23  Arriva plc  Ev 161
24  National Alliance Against Tolls (NAAT)  Ev 165
25  The Green Light Group (GLG)  Ev 168
26  Greater Manchester Centre for Voluntary Organisation  Ev 170
27  Association of Transport Co-ordinating Officers  Ev 171
28  TravelWatch SouthWest  Ev 176
29  British Chambers of Commerce  Ev 179
30  Trafficmaster Plc  Ev 181
31  The Intelligent Transport Society for the United Kingdom [ITS (UK)]  Ev 182
32  Hackney Community Transport  Ev 188
33  Devon County Council  Ev 191
34  Freight Transport Association  Ev 194
35  Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority (GMPTA) and the Greater Manchester Passenger Transport Executive (GMPTE)  Ev 197
36  Passenger Transport Executive Group (pteg)  Ev 200, 205
37  The SPARKS Programme  Ev 212
38  FirstGroup plc  Ev 215
39  IAM Motoring Trust  Ev 218
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60 English Welsh & Scottish Railway (EWS)  Ev 301
61 Rail Freight Group  Ev 305
62 Centre for Cities  Ev 306
63 UK Green Party Group, Norfolk County Council  Ev 308
64 Durham Residents Against the Northern Relief Road  Ev 312
65 Sue Fisher  Ev 314
66 West Midlands Campaign to Protect Rural England (CPRE)  Ev 315
67 Federation of Small Businesses (FSB)  Ev 317
68 No Way! Group Shrewsbury  Ev 317
69 The British Chambers of Commerce (BCC)  Ev 319
70 Norwich & Norfolk Transport Action Group  Ev 320
71 South East England Development Agency (SEEDA)  Ev 321
72 Merseytravel (Merseyside Passenger Transport Authority and Executive)  Ev 324
73 English Regional Development Agencies  Ev 327
74 Renew North Staffordshire  Ev 330
75 West Midlands Friends of the Earth  Ev 333
76 West Midlands Authorities  Ev 337, 341, 342
77 Local authorities in Tyne and Wear  Ev 343
78 Transport 2000  Ev 345
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