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 Associate Public Bodies.

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Lilian Greenwood (Labour, Nottingham South)
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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at http://www.parliament.uk/transcom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Mark Egan (Clerk), Farrah Bhatti (Second Clerk), David G Davies (Senior Committee Specialist), Tony Catinella (Senior Committee Assistant), Adrian Hitchins (Committee Assistant), Stewart McIlvenna (Committee Support Assistant) and Hannah Pearce (Media Officer).

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List of additional written evidence
(Published in Volume II on the Committee’s website www.parliament.uk/transcom)

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Written evidence

Written evidence from Leven Valley Coaches (LBS 02)

1. Leven Valley Buses operate within an established regimen where only our customers’ loyalty has given us support sufficient to survive the last twenty-seven years. Now I find that it is the devious machinations of central and local government that will probably be our, and many other small operators’ nemesis this year.

2. Leven Valley operates within the Boroughs of Middlesbrough, Stockton and Redcar & Cleveland. The main operators and our competitors are Arriva and Stagecoach.

3. I suspect that the biggest impact on services within this area will be because of Government policy (interference). The gerrymandering with BSOG against the wishes of the majority of consultees is jeopardising services. The dreadful English National Concessionary Fare confidence trick has impacted badly. Reimbursed this year at 48% of adult fares who benefits in the long term? We often carry full loads of pass holders. My drivers do not accept 48% of their rates on such journeys! The bus does not use 48% of its fuel! This 48% is down from a 62% reimbursement last year.

4. Since my last pointless contribution to the Competition Commission Leven Valley has lost three contracted routes and it is likely that more will go this year due to council cuts.

5. I do not think that in the current duplicitious government climate that the CC has done anything that will promote bus usage. Two wasted years culminating in suggestions that these troubled financial times cannot accommodate. I can see no effective remedies but must to distress this and many other small operators. It must also impact even more dramatically on the major operators.

6. Sustained head-to-head competition is neither feasible nor desirable on an environmental level alone. The bus industry is nothing like any other kind of retail. This is a point that cannot be made enough.

7. Quality partnerships are by and large mere “huff and puff”. I have the most modern DDA fleet of buses in the North East if not the country. Neither government through their tortuous and never-ending ‘Major Bus Schemes’ nor councils have ever matched the effort that operators make. Simple enforcement of proper road conduct is quite beyond the local authorities where I operate.

8. Franchising is a non starter for the simple reason that unlike the railways, that bottomless pit of money wasting, no operators are going to be waiting around for their possible turn in six or seven years time. First franchises may be good value. All that follow the initial franchise will not be good value. Why? Competitors have been eliminated. (Watch Dorset CC.) The fact that the clueless PTEGs will probably oversee franchises would do nothing to engender good commercial practice. The demise of public buses would come much sooner with the squandering bureaucratic wares of the PTEGs or whatever their successors are called. How and why these unelected interferers still exist beggars belief.

9. Local and central government can only save the current dire station by leaving BSOG alone and making proper restitution to operators for the English National Concessionary Travel Scheme. The only practical way this could be done is by stopping “Domeworthy” vanity schemes such as the ridiculous HS2 scheme, Boris Johnson’s ludicrous “bus for London” and changing the imbalance whereby the North East has £5 per head for transport needs and the London area gets £2,500 per head.

10. The way that things are going is duplicitious in the extreme. Our customers are told that their free passes are safe whilst everything the DfT does is to undermine provision of services by the progressive dilutions of BSOG and ENCTS.

11. Further extended notice periods for route changes make no sense. Eight weeks is already long enough. Most networks were relatively stable until the government’s accepted need to economise happened. To extend this notice period will simply mean more “sudden deaths” particularly amongst small operators. How is that going to encourage competition?

12. Multi operator ticketing is a reasonable idea for passengers but must be safeguarded from being run by the major bus companies. It must be administered by either local authority or outsourced to a firm independent of bus operations so that proceeds are fairly distributed.

13. Mergers must be allowed to proceed as in the current revenue dwindling environment there ARE going to be more operators seeking to rationalize routes or simply withdraw from the industry.

14. You cannot “enhance” competition between a 10-bus company and a 200-bus company. It is a sheer nonsense to imagine otherwise. The small company can only survive amongst the giants by having a distinct and discreet market. OFT bans any common sense cooperation and the large groups, despite some pockets such as Oxford and Tyneside, find this convenient in ignoring small competitors.

15. I am sending a copy of Leven Valley’s current timetable booklet to each member of the Select Committee. I have highlighted the routes that are at risk and am very happy to elaborate on any points that may wish to be raised. My colleagues and I are all very concerned for our futures in providing fine public transport to our...
customers and hope that your deliberations will end some of the very extreme disparities of provision between London and Teesside (South and North)!

4 February 2012

Written evidence from Monica Lilley (LBS 03)

I believe the report overall is balanced and informative. Some of the operators seemed quite frank!

I believe that multi-operator ticketing is essential.

I believe that a longer period of notice is needed for service changes. This could encourage competition, as a smaller operator may not be able to provide vehicles and staff to the required standard in the present timescale, and is thus discouraged from competing/tendering.

For tendered services, councils need to make more effort to interest other operators (possibly coach operators for small tenders, and operators from outside the county for larger ones).

I do not believe franchises are the way foward outside London.

I do not believe that sustained head-to-head competition is feasible or desireable, except possible on very heavily loaded routes (but there should still be multi-operator ticketing).

8 February 2012

Written evidence from David Cooper-Smith (LBS 04)

1. Is effective competition possible? The report tends to the view that, for some services at least, especially for reasons of “passenger behaviour”, it is not. I feel there is a parallel between both bus and rail here—in both, some operations (intercity/long distance) can generally support stable, effective competition whereas others, mainly local and commuter, cannot.

2. Those operations that are susceptible to competition should, I think be allowed to be provided on a commercial “open access” basis.

3. Those operations that are natural monopolies with captive markets would seem to require a different mechanism to represent the interests of stakeholders (passengers and taxpayers in particular). I might suggest here some form of consumer cooperatives/mutual societies where local electorates can directly elect local management boards, bypassing the more indirect mechanisms of local government, thus giving effective accountability.

4. One reason markets, including transport can be distorted, I think is when relevant “hidden” costs and benefits are not represented in the marketplace. Perhaps transport subsidies should take the form of performance—related “incentive payments” to try and give representation to these hidden costs/benefits. Such a subsidy regime would be applicable to both commercial and consumer cooperative operations.

9 February 2012

Written evidence from the Sherborne Transport Action Group (LBS 06)

The Sherborne Transport Action Group (STAG) aims to improve transport provision for the people of Sherborne and the surrounding villages, particularly to help those without access to a car and to encourage car owners to use other modes.

STAG welcomes all who have an interest in its objects. Members may include representatives of town and parish councils, transport-related organisations, transport-providers and other interested members of the community.

— The Competition Commission’s Report is essentially about urban buses. It is gravely misleading if taken to apply to rural buses.

— For rural buses, a route will rarely support more than one operator. It is more important to encourage co-operation than competition.

— The national profit analysis in the Report cannot be applied to rural routes. Finances are under severe strain from the concurrent effects of rising fuel prices, reduction in BSOG and reduction in the return on concessionary fares.

— We welcome the proposed increase in the period of notification of changes on commercial services from 56 days to 90 days.

— The real problem with rural buses is that there is a culture of “managing decline”. Little effort is being made to encourage greater use of buses.
1. The Competition Commission’s report is essentially about urban buses. It is gravely misleading if taken to apply to rural buses

We regret that the Competition Commission’s report gives so little recognition to rural bus services. Despite references to some rural case studies in Section 6 and in Appendix 6.4, the report is essentially concerned with urban buses.

The issue in many rural areas is not managing a competitive market. It is persuading an operator that there is a real benefit in providing any service at all with such minimal pickings. The whole idea of expecting competition is misplaced, and it is disappointing that this is so rarely understood by those whose entire focus is on choice and competition.

It would have been better if the Competition Commission had admitted this and acknowledged that its conclusions related only to urban buses.

2. For rural buses, a route will rarely support more than one operator. It is more important to encourage co-operation than competition

The dominating feature of rural buses is that most routes struggle to maintain the viability of even one operator. This is demonstrated in Figure 2.3, which shows that supported services have increased substantially in rural areas, while declining in metropolitan areas. We are keen not to make a bad situation worse by trying to impose damaging “competition” constraints on commercial services. As noted by Western Greyhound in Appendix 6.4, there is no scope for head-to-head competition. On the contrary, the public interest will be better served by sensible co-operation between operators. Yet they are constrained by potential accusations of uncompetitive practices or, at best, by the bureaucracy involved in obtaining clearance for co-operation.

Such co-operation might include co-ordination of timetables and through-ticketing.

In the rural context, there is scope for partnerships between operators, but this does not seem to have been considered. Where two operators have garages at opposite ends of a route, a partnership might allow the first bus in each direction to start, and the last bus to finish, at its own garage with consequent saving of much dead mileage. It is regrettable that the Commission has pre-empted the term “Partnership” to mean solely partnership with a local authority.

3. The national profit analysis in the Report cannot be applied to rural routes. Finances are under severe strain from the concurrent effects of rising fuel prices, reduction in BSOG and reduction in the return on concessionary fares

Section 10 of the Report shows the major companies, nationally, to be reasonably profitable. But there is no evidence on how this breaks down between urban and rural areas. It is highly unlikely that such a rosy picture would apply to rural services.

Rural buses, already under extreme pressure, are being hit by a “triple whammy.” They are suffering huge increases in fuel costs on a high mileage, a reduction in the fuel duty rebate (BSOG), and reduction in the return on concessionary fares. These fares account for a far higher proportion in rural areas than the 36% nationally which is recorded in Section 11(a) of the Summary. Government should at least reconsider the reduction in BSOG for rural buses where fuel is such a large element of cost.

4. We welcome the proposed increase in the period of notification of changes on commercial services from 56 days to 90 days

If the notice involves a reduction in the service, whether by frequency or timetable or length of route, the transport authority needs time to consult passengers and consider measures to fill the gap. The current notification period of 56 days does not allow sufficient time for this. A period of 90 days would allow the opportunity for a more considered response.

It is desirable that there should be some constraint on such reductions in service, since removal of the end of the route or removal of the last bus in the evening can make the service unviable and destroy business. We note the comments by Western Greyhound in Appendix 6.4 on cases where they have had to rebuild business after such an imposed decline by the previous operator.

5. The real problem with rural buses is that there is a culture of “managing decline”. Little effort is being made to encourage greater use of buses (eg by cheap off-peak or other discounted fares as on the railways)

While there are notable exceptions, there is a widespread impression that the major operators have given up on rural buses, making little effort to increase custom but cherry-picking the best routes and surrendering the rest into the supported sector. There is little sign of active promotion of off-peak use, such as we see on the railways. On many tendered services the operator is paid simply for running the service, so that more passengers would, if anything, be something of a nuisance. We note, by contrast, from the Cornwall case study in Appendix 6.4 that Western Greyhound, a notably successful company, prefers to take the revenue risk on tendered services, as this encourages development of the route.
A change of heart is needed in the operators from this culture of “managing decline”. We recognise that this would be beyond the scope of the Competition Commission’s report. However, the Committee might wish to encourage greater promotion, (eg by positive advertising, by discounted off-peak tickets or cheap Saturday shopping trips or family fares). We would also recommend that all tendered services should be structured so as to give the operator a benefit from attracting more passengers.

12 February 2012

Written evidence from M Barlow (LBS 09)

I present some thoughts relating to Northamptonshire.

Although commercial competition regulations started on 26 October 1986, (when a friend kept asking me “When will three buses beg me to get on them?”), here in Northampton, it was not until July 1993 that a short-lived direct competition took place on two routes within the town itself, and one inter-urban route between Northampton and Wellingborough.

In Northamptonshire, bus usage is below the average in the more rural parts, with most people having access to a car.

Three recent scenarios spring to mind.

1. **Silverstone Village to Brackley and Bicester, which was a Tendered Route**

   A small operator put in a very low bid which the County Council had no option but to accept. This meant passengers having to cross the main road through the village on a blind corner to transfer from one bus to another. The bus shelter was no more than a flimsy wooden sun-shade open to the wind, rain and snow. Vehicles used on the tendered service were noisy, smelly (oil) and tended to break down.

   The tendered service was continually late, giving missed connections, meaning a wait of up to an hour travelling north. This also meant that passengers missed appointments, not only for doctors and dentist, but also on at least one occasion, with a probation officer. The fact that two different operators were involved meant that the fare from Towcester to Oxford rose from approximately £10.00 to nearly £16.00.

   So not only were passengers forced to wait without adequate shelter or toilet facilities, in all weathers, including teenage female students on their way home from school in dark winter evenings, but the cost of their bus journeys had risen dramatically, encouraging more use of the car. This situation has now been resolved with the main operator operating a partially subsidised service from Northampton to Bicester ie no changing at Silverstone, to connect with a frequent service by a sister company at Bicester, restoring a through fare facility.

2. **Rugby to Daventry and Banbury**

   This service was known as “The Great Connection” linking Rugby in Warwickshire with Banbury in Oxfordshire.

   For over 40 years the Geoff Amos yellow buses had operated this route which served the hospitals at Rugby St Cross, in Daventry and Horton Hospital at Banbury, as well as providing a useful link from the villages into the three market towns.

   In September 2009 route 72 was introduced between Daventry and Rugby, which had the effect of the same number of passengers travelling on twice as many buses.

   Putting it another way, it divided the takings at the fare-box between two operators, rather than all going into one barely sustainable service. This in due course helped to put Geoff Amos out of business in August 2011. Healthy competition in reverse? When Geoff Amos was no longer operating, Stagecoach were asked to take on the route, as it stood, at short notice.

   Since last September they have introduced their own commercial routes, with a break at the half-way point of Daventry. The northern section operated from Rugby and the southern section from Banbury. However, although the south-bound journey has a 10 minute waiting time, the northbound connection time is 20 minutes, as opposed to a previous through journey with no time-lag. The only hospital now served by either service is at Daventry on the Banbury service. There is a frequent service from the centre of Banbury to Horton Hospital, but only an hourly De Courcey bus serving Rugby St Cross on a route that serves University Hospital in Coventry, and a spasmodic local midi-bus. Competition, has again, made it less attractive to use the bus if you have access to a car.

3. **Brackley to Banbury**

   As part of the re-structuring of the County Council bus subsidies from September 2011, bus services within Brackley were re-routed. This means that excepting on Sundays, intending passengers now wait on the opposite side of the road to travel to Banbury on some routes, but the same side as previously, on Sundays. Competition does exist on the inter-urban section with differing routes within Brackley itself.
The County Connect Ring and Ride service is very popular in this part of the county, having been introduced last September, serving the more remote villages as and when requested, rather than on a fixed time-table. So a combination of competition, commercial and subsidised services help to create a cohesive local transport system, that suits intending passengers, according to their individual needs, rather than, the imposition of a route chosen by a bus operator, that may not meet the wishes of the passenger.

Bus services within the town of Northampton itself are operated on a mainly commercial basis, with some Sunday and evening routes being financially supported. Some core corridor routes will have more than one operator, but others only one. When First Bus took over the bus services originally operated by Northampton Corporation Transport, they ran most of the in-town routes. Gradually, as routes were deemed un-economic to continue, they were withdrawn, with the local authority having to provide replacement services. The only route where any competition is currently operating is on First routes 29 and 30 with Meridian Bus route 31. Bus Station to Kings Heath.

The University of Northampton supports routes from the railway station and the town centre bus station, to the two campuses, approximately two miles apart. These services provide a much needed link for residents in the area it serves, as they would be bereft of any bus service otherwise. Northampton Bus Station, 27 bays, is soon to be replaced by a smaller inter-change, with 12 internal bays, two bays immediately outside, and another seven in a nearby street. totalling 21 departure points. There is congestion at the moment with some buses unable to access the correct bay at the scheduled time, buses using extra fuel to complete a circuit of the bus station. Presently, we have 130 bus movements per hour into and out of the existing bus station.

The present bus station, although not attractive does provide a dry facility away from the all weather conditions, including heat. If you are on a bus for any length of time it can be wonderful to emerge into a cool bus station.

Section 106 funding also plays it part in maintaining bus services to the newer estates, both residential and industrial, and also between Northampton and Towcester for the Sunday and evening journeys.

Bus services would be greatly reduced or non-existent if Section 106 funding was not available. We have been given notice that on one route a subsidised fare of £1 will move to a more commercial level when the 106 funding ends. Bus passengers want reliable, on time bus journeys to take them where they wish to travel. Sustained head to head competition divides passenger numbers per operator.

Quality Partnerships are an effective tool to provide high calibre services with quality vehicles. Franchising would allow the local authority to promote routes, for the passenger, rather than the bus company and its shareholders. Both local and central government should consult Passenger Focus, Bus Users U.K. Pensioners Voice, Youth Parliament, University and Hospital bodies, to gauge the provision of bus services, as opposed to providing car parking spaces, eg University Hospital in Coventry.

At Northampton General Hospital the NHS is talking to a bus company about a bespoke hospital bus service as the car parks are constantly full.

I trust the above will be helpful in taking forward any changes to the present legislation.

16 February 2012

Written evidence from the Local Government Technical Advisers Group (LBS 10)

1.0 Introduction

1.1 The Local Government Technical Advisers Group (TAG) is a professional association, incorporated in 1995, serving all levels of local government covering the whole range of technical services. Our membership includes authorities with highway and transport responsibilities, including Transport for London, London Boroughs, Metropolitan, Unitary and District Authorities and many with responsibilities for economic development and land use planning.

2.0 Summary

2.1 TAG welcomes the Competition Commission’s (CC) recognition that competition in the local bus service markets is un-common and that persistently high levels of concentration exist, which confirms our observations. We do not however believe that head-to-head competition and the remedies suggested necessarily reflect the interests of the bus users or the communities which they serve and welcome this opportunity to address our views to the Transport Committee.

2.2 We are concerned that the challenges faced by the industry within the current arrangements for bus services are likely to result in uncontrolled and unpredictable outcomes, which will not serve the interests of customers and local communities.

2.3 TAG believes that local authorities are best placed working with their local communities to determine services in their area. We consider that local authorities should be empowered to determine the appropriate method of delivery of bus services within their area, whether by means of agreement or franchising.
3.0 Has the Competition Commission addressed the issues of most importance to the bus passenger?

3.1 No, we believe that the CC has not addressed the issues of most importance to bus passengers. We believe that fundamentally passengers require a bus service that it takes them to their destination when they need it and at an affordable price. Additionally, passengers appreciate comfort, reliable travel information and simple ticketing arrangements.

3.2 However, the CC appears to be fixated on the position that the introduction of more bus operators must automatically result in a favourable outcome for passengers. Head to head competition may temporarily result in increased frequencies of services and lower fares, but eventually and almost inevitably results in the loss of one service. Increased complexity in pricing results where customers are faced with different fares for the same journey and an increasing and confusing variety of products.

3.3 The provision of good and reliable travel information under such circumstances can be said, at best to be problematic as the outcome is unpredictable. This process ultimately results in little more than a haphazard collection of services rather than a true network and leaving Local Authorities to resolve the problems, with their ever decreasing resources.

4.0 How effective are the remedies proposed by the Competition Commission likely to prove?

4.1 The individual remedies proposed by the CC have potential to bring about improvements but the timescales are uncertain, requiring new statutory powers for some elements and it is not clear that their combined impact will be sufficient to make a significant impact on the local bus market in many areas of the country.

5.0 Is sustained head-to-head competition feasible or desirable?

5.1 We consider that sustained head to head competition across entire bus networks is not achievable as the market tends to a position of equilibrium, as has been demonstrated in the 25 years since bus deregulation.

5.2 Head to head competition is therefore only likely to remain on key arterial routes feeding towns and cities where services naturally converge or in the vicinity of key destinations.

5.3 We do not consider that head to head competition on routes is desirable and have in part identified the majority of the issues in the response to the first question. Additionally, we believe that it is the uncertain outcome and resulting volatility in the network which has contributed significantly to the decline in bus patronage in many areas of the country.

6.0 What role should Quality Partnerships play?

6.1 Quality partnerships (QP) can be beneficial, however to be advantageous they must offer benefits to both parties. There is a significant danger that the CC’s approach, that of minimising potential impact on entry costs, would remove the precise benefits that local transport authorities would seek. Consequently, the QP may become nothing more than a veneer reinforcing current operational practices.

6.2 Similarly, the likely scale of application of QP’s will be dependant upon a case by case analysis of the benefits to be derived and their use will be limited in challenging markets.

6.3 However, we believe that local authorities should remain enabled to enter into QP’s where it can be demonstrated that the public benefit outweighs any detrimental effects that might occur from competition being limited or restricted by the partnership.

7.0 Has the Competition Committee adequately considered the franchising option?

7.1 We are concerned that the CC may have overestimated the costs and risks associated with the implementation of franchising whilst simultaneously overestimating the likely impacts of its’ suggested remedies.

7.2 TAG considers that local authorities should be empowered to determine the appropriate measures to ensure the planned delivery of such an essential public service. We consider that rather than introducing further barriers to the introduction of franchising that government should be broadening the scope of powers available to local authorities.

7.3 Franchising provides an opportunity to provide controlled competition, it works for London, is widely adopted across Europe and should be a readily available option for local authorities.

8.0 What action should local government and central government now take?

8.1 We suggest that central government should consider both the necessary legislative changes to allow the implementation of the CC’s remedies and empower local government to adopt the measures necessary to deliver public transport services in their areas by the most appropriate means, including partnership working and franchising.
8.2 In the light of inflammatory comments attributed to some operators, government may wish to consider how it can assist the smooth transition between the current and future arrangements, particularly where franchising is determined to be appropriate.

8.3 Local government, working with the community and public transport operators, should determine the appropriate method to secure public transport services. In determining the appropriate route it will of necessity need to be clear regarding its’ objectives and financial constraints and work with operators to secure a smooth transition.

17 February 2012

Written evidence from Stagecoach Group plc (LBS 11)

1.0 Introduction

1.1 Stagecoach Group plc welcomes this opportunity to contribute to the inquiry into Competition in the Local Bus Market and to present evidence to the Transport Committee.

2.0 Our views are given below in response to the questions the committee has posed

Stagecoach Group

2.1 Stagecoach Group is a UK-headquartered public company with extensive operations in the UK, United States and Canada. The Group employs around 35,000 people and operates bus, coach, rail, and tram services.

2.2 In the UK, our fleet of over 7,700 buses connects communities in more than 100 towns and cities across the country. We have been consistently highly placed in national UK Bus Awards in each of the last four years and have achieved high passenger satisfaction ratings in Passenger Focus surveys.

2.3 Two million passengers travel on Stagecoach bus services outside London every day, using a network stretching from south-west England to the Highlands of Scotland. We serve major cities including Manchester, Liverpool, Newcastle, Sheffield, Hull, Oxford, Cambridge, Exeter, Aberdeen, Edinburgh, Glasgow and Cardiff as well as many shire towns and rural areas. We also operate about 15% of the London contracted bus market.

2.4 We operate a range of local urban and rural scheduled services, park and ride services, school bus services, and are the main provider of services on the world’s longest Guided Busway in Cambridge. Most of our services are operated on a commercial basis in a deregulated environment. We also operate contracts on behalf of local authorities and other organisations.

2.5 We operate express coach services linking major towns and cities within our regional operating company areas including the Oxford Tube connecting London and Oxford at high frequencies 24 hours per day, 365 days per annum. The Group created and runs the market-leading budget inter-city coach service, megabus.com, which carries over two million passengers a year on a network covering more than 50 locations and the integrated bus/rail service, megabusplus.com. Scottish Citylink, our joint venture with ComfortDelGro, is the leading provider of inter-city express coach travel in Scotland.

2.6 Putting customers first is our priority. Our UK Bus division is also a major employer, providing jobs for around 23,000 people at over 110 locations in our 19 regional companies. We continue to focus closely on the recruitment and training of our people; we have one of the best records of any major operator for vocational training among our frontline drivers and engineers and have an award winning apprenticeship scheme.

2.7 Since 2005–06, we have invested over £500 million on almost 4,000 new state-of-the-art buses for our provincial operations, most of which were manufactured in the UK. This supports our long-term commitment to improve our environmental performance and ensure all our vehicles are fully accessible to the elderly, disabled and families with young children. As part of our strong commitment to the safety and security of our passengers and our people, all of our new vehicles are fitted with digital CCTV systems.

2.8 We are the largest operator of hybrid buses outside London, and also have fleets in Kilmarnock and Cambridgeshire operating on 100% and 30% biofuel mixes produced from re-cycled cooking oil. We have an ongoing programme to significantly reduce the energy consumption and recycle waste in over 100 bus depots. In 2010 Stagecoach Group was awarded the Carbon Trust Standard for its achievements.

2.9 We are Britain’s best value bus operator providing regular passengers with the lowest cost weekly tickets, on average 17.5% cheaper than our competitors. This, together with our commitment to providing high quality services, has increased the attractiveness of bus travel and succeeded in achieving modal shift from the car. Innovative products and initiatives, such as Stagecoach’s Gold service (aimed at commuters who might otherwise use the car), have helped to deliver these benefits. We have consistently achieved organic patronage growth in the local bus market (approximately 1.5% per annum since 2002).

2.10 Stagecoach Group is a major rail operator and has an involvement in running over 20% of the UK passenger rail network. The Group operates the East Midlands and South Western rail franchises, the latter

1 Source: TAS National Fares Survey 2011.
Ev w8  Transport Committee: Evidence

incorporating the South West Trains and Island Line networks. South West Trains, the UK’s biggest commuter franchise, runs nearly 1,700 trains a day in south-west England out of London Waterloo railway station. In addition, Stagecoach Group has a 49% shareholding in Virgin Rail Group, which operates the West Coast inter-city rail franchise.

2.11 We are committed to investing over £200 million in our rail franchises to improve the quality and range of our services. This has included station and car park enhancements, making ticket purchase simpler using smart media and ticket vending machines, depot extensions and rolling stock refurbishment.

2.12 We also operate Supertram, a 28km light rail network incorporating three routes in the city of Sheffield.

3.0 The Competition Commission (CC) Bus Market Inquiry

3.1 The CC Inquiry is the most comprehensive examination of the bus industry, outside London, to have ever taken place. It has been a long and expensive attempt to review thousands of overlapping local markets, but the CC’s exhaustive analysis has not found any issues that merit far-reaching remedies.

3.2 Stagecoach believes that the alleged detriment to consumers suffers from a number of weaknesses as a result of the simplistic and theoretical approach taken by the CC and is consequently overstated. In particular, the CC has ignored the relative efficiencies of large operators; large costs associated with historic pension liabilities and, in its final assessment, used a discredited service frequency elasticity recently favourably by the Department for Transport, rather than those it had established from its own research. Even if the CC’s conclusions are accepted at face value, recent reductions in concessionary travel reimbursement and the forthcoming April 2012 cuts in BSOG will squeeze operator profitability while reducing the burden on the taxpayer.

3.3 The CC has discounted competition from the private car, when all bus industry stakeholders and many in the public sector (including the Scottish Government, the Welsh Assembly Government and many Local Authorities) agree that the private car is a very real competitor, particularly for those with a choice of mode. It explains the conundrum which the CC has wrestled with and has been unable to resolve satisfactorily: “Some of the evidence on pricing and how customers respond to changes in prices raise a puzzle. The available estimates of price elasticities of demand faced by bus operators that do not face head-to-head competition appear, on the face of it, to be inconsistent with the current level of profitability in the industry and the operators’ incentives to maximise profits.”

4.0 Has the Competition Commission addressed the issues of most importance to the bus passenger?

4.1 Only in part. Passengers value reliability, punctuality, frequency, safety and security as well as price. Yet despite evidence submitted by Stagecoach and many others, the CC carried out little analysis of these benefits and chose to ignore many of these factors including the two most important as identified by Passenger Focus research: reliability and punctuality. In Stagecoach’s view, there are constraints, other than head-to-head competition, which are important in ensuring these benefits are delivered; in particular, the constraint from the car.

5.0 How effective are the remedies proposed by the Competition Commission likely to prove?

5.1 The CC remedies are designed to promote sustainable competition in the market, an objective which Stagecoach endorses. However, the remedies proposed could have unintended consequences unless implemented carefully.

5.2 Multi Operator Tickets can provide significant customer benefits, but the CC pricing formula is too prescriptive and could result in unintended, perverse effects potentially to customers’ detriment and detriment to competition. Stagecoach participates voluntarily in all Multi Operator Ticketing schemes.

5.3 Longer and more restrictive service registration periods can encourage stability but the CC proposal could result in opportunistic competition designed to undermine good quality services. It could also delay service changes which passengers are genuinely requesting and make it more difficult to respond in a timely manner to changes in the market, for example, alterations to; the requirements of schools/colleges/universities, rail and ferry timetables, shopping, office and factory hours of business and meeting the needs of new developments.

5.4 The OFT already has criteria for examining mergers. Stagecoach can see no reason why OFT should adopt a different approach or standards to merger inquiries in the bus industry.

5.5 Stagecoach has no issue with the proposed code of conduct, but considers that the Traffic Commissioners already have sufficient powers to deal with unacceptable operator conduct, although they may lack resources to monitor and enforce standards.

5.6 Stagecoach considers that the terms of proposed access to bus stations are not fair or reasonable, as they imply lower charges for third party operators than for the bus station managers’ own services.

Source CC Provisional Findings Report.
5.7 We have no concerns over the proposals designed to improve competition for tenders.

6.0 Is sustained head-to-head competition feasible or desirable?

6.1 Stagecoach believes that in some circumstances head–to–head competition is both feasible and desirable, but only when it is of reasonable quality, and short-term, unsustainable, poor quality competition is not facilitated or encouraged by the proposed remedies.

6.2 Stagecoach has entered new markets in Merseyside, South Yorkshire, Tayside and North Devon. In each case it has introduced high standards of provision and low fares which have delivered sustainable operations.

6.3 The threat and the reality of sustainable competition constrain operators and encourage them to match demand with supply at reasonable fares at no cost to the taxpayer.

7.0 What role should quality partnerships play?

7.1 Quality Partnerships offer the best of both worlds. They maintain sustainable competition with a sensible level of co-ordination in the passengers’ interests.

7.2 Operators are very conscious of their Competition Act obligations and want to maintain the competitive dynamic and freedom to develop and innovate within the Partnership framework. In this regard the CC’s proposals for an OFT led forum at which practical issues can be discussed is welcomed.

7.3 Stagecoach has developed an innovative Quality Partnership in Oxford, jointly with the Go Ahead Group and Oxfordshire County Council. This demonstrates what can be achieved with co-ordinated timetables, joint ticketing, quality service delivery and investment in modern bus fleets alongside appropriate traffic and parking management strategies. Other Quality Partnership schemes are developing in Merseyside and South Yorkshire, and a new Statutory Quality Partnership scheme has recently been implemented in South Manchester.

8.0 Has the Competition Commission adequately considered the franchising option?

8.1 Stagecoach believes that it has. The CC has taken extensive evidence from all interested parties and reached a rational conclusion.

8.2 The CC did not recommend the introduction of franchising, recognising that it would be expensive and bureaucratic to operate, with some significant transitional challenges to overcome, with no certainty of improved passenger satisfaction.

8.3 It is of note that passenger satisfaction, which is now independently monitored by Passenger Focus and by TfL, is consistently 4 to 5 percentage points higher in the deregulated provinces than it is in the contracted London bus network.

8.4 The contract or franchise option, whatever form it might take, will not stop growing car ownership, growth of out of town shopping and business parks, decline of town centres, growth of home entertainment or have any impact on the traffic and parking management policies of Highways Authorities. These are all factors which have a direct influence on the long term performance of bus services, irrespective of the service delivery regime.

8.5 The CC also recognised that private sector bus operators have innovated with simpler networks and fares, higher standards of delivery and investment, marketing and promotion which have all brought passenger benefits.

9.0 What action should local government and central government now take?

9.1 The debate about bus regulation has now been running for over 25 years culminating in the CC Bus Market Inquiry. It has been an increasing distraction from improving services for passengers in what has now become a period of austerity. The industry needs a period of stability and certainty and wants to work with authorities who share the same agenda.

9.2 The CC’s recommendations should now be considered carefully and implemented proportionately to the benefit of passengers, ensuring that no unintended adverse effects on competition and passengers are likely to arise.

9.3 DFT should promote Quality Partnerships. Local Authorities and bus operators should concentrate on delivering them in a way which will benefit passengers and address some of the issues identified in 8.4 above. As has already been demonstrated in some parts of the country, results can be achieved without creating excessive bureaucracy or additional costs for a severely constrained public purse.

17 February 2012
Written evidence from the Chartered Institute of Logistics and Transport in the UK (LBS 12)

INTRODUCTION

1. The Chartered Institute of Logistics and Transport in the UK (“the Institute”) is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. We have no political affiliations and do not support any particular vested interests. Our principal concerns are that transport policies and procedures should be effective and efficient and based, as far as possible, on objective analysis of the issues and practical experience and that good practice should be widely disseminated and adopted.

2. The Institute has a specialist Bus and Coach Forum, a Public Policies Committee which considers the broad canvas of transport policy and a nationwide structure of locally based groups. This submission draws on contributions from all these sources.

3. Observations on the six issues identified in the Committee’s call for evidence around the Competition Commission’s recent report on its “Local bus services market investigation” follow preceded by a summary. The Institute has concentrated on qualitative interpretation of the impacts of the changes and has not had the time to consider costs of either the proposals or alternatives to them. The Institute will be pleased to expand on this submission orally if the Committee so wishes.

SUMMARY: OVERVIEW OF THE INSTITUTE’S OBSERVATIONS

4. The Competition Authorities (the Office of Fair Trading (OFT) which made the reference for a Market Investigation and the Competition Commission (CC) itself) have failed adequately to interpret the market for local bus services so as to seek to maximise benefit for the local bus industry’s consumers (not all of whom are passengers—the bus industry has a wider role in society) but have concentrated their attention too narrowly on the interpretation of economic theories of harm.

5. The bus industry has a vital role in the transport and environmental policies of both central and local government. Interventions to assist those policies will inevitably affect the operational environment and the extent to which competition is both possible and desirable. Governments are concerned with markets for travel to serve economic and social purposes. In these the principal competitors are private cars and many local bus services compete with little else. Relatively rarely do local bus operators compete with other public transport modes and only infrequently with other buses.

6. There are at least five different frameworks for bus service operation in the UK created by devolved government and different local government structures. These are London, English Metropolitan Areas (with Integrated Transport Authorities), English non-metropolitan areas (County and Unitary Councils have strategic transport responsibilities), Scotland, Wales and Northern Ireland. There are clear differences in customer satisfaction, performance and public sector costs between the different regimes. Unfortunately the Competition Authorities ignored the opportunity to examine these differences and to identify any lessons that might be drawn from them on best serving the interests of consumers.

7. Of the remedies proposed by the CC only those relating to vigilance on acquisition and mergers, the review of the ticketing block exemption and the use of bus stations owned or managed by operators can be policed and enforced by the Competition Authorities themselves. All of the remainder are dependent on the resources of the Department of Transport (including Parliamentary time potentially), local authorities, the Traffic Commissioners and VOSA. All of these bodies have experienced significant reductions in resources in recent years and there appears to have been scant consideration by the Competition Commission of their ability to absorb the potential increase in workload.

8. Recognising that Parliamentary time is scarce and that the bus industry needs nurturing to increase its effectiveness within a more sustainable passenger transport system, the Institute recommends that the way forward is for Government to use its existing partnership arrangements bringing local authorities and operators together to resolve issues. It should issue appropriate guidance asking the Senior Traffic Commissioner to consider making practice directives on dealing with anti-competitive operational practices. In the longer term the Commissioners might take on an industry regulator role. However with the present skills and resources available to them that does not appear feasible in the short term.

Has the Competition Commission addressed the issues of most importance to the bus passenger?

9. Research into passenger satisfaction with bus services conducted independently by Passenger Focus, academic commentators and others, by operators and local authorities shows that the issues of greatest importance to bus passengers are the existence of reliable, conveniently timed, secure and comfortable services offering reasonable value for the fare paid. Of these reliability (the journey actually operates and at the advertised times) is invariably highest ranked, whilst security (in the sense of perceived lack of threats whilst waiting or during the journey itself) and comfort (a range of amenity factors contributing to passenger satisfaction with the journeys made) often rank more highly than fare levels.
10. Unfortunately the OFT and CC have chosen to rely largely on the existence of direct competition and comparison of fare levels between areas as de facto proxies for consumer benefit. These are not the terms in which consumers perceive the standards of local bus services offered to them, as demonstrated by research for the CC which concluded that the majority of passengers not bound to a particular operator by pre-purchased tickets will take the first bus to come along. Detailed evidence is available from Passenger Focus and the complaints and comments files of authorities and operators elaborating on the factors that bus passengers and others find most important in determining satisfaction with bus services.

11. As already noted, there are at least five different regimes under which buses operate in the UK (more if the smaller island territories are considered) differentiated by three different regulatory systems and five or more combinations of devolved and/or local government. Accepting that the interest of the Competition Authorities would always lean towards competition, although their prime objective is protecting the interests of consumers, there was the opportunity to compare passenger and community satisfaction with bus services under different regimes and identify the extent to which differences were due to different regulatory and ownership models as opposed to operational practices. Instead both OFT and the CC ruled out consideration of London and Northern Ireland which might, for example, have provided effective control areas (in the sense of scientific experiment!).

12. The Chart attached recording recent patronage trends is based on a standard series used by the Department for Transport to report on performance of bus services in England and Wales, modified to include recent data for Scotland and Northern Ireland. Although the economic situation clearly affects the period reported, as patronage increase or decline can be taken as a macro-indicator of consumer satisfaction it is clear that there is a reasonable case for following the approach outlined in the preceding paragraph.

13. Buses compete within a travel market for short to medium distance trips. That market is now dominated by private cars and other competitors include walking, cycling, taxis and local rail services. Government objectives for transport and the environment favour modal shift away from private cars to other more sustainable modes whether self-powered walking or cycling which has health benefits too or public transport. This implies that the primary competitive focus for local bus operators should be increasing the public transport share of the overall local travel market rather than competition between operators in the comparatively rare situation that the bus segment of the market is sufficiently large to sustain two or more operators in viable competition.

14. Unfortunately both Competition Authorities rejected the cases put to them for looking at the overall travel market and adopted a restricted definition relating only to the share carried by bus. Furthermore this meant that, together with the exclusion of London and Northern Ireland from the reference area, the opportunity to consider competition for the market was passed over.

15. The Institute believes that the emphasis of the Competition Commission’s work has been wrongly directed to on-street competition (and to theoretical rather than practical impacts at that) not to consumer benefits.

16. Another factor that needs to be taken into account is the distorting effect on the market of concessionary travel, particularly for elderly and disabled people as mandated by statute. We would have expected greater attention to be paid to this, including the unintended consequences of artificial inflation of fare scales to recoup perceived losses because of the operation of the reimbursement mechanism, the potential advantages of the scheme for market entrants and the instability caused as authorities seek to maintain a potentially open ended scheme with constrained budgets.

How effective are the remedies proposed by the Competition Commission likely to prove?

17. It is notable that only the review of the ticketing block exemption, vigilance on mergers and bus station access are enforceable by the Competition Authorities. Arguably these are all minor matters as issues relating to them will arise infrequently.

18. **Multi-operator ticketing** depends on the enthusiasm and powers of persuasion of the local transport authorities. There are some very successful examples and some not so successful ones in metropolitan areas and larger urban areas. A policy lead from Government might be helpful in response to the CC recommendations. Whilst the Institute welcomes the recommendations on ticketing, the CC consideration of statutory ticketing schemes and current powers under the Transport Act 2000 is very limited and their remedy over prescriptive in respect of price setting, paradoxically fettering the potential for innovative pricing in the market.

19. Many matters fall within the purview of the **Traffic Commissioners**. In a Manchester case the Traffic Commissioner for North West England showed that an alert Commissioner and vigilant local transport authorities can effectively police head to head competition as well as safety and congestion issues;

20. However, since the support network for the Traffic Commissioners has progressively reduced and has now been absorbed into VOSA the Institute considers that the Commissioners and VOSA now struggle adequately to “police” on-the-road issues limiting their effectiveness.
21. The recommended increase in registration notice periods will probably constrain not encourage competition: it protects the incumbent whilst reducing the ability to make changes in response to sometimes rapidly evolving travel or traffic conditions.

22. The proposal for an operators’ Code of Conduct (to be produced by the Traffic Commissioners) is sensible as a means of laying down ground rules for competition. The Institute consider that, whilst the Commissioners should lead on and own this code in drawing it up, they should seek appropriate advice on economic and traffic issues and consult relevant operator and authority representative bodies.

23. No matter what is done in guidance (and a review will do no harm), tendering can only be more effective if the number of bidders for contracts increases. In times of austerity the rewards are simply not sufficient to encourage significant numbers of new entrants.

24. The CC has not adequately considered the fundamental point that tendering should only be necessary when the market fails in the sense of not meeting a necessary but unprofitable demand. We accept that what constitutes socially necessary is not explicitly defined in statute but the report would have had more value if it had considered this question. Again it appears that the remit adopted by the Competition Authorities in relation to tendering has been too limited.

25. Increased information on patronage and revenue may increase willingness to tender and will assist local transport authorities better to understand the local market. Whilst there may be reluctance on the part of operators to make this data available, if they do not wish to provide the service commercially it should have limited value to them: if they have tactical reasons (most obviously protection of territory) for not providing it they should be prepared to commit resources to providing the service without subsidy.

26. Partnerships are dealt with below in response to a separate question from the Committee.

27. Using the Bus Services Operator Grant is considered to be an inappropriate tool to use to encourage competition. It will involve additional work in analysis of claims beyond the complexity already added to an administratively simple grant with the incentives to adopt new technology. The complexity and costs of administration should lead the Government to rule out this remedy.

**Is sustained head-to head competition feasible or desirable?**

28. Only in very few corridors in some towns and cities is the maximum local bus share of the travel market likely to be big enough to sustain long term competition. Even there the conclusion reached by operators and authorities is that sensible sharing of the market—multi-operator tickets, even headways etc.—with competition on vehicle quality and customer service is preferable (eg Oxford, Merseyside).

29. Elsewhere head-to-head competition has generally succeeded in raising expectations, has been short lived and has depressed the market when competition collapses and raised expectations can no longer be met. It also (as in the Manchester case) can lead to congestion, undesirable behaviour ("cheap exclusion") and safety risks. This might be considered undesirable!

**What role should Quality Partnerships play?**

30. As the Committee will be aware from previous evidence from the Institute, Quality Partnerships were first proposed by one of the Institute’s predecessors the Chartered Institute of Transport. The principle was warmly welcomed and has been adopted and embellished by Conservative, Labour and Coalition governments. It is interesting to note that the 1993 Bus Working Party of the CIT originally wanted to use the term “Quality Contracts” and to have enforceable agreements. Stopping short of franchising but potentially more powerful than the Statutory Quality Partnerships introduced by the previous Government but so far little used, this solution might satisfy both political and operator reservations.

31. The role of quality partnerships includes traffic management measures to assist reliability—they are partnerships with local authorities as well as between operators and local authorities should be held to account if they fail to deliver. Effective partnerships with highway authorities should provide better than cosmetic responses. The Committee has previously considered highway measures to assist buses in their inquiry into Effective Road and Traffic Management.

**Has the Competition Commission adequately considered the franchising option?**

32. It has been suggested that the CC unnecessarily led authorities and operators up a Franchising garden path, initially appearing to espouse and then cooling on the use of franchising as a mechanism to promote effective competition. What is clear is that many commentators think that introduction of some de-facto cross subsidy may be beneficial in meeting public expectations of the bus industry. It is also true that no practical business model in a complex business has yet eliminated internal cross subsidy.

33. The failure to recommend a franchised solution is controversial for the metropolitan Integrated Transport Authorities who had hoped for the CC’s endorsement of their preference for franchising. The failure by OFT and CC to look at London alongside the rest of GB was a lost opportunity to gather evidence on this. We
believe that the view of the Current Commissioner of Transport for London that the rest of the country cannot afford the overheads of a franchising system that London can is correct.

**What action should local government and central government now take?**

34. Local government needs to promote multi-operator ticketing in all areas and to sharpen up its act on partnership. Too often Local Transport Authorities act parochially and for short term advantage, then fail to deliver or support previous policies so frustrating operators and jeopardising working relationships.

35. Central Government needs to trust local government and operators and provide a framework for them to work together to deliver effective services meeting transport and environmental policy requirements: they should refrain from further tinkering with BSOG or regulations (including registration). They already have a Ministerial Working Party involving most of the relevant stakeholders that can discuss how bus industry performance and behaviour can be improved without changes to primary legislation.

36. There is an urgent need for a review of concessionary travel reimbursement and work in hand by the Institute is preparing evidence on the issues, costs, benefits and options. Further areas of concern include the adequacy of support for the Traffic Commissioners, the impacts of services lost as a result of the Comprehensive Spending Review that have not and probably cannot adequately be replaced by the Government’s injections of support for Community Transport.

37. Although, taken together, these comments seem to suggest a fundamental review of the bus industry might be beneficial this would be damaging at a time when Parliamentary time for consequent legislation is scarce and community confidence in buses in large parts of the country (particularly the most rural areas and economically depressed towns) appears to be low. The Institute believes that a strong publicly responsive bus industry based on trust, partnership and best use of all available resources is possible without regulatory change and a variety of case study examples could be adduced to support this.

17 February 2012
Written evidence from National Express—UK Bus (LBS 13)

1. Executive Summary

1.1 The extensive data collection and analysis undertaken by the Competition Commission undoubtedly represents the most detailed investigation into the local bus industry undertaken since deregulation. Some commentators have expressed disappointment that the Commission has not recommended radical structural change to the industry and have implied that this represents a “failure” in the process. However the clear conclusion of the inquiry, based on detailed financial and operational information and extensive modelling, is that the existing industry structure is correct and that no structural change could be justified.

1.2 The key disappointment with the inquiry is that the Commission didn’t examine one of the most important factors in delivering quality services to customers and growing the market; the potential role of pro-active traffic management measures that enable operators to provide reliable and punctual services in our most congested urban areas.

2. National Express—UK Bus (NX)

2.1 NX’s principal bus operations are in the West Midlands, where it operates over 1,500 buses under the brand names National Express West Midlands and National Express Coventry. The company provides a comprehensive network of local bus services in and around the major towns and cities in the West Midlands including Birmingham and Wolverhampton. NX also has a much smaller bus operation in Dundee, where it operates approximately 130 buses through its subsidiary National Express Dundee.

2.2 National Express is investing significantly to improve the quality of service offered to customers. For example 250 new buses are currently being deployed including hybrid double decks and plans are well advanced to extend the existing smartcard scheme used by over 400,000 passengers to provide commercial products. These initiatives are being co-ordinated within the highly successful “Transforming Bus Travel” partnership between National Express and Centro.

2.3 The company was heavily involved throughout the Competition Commission inquiry both submitting extensive written evidence and appearing at hearings in front of the Commission’s inquiry panel.

3. Has the Competition Commission addressed the issues of most importance to the bus passenger?

3.1 Bus travel is largely a derived demand. Customers travel on our buses because they need to get to a specific destination at a specific time, whether it is for work, education or to visit friends and family. Reliability and punctuality is therefore the most important requirement for a passenger. Will the bus turn up on time? Will it get stuck in traffic? Will it enable the customer to arrive at their destination relaxed and on time?

3.2 Unfortunately the Commission did not address these key customer needs nor the challenges faced everyday by operators attempting to provide quality services in heavily congested urban areas.

3.3 Pro-active traffic management measures to give bus passengers the priority required have consistently been shown to grow the market for public transport. Any inquiry into perceived “problems of the market” such as the one undertaken by the Competition Commission should have considered how the overall operating environment could be improved to allow the market to work better for the benefit of existing and potential customers

4. How effective are the remedies proposed by the Competition Commission likely to prove?

4.1 The Commissions remedies will impact on different operators in different ways. Improvements to the tendering regime operated by local authorities will benefit the customer, operator and tax payer. Bus stations within the West Midlands are already operated by Centro on an impartial basis.

4.2 The Commission undertook detailed analysis of the extensive multi-operator ticketing scheme in the West Midlands. NX is disappointed that the Commission chose to ignore the “nNetwork” multi-modal scheme when assessing the success of multi-operator ticketing compared with other PTE areas. Including this significant and popular range of tickets that allow travel on bus, rail and metro throughout the West Midlands would have given a different perspective to the perceived success (or lack of it) of multi-operator schemes in the West Midlands, from both the perspective of the customer and the operator.

4.3 The Commission did suggest extending the range of multi-operator tickets in the West Midlands and changes to the governance of the scheme. NX is already working with other local operators to devise a scheme that will meet the legitimate concerns of all parties. This will take advantage of the newly available smartcard technology to provide completely new ticketing products for all West Midlands passengers.

4.4 The final area of remedies related to changes to the registration process. Whilst NX has no fundamental issues with the outline proposals, care needs to be taken to ensure there are no unintentional consequences of the detailed changes. For example it would seem perverse to have to wait 90 days to introduce a network change that had been agreed to by all parties, following public consultation.
5. Is sustained head-to-head competition feasible or desirable?

5.1 In any market competition promotes improved service to the customer. Monopolies, even when heavily regulated, are often insensitive to the needs of the customer. Competition in the bus industry exists at a number of levels and is a positive force for improvement. On certain busy corridors long term head to head competition is sustainable and can encourage operators to “up their game”. But even without head-to-head competition on an individual route, the existence of a competitive market and the threat of entry produces positive outcomes for the customer.

5.2 However it must be remembered that the long term competitor to any bus operator is the car. All stakeholders need to work together to provide services and facilities that will encourage car users to leave their car at home and use the more convenient bus.

6. What role should Quality Partnerships play?

6.1 True partnership is the most productive and quickest method of delivering improvements in services to existing and potential customers.

6.2 Within the West Midlands, National Express has a well established and successful partnership agreement with Centro and the West Midlands ITA, “Transforming Bus Travel”. Under this agreement major improvements are being made including co-ordinated network reviews; better passenger information; improved infrastructure and significant investment in conventional and hybrid new buses.

7. Has the Competition Commission adequately considered the franchising option?

7.1 As a significant contributor to the evidence collected by the Commission over nearly two years, NX can assure the Transport Committee that the organisational and ownership structure and financial basis of the industry, down to very detailed route level analysis, was subjected to in depth scrutiny by both the officers of the Commission and the Inquiry Panel.

7.2 Various commentators have stated that in their view the Commission has “failed” because it didn’t recommend structural change to the industry. However it is clear from the detailed analysis undertaken by the inquiry that the Commission could find no justification for any such change.

8. What action should local government and central government now take?

8.1 NX believes that there is one key action required from central and local government to help the industry grow the public transport market and provide the quality of services that customers are due and that relates to the fair use of the highway.

8.2 NX and the industry itself is investing significantly in the quality of its product; new vehicles, new ticketing systems (including smart ticketing), new passenger information systems.

8.3 However the industry desperately needs a pro-active approach from the new and established local organisations; City Mayors; LEPs; ITAs; towards bus priority measures. Simple, often low cost traffic management measures can speed up travel for the millions of passengers carried on local bus services every day, making their journeys easier and less stressful and opening new opportunities for employment for existing and potential passengers.

17 February 2012

Dr John Disney, Nottingham Business School, Nottingham Trent University (LBS 15)

SUMMARY

This submission considers the CC report on the local bus services market and offers an academic business perspective with several recommendations for low cost improvements to the local bus market.

ISSUES OF IMPORTANCE TO THE BUS USER

The Competition Commission (CC) has not addressed the issues of most importance to the bus user. User requirements are:

- Value for money (not necessarily the cheapest fare as most consumers do not purchase the cheapest items in a competitive market eg groceries; cars; holidays; hotels; many theatres report that the most expensive seats are sold first)
- Frequent regular interval service (eg buses every 20 minutes not three buses closely timed together followed by a long gap each hour)
- Service stability
- Services operating “waking hours” not “office hours” to reflect modern lifestyles and working patterns
CC Remedies

These do not address the issues above.

Multi-operator tickets will always be more expensive than single operator tickets as each operator requires a share of the pool and the administration of such schemes is expensive and needs to be paid for. Smartcards are cheap to administer and provide accurate revenue apportionment but the expensive initial outlay is a major deterrent especially to smaller operators with a rapid turnover of leased or older vehicles. However there are schemes in operation in Leicester, Nottingham and West Yorkshire which are up to 25% more expensive than individual operator’s day tickets; this is a realistic premium.

Very little marketing is done on price, maybe due to the volatility of pricing in a competitive market. Even operators which make fares publicly available do not actively market this facet of the service; many operators do not even market “special offers” internally within buses to existing customers let alone promote these on bus exteriors, at bus stops, in timetable leaflets, on websites or in media advertising.

The bus market is heavily distorted by NCTS passengers who often comprise 50% of the day-time off-peak Monday to Friday bus market especially during school and college terms. These passengers catch the first bus which comes whilst paying passengers may have to wait for the bus provided by the operator whose ticket they hold or need to purchase to make their return journey unless they are willing to pay the usually much higher single fare. Such fares have been inflated by the NCTS in order to increase concessionary fares reimbursements and frequently exceed 70p per mile for short journeys with minimum fares usually in excess of £1.

Rather than extending notice periods for registrations, four fixed dates per annum should be agreed nationally for bus service changes: I recommend the last Sunday in January, April, July and October with seasonal services still permitted but requiring registration by the preceding change date. The deadline should be two months prior to the change date and the minimum period of operation should be six months, thus giving operators up to four months of operating experience before making any changes. This would give Local Authorities six weeks to arrange necessary tendered services following changes to commercial operations in order to give users two weeks notice of all changes. At present some tendered services are only confirmed to the passenger a few days before operation commences often contributing to their poor use as passengers make alternative arrangements.

Whilst operators of tendered services must make full details of passengers carried and revenue attained (irrespective of gross or net terms of contract) to the LA for retendering purposes, it is unreasonable to expect this information to be provided for commercial services which they are reducing or withdrawing. This could destabilise the business especially if they have carried a loss making service for some time. If Sainsbury’s decide to close a supermarket and put the site up for sale, no-one would expect them to disclose trading details to competitors such as Tesco, Asda or Morrisons. Potential purchasers would be expected to undertake their own business intelligence—why should the bus industry be different?

Head-to-Head Competition

This is neither desirable nor commercially sustainable and almost inevitably leads to a reduction in evening and Sunday services as none of the competing operators can generate sufficient profit from daytime services to sustain marginal off-peak operations. Current examples of such practice include Burnley to Skipton (Pennine and TransDev Burnley & Pendle); Truro to St Agnes (First; Western Greyhound and Travel Cornwall); Nottingham to Long Eaton & New Sawley (Trent Barton and Premiere).

Routes with < 150 pax per hour cannot sustain more than 1 operator for a “waking hours” service; if Local Authorities have to support evening and Sunday services this is an additional cost to the taxpayer. In the examples above only Pennine operate a very limited evening service; only Western Greyhound operate evening and Sunday buses (Travel Cornwall now only operate Monday to Friday daytime); neither operator serves New Sawley after 1900 although Trent Barton actually serves other parts of Sawley and Long Eaton to Nottingham 24/7 commercially.

Quality Partnerships (QPs) and Franchises

QPs are the antithesis of on road competition but if they succeed in growing the market through stability and make daytime operations more profitable they can be a cost effective means to sustain evening and Sunday services and may actually encourage the development of additional daytime services to penetrate residential areas off the main route which are often neglected if competition breaks out on the main route.

Whilst franchises work well in London they have not succeeded in driving down costs (similar comments apply to rail franchises) and they are probably a step too far for non-London services without a substantial increase in bus subsidy (which is highly unlikely).

Local and Central Government Support

It is no coincidence that the best commercial bus networks exist in areas where either the NCTS reimbursement rate is realistic (at least 66%) or the LA supports a wide range of tendered services to plug
gaps in the commercial network and make bus travel a viable alternative to car ownership. Once a car is owned and the fixed costs of purchase, depreciation and insurance have been paid, its marginal costs are often less than bus fares especially if two or more people are travelling together. Therefore for the bus industry to have any future it needs to offer an attractive alternative to the car.

It is completely unacceptable that some LA's are effectively “washing their hands” of supporting bus services eg Northamptonshire; Cambridgeshire whilst others are making drastic cuts eg Somerset; North Yorkshire; Nottinghamshire. It is also unacceptable that many LA's have either ceased to provide comprehensive timetables or reduced their publication to the extent that many are out of date.

LA’s should be required to publish comprehensive printed area wide timetable books at least once a year (April to incorporate summer seasonal services) with updates each quarter. The cost of this could be partly offset against no longer providing an on-line service (current offerings are of mixed value) which should be offered by Traveline with central government funding; in practice the content of these books should be generated from the files created by Traveline at minimal cost to the LA.

Traveline should be reorganised so that it can be searched by County, Local Authority and National Park/AONB so that it is possible to access on-line all timetables for services within such regions. This will require initial work to group timetables into folders (cross—boundary services will appear in two or more folders) but ongoing maintenance will be routine (with peaks associated with the quarterly change dates so outsourcing may be appropriate) and logos should be created to designate recent changes and forthcoming changes to services—it should also be possible to offer registered users e-mail alerts of changes although adoption of quarterly change dates will make it easier for users to check for forthcoming changes.

The Traveline telephone service should have a national rate number rather than the 0871 number currently used which is very expensive to use from a mobile telephone.

All timetables should clearly show journeys which are supported by a LA and should also have a cross reference to parallel and overlapping services.

17 February 2012

Further written evidence from Dr John Disney, Nottingham Business School, Nottingham Trent University (LBS 15A)

Neither the Competition Commission Report nor Government Response make any reference to two important pricing mechanisms:

— Child fares.
— Non availability of tickets between operators under the same ownership.

I briefly consider both issues and recommend further investigation by the Committee.

CHILD FARES

These were traditionally available to children under 14 (long after the school leaving age was raised to 16) priced at half the adult fare although some operators offered a smaller discount. Free travel was usually available to those under three. In the 1980’s many municipal and NBC operators, often encouraged by local authorities, allowed free travel to under fives and extended child fares to under 16’s.

Since deregulation operators have been able to set their own fares (including child discounts) and many local authorities have introduced discounts to students under 19 in full time education with local passes. However recent budgetary constraints have led to some LA’s reducing or withdrawing local schemes and some operators have reduced child discounts to as low as 25% off adult fares with time restrictions (even when the children are accompanied) and have reduced the entitlement age to as low as 11 without ID/local passes. On the other hand some operators offer free off peak travel for children accompanied by an adult fare payer; however this can mean that grandparents with National Free Concessionary Passes have to pay unrealistically high fares for accompanying grandchildren.

It would be very helpful to have a National Minimum Standard for Child Fares; operators would of course be free to offer additional discounts or incentives to encourage more children to travel. I would suggest that the minimum standard should be free travel for under fives with half fare for children aged five to 16 at all times.

NON AVAILABILITY OF TICKETS BETWEEN OPERATORS UNDER THE SAME OWNERSHIP

It is now common practice in business for corporations to trade under several different brand names: this is particularly true in the retail apparel trade where competing stores on the same High Street are often in common ownership; similar practice exists in the hospitality industry. Certain sectors of the bus industry also apply this business approach and from a branding viewpoint it can be very successful especially if it enables profitable routes to have a strong brand image with high quality buses and infrastructure whilst allowing marginal and
tendered routes to be operated by older lower quality vehicles. It is also true that the latter can dilute the image of the higher quality operations if corporate branding is applied as some operators have now realised.

However the passenger can find themselves paying higher separate fares even on common sections of route, in some cases marketed as joint services. Passengers travelling between Matlock and Rowsley in Derbyshire have a choice of three hourly daytime services; two of them are entirely owned by the same group whilst the third is now operated by a new operation in which this group has a 50% share. There is no ticket interavailability; indeed the new operation has resulted in the issue of a complicated set of restrictions designed to discourage most people from using the bus at all. In other parts of Derbyshire buses owned by the same group wear similar branded liveries but have limited ticket interavailability; as the destination screens and displays at Derby Bus Station (controlled by the City Council) do not clearly differentiate between operators of specific journeys frequent debates ensue between drivers and passengers over ticketing especially with respect to Smart ticketing which is only available on the “high quality buses”.

In Hinckley, Leicestershire the creation of a new 50:50 operator to run local town services means that passengers wishing to use these services to feed into the “main line” service to Leicester operated by one of the shareholders (who used to also operate the town services) have to purchase two sets of tickets at a premium of around 40%. In some large University cities, “UniBus” branded services have been introduced with low student fares often operated by the same group as the dominant commercial operator whose tickets are often not available on them even though they are higher priced.

This situation is not universal across the country; although the same group has two distinct operations in parts of Dorset and Wiltshire, tickets are interavailable on common sections of route.

My recommendation would be that all paper tickets should be interavailable between services operated by the same group on common/overlapping sections of route with a target of interavailability of Smart ticketing within five years which should also permit network interavailability.

25 April 2012

Written evidence from the Save Our 6–7 Buses Campaign, Bath (LBS 16)

SUMMARY

Our local campaign in north east Bath, launched May 2010, is run by resident bus passengers. We marshalled more than 2,000 signatures on a petition to Bath and North East Somerset Council and held three large demonstrations when 60–80 people turned out, even on a frosty December morning. We have enormous backing by the local community and were voted “Campaign of the Year” by the local newspaper. Our campaign is not over. Although we have won two victories—the reinstating a misguided route change and improving a slashed 40 minute frequency instigated by First Group—unfortunately the recent council subsidy remains “contingency funding”. So our new 30-minute frequency in a densely populated, very hilly, urban area remains at risk.

We have seen damage by market forces which put profit before peoples’ needs, requiring a vociferous outcry to remedy. Where there is less capacity to organise, in other areas of Bath, the people suffer. Not everyone can take time out from pressured lives to campaign. Public transport is vital to quality of life, the economy and the environment. Such essential services should be more under government scrutiny and control.

QUESTIONS

1. Has the Competition Commission addressed the issues of most importance to the bus passenger?

No. Fares, frequency and poor evening service are the issues of most importance to the passengers we represent. In ten days, we had 225 questionnaires returned. We did not ask about fares, but this was one curt response: “Don’t use bus—too expensive.” Another said, “...the ticket prices are prohibitive for families—some of whom I know are now taking their cars into Bath as it’s cheaper.”

The following response is why the campaign cannot be laid down: “As a very elderly disabled pensioner, I am in a constant state of anxiety when going into town for the return journey:

— Will the bus come—I can’t stand & wait for the next one.
— Will I be able to get on it room-wise?
— When or where can I sit as I travel with a 3-wheeler walking aid and I am very limited that way. I never had this problem when the service was every 20 mins.”

Our campaign did not deal with the great concern over high fares, because we had to focus on immediate threats. But in most encounters with passengers prohibitive fares were mentioned. First Group has claimed punctuality is the foremost customer issue, and, to be fair, they have worked hard to improve that. But this is of much less concern to passengers when frequency is adequate.
2. How effective are the remedies proposed by the Competition Commission likely to prove?

Sadly, they are not likely to be effective enough, although it appears to have been a valiant attempt to make improvements. The current method of public transport provision is deeply flawed. So many people are left anxious, stranded, wasting precious hours, missing appointments, sometimes even forced to move due to poor transport, when it proves unprofitable to the bus company. This is no way to run what is still regarded as a public service.

3. Is sustained head-to-head competition feasible or desirable?

Our campaign team does not believe head-to-head competition will help. There are good reasons why it has not worked so far. Cutting the pie into smaller pieces does not help anyone. We feel what is needed are Quality Contracts where a degree of regulation is reclaimed.

Bus provision has declined steadily in our community since deregulation. When the opaque commercial company claims profitability is not sufficient, but will not divulge its figures to either public or the elected council, this forces the council and tax-payer to either subsidise or abandon service quality.

Increased competition is not the answer to our problems. We have seen where head-to-head competition eventually results in one company being forced out, leaving the bigger company a monopoly, reverting to lower frequencies and higher fares. Also, we want to be part of a fully integrated, coherent network where a return ticket is honoured and standards maintained.

4. What role should Quality Partnerships play?

Our council has tried to launch a Quality Partnership with First Group. We were present last year at a meeting of the West of England Partnership where a Quality Partnership agreement was being made and we witnessed the shock on the face of the leader of the negotiations, Cllr Charles Gerrish, when the First directors failed to accept the terms which had been agreed, stipulating that they must have the right to refuse anything with which they did not agree. They all hastily left the room to iron out the unexpected glitch, returning to shake hands with smiles, but under the changed conditions. Apparently a pilot is being conducted on one route only, in the Radstock area. In our view, this doesn’t change anything. Quality Contracts, rather than Quality Partnerships, are meant to be stronger, but more difficult to set up. Perhaps a way could be found to make this easier and more available?

5. Has the Competition Commission adequately considered the franchising option?

Because we are not professionals in this field, but ordinary residents, terms such as “franchising”, in this context, have required some research. I agree with Richard Hebditch of the Campaign for Better Transport, when he is quoted as saying the Commission’s report was “too focused on whether there is competition, not on whether passengers are being served well”. Franchising seems to be equivalent to Quality Contracts, which we understand would grant councils the power to set fares, routes and frequencies. This would be in our interest, so we support it. It should lead to a more service oriented, integrated system geared to the practical needs of passengers.

6. What action should local government and central government now take?

Can the genie be put back in the bottle? It was a central act of Parliament that deregulated bus services, so an act might be required to allow both central and local governments to exercise more authority. Recommendations by this inquiry could help lay the groundwork. Rescinding the cuts to BSOG would greatly help, because as long as profitability is the guiding principle, anything that reduces profitability, reduces service. Likewise, the subsidy for pensioners’ concession fares should be increased and ring-fenced as a tremendous boost to quality of service. As a result, local government could properly recompense the bus company and remove this stricture on bus provision. If government recognised the high priority in peoples’ lives that buses have, instead of regarding it as the Cinderella of transport, that would be of great benefit. MPs and councillors should start riding—and depending—on buses outside London. That would swiftly make an impact!

14 February 2012

4 Local Government Chronicle, 20 December 2011
Written evidence from Tyne and Wear Public Transport Users Group (Newcastle Branch) (LBS 17)

SUMMARY

The Competition Commission has only considered competition for competitions sake, not for the benefit of existing passengers, potential passengers, or for the environment, economy or social needs.

- In its analysis it totally underplays the effect on bus services caused by deregulation and privatisation in 1985–86. This has seen a reduction of passenger use of 45% in the PTE/ITA metropolitan areas.
- In its analysis and survey it has only consulted 122 non-users. In its qualitative study it only consulted bus passengers in 4 areas.

“Head to head” competition is short lived and unsustainable, and sucks resources from other parts of the network which are more in need of improvement. Experience in Tyne and Wear has shown that it produces a lowering of quality of service and inconsistency on services that already have a enough buses.

- The competition commission has expended a lot of effort in identifying the problems of the bus industry and then comes to the conclusion we want more of the same.
- Its remedies to make the “system” work better will not be that effective, whether for the purpose of encouraging more competition or providing a better service for passengers.
- While welcome, it’s recommendation on multi operator ticketing is nothing more than “re-inventing the wheel”. Tyne and Wear had a fully integrated ticket system for buses, metro, rail and ferries operating before 1985, which had to be abandoned because of deregulation.

The competition commission fails to look at Franchising/Quality contracts in any depth and could have investigated possibilities to develop them further and build on the 2008 Local Transport Act.

TWPTUG (Tyne and Wear Public Transport Users Group) suggests that Franchising/Quality contracts are a way forward and suggests making the legal/policy framework more flexible so that they can be more practical, and be easier to introduce with shorter “lead times”, therefore making it easier to “trial” and ascertain best practice. It also recommends that it should allow local authorities and community transport operators to bid for contracts.

TWPTUG questions why the problem identified continually by the travelling public and many others over the last 25 years remains unresolved, even though they know competition and de-regulation has not worked. It wonders why London has preferential treatment in this respect and its service continues to be regulated, well co-ordinated and integrated?

It recommends the government not to consider more “head to head” competition.

It strongly recommends that Quality Contracts and Franchising policies are developed and recommended as a way in moving towards a more integrated and co-ordinated service and to reduce the high profit margins of the large “cartel” operators.

It also makes other recommendations to improve then service network, such as service level minimums required by operators when registering services.

1. Has the Competition Commission addressed the issues of most importance to the bus passenger?

1.1 In reality, we have to ask, was the CC competition commission really concerned about the issues of passengers, as it notes in the Final Report (P12—Para 69), it notes that the LTA’s have a wider social & policy objectives. This seems to point out that it doesn’t really seem to think that these may be important in this report which is a grave omission considering this industry receives about 45% of it’s funding from the public purse!

1.2 As bus users in the North East of England, the issues that we feel are important are:-

- Buses going where you (we) need to get at times that are convenient (ie—network coverage) including evening and Sunday services which have been cut back drastically recently.
- Punctuality and Reliability with an easy to use customer feedback system when things go wrong.
- Affordable and Simple to use/understand fare system, using a flat fare system as in other European countries, Fares are a particular issue for young people and stressed out bus drivers who have to grapple with a multitude of different fares for different companies, ages, and counties!
- Information that is easy to find and understand.
- We also want to encourage more people to use buses to reduce congestion and pollution, the effects of climate change and make everywhere more accessible. We would also want to co-ordinate this with opportunities for other sustainable options such as walking and cycling.

1.3 While the CC’s qualitative study did identify some of these issues, we felt that it was somewhat limited as it only covered passengers in 4 areas:- Birmingham, Sheffield, Ilkley and Brighton, and that it only focussed mainly on passengers on core routes, and at certain times.
1.4 We would have expected a more in-depth look at why the large parts of the population who are non-bus-users don’t use them, but noticed that although 1,100 bus passengers were surveyed in the quantitative survey, we were saddened to see only 122 non-bus users were consulted (P39—Quantitative Survey Report).

1.5 Surely the aim of increasing usage is very important, to reduce traffic congestion, reduce air pollution and the effects of climate change as well as giving people improved access to services. In this, it would be particularly useful to find out why the large number of people who have deserted public transport in all areas have done so. In fact the CC seems to rather underplay the years of steep decline in passenger numbers (Final Report—P2—para 10). In the Tyne and Wear PTE/ITA area, there has been a loss of about 45% of all passengers since 1985. Over 20% of that was in the first 2 years when the integrated network was dismembered and the services deregulated and privatised on a few months. It is true that this decrease has slowed slightly in recent years, but this could be put down to considerably higher public funding of this private unregulated industry. This has included the introduction of the free concessionary bus pass and rural bus subsidy grants).

1.6 However, we note the factors of concern that might encourage non-users to consider the bus as being credible. They include some of the concerns of actual bus users, but in this case, the services/network locally don’t meet the needs of those particular people and therefore making them non-bus-users. High on the list again was buses going more places/widening of the network (we have appended this table at the foot of this submission—Quantitative Findings Report—Table 9—P39).

2. How effective are the remedies proposed by the Competition Commission likely to prove?

2.1 Most of the remedies proposed by CC will only have a slight effect on the current situation at all, not only in respect of the needs of the travelling public, but also in its own misguided aim of having more “head to head” competition.

2.2 Most of the issues raised above can only be addressed by a more integrated and co-ordinated approach to public transport planning and operation, similar to the integrated network that we had in Tyne & Wear previous to 1985. GO North East has just recently starting to trial a “Smartcard” similar to the London “oyster” card on some services, however, before 1985, Tyne and Wear had fully integrated ticketing. Why all this hard work to “re-invent the wheel”!

2.3 While multi operator ticketing (Exec summary—Para 64A) will be of some benefit and can be welcomed, it is unlikely to do much else to address the main problems identified.

2.4 As for extending registration notice times for bus services from 56 days to 90 days (Para 64b), this might slightly reduce the amount of timetable changes and reduce confusion for passengers, but it will only delay slightly the AEC (adverse effects of competition), it will probably only result in the larger incumbent operator coming back with a “bigger hammer” of even more buses to crush the opposition 44 days later, obviously upset at the inconvenience caused to it by a minor irritation.

2.5 Para 65 suggests that tenders being issued by LTA’s to contract for loss making services should encourage more competition, even though CC admits this part is working well. This should not be done at the risk of lowering standards and quality.

3. Is sustained head-to head competition feasible or desirable?

3.1 No! Most people that have experienced this form of competition, as the CC has identified (Exec Summary P1), know that it is short lived and unsustainable. In fact it is no more desirable than the “cartel” system that sees most of the market share held by 5 main large operators. Here in the North east we have experienced a number of “bus wars”, and in nearly all cases, these operated on already frequently operate bus routes, they did not serve areas where better services might have been required, and sometimes didn’t provide evening or Sunday services. Fares came down for a while, but went back up after the “war” had finished. It resulted in more “shabby” buses being used (in one instance, a wheel fell of a bus in Newcastle City centre!?).

3.2 In addition although the CC suggests “tinkering” around with some of the problems that will be caused by more “head to head”, (eg—bus station management and quality partnerships), how will authorities be able to plan ahead with future plans, not only for the design of infrastructure, but also for wider town planning aspects. We have noticed (Worcester Case Study) how much of a problem this has caused the City Bus Station, and the hours of wrangling between operators, site owners and the council. There were constant changes to the amount of buses coming in, the size of buses etc. How does one plan?. It is interesting to notice in that study how much time Worcester County Council has invested in trying to encourage public transport, although recently, since the report, has had to cut all evening bus services in the city (pop 94,000) after 8pm Sunday to Thursday. Not much use if you’re a shift worker at the hospital or one of the outlying industrial estates. How can local authorities plan for this!!

3.3 If anything this has had the effect of wasting resources and sucking them out of other parts of the network, and provides no consistency whatsoever. It doesn’t lead to better quality, long term lower fares, strengthen the network, and means constantly changing timetables.

3.4 Why does the CC still want to fix the “broken wheel” of competition with more of the same?
4. What role should Quality Partnerships play?

4.1 This is probably only effective in the short term, as it only requires the operators to provide quality things such as modern accessible buses, driver training, which should become the norm anyway, and it has nothing to do with setting service levels, fares or network coverage, in return for the local authority providing bus stops, waiting areas and bus priority lanes, although continued introduction of these should be supported.

5. Has the Competition Commission adequately considered the franchising option?

5.1 No. I don’t understand why this is something that the CC dismisses that ITA’s who might have other social objectives might want to consider. You would consider that the failures identified in it’s report of unregulated competition would have lead it to look more closely and at the option of “Franchising” and “QCS Quality Contracts”, especially as it identifies the one part of the bus market working well is the tendering of contracts for supported local bus services (Exec Summary para 6), contracting of all bus services is still carried out in London who have continued to see growth in bus passengers of 80% since 1985. If we are to stay with this largely private bus system, then lets use the one way that will encourage healthy competition but cut down on excessive profits. Over 7 or 8 different companies have gained contracts in London for network provision, mainly large operators but including some community transport operators.

5.2 Because operators bid for a network or group of routes which not only cover the more profitable ones, but also some uneconomical ones and at off peak times, this is away of making sure the large operators compete on an “even playing field”, and therefore have to bring their margins down. Obviously there needs to be a range of contract sizes to make sure that all operators that meet the quality criteria can bid.

5.3 Franchising/QCS are also one way of delivering service stability, a network wide fare system, including one for young people/children etc.

5.4 What is needed is for us to build on the 2008 Local Transport Act that introduced them as an option. The system for introducing QCS required by the act is very complicated and lengthy, it quite rightly has to meet public benefit criteria, but it also has to go through a government enquiry. It maybe needs to be more flexible. The lead time for one proposed in Tyne and Wear would be 3 years, so this therefore prohibits planning one purely for a smaller area to “trial the system”, and for maybe more shire/rural authorities to focus them on a particular area which are receiving a poor service from local operators.

6. What action should local government and central government now take?

6.1 We hope the government will realise that the operation of public transport should meet the needs of the public rather than the needs of competition.

6.2 We believe the government and local authorities should start to bring public transport back into local public ownership and operation. Short of doing this it is should start to develop the Franchising/QCS Quality Contracts option, and build on the 2008 Local transport act.

6.3 It is interesting to note that the Worcestershire County Council Fleet (bus) services has been successful in bidding for a fair proportion of the contracts tendered by the LTA. Obviously, from the Worcester Case Study we can see that the LTA is keen to encourage competition, but has found it’s own in house operation useful in keeping costs down. Interestingly, the CC hardly mentions in the report or the 20 page case study!? It maybe needs to be more flexible. The lead time for one proposed in Tyne and Wear would be 3 years, so this therefore prohibits planning one purely for a smaller area to “trial the system”, and for maybe more shire/rural authorities to focus them on a particular area which are receiving a poor service from local operators.

6.4 Within Franchising/QCS it should consider:

— Reducing streamlining the legal framework and making the system more flexible, so that this model can be easier to introduce for smaller and possibly “trial areas”, to ascertain best practice?
— Should make it possible for local authority operators and community transport operators to bid.
— Allow some in-built scope for innovation by those operators who have gone someway to improving services in some areas.

6.5 Bring in flat fares (and regulated maximum fares for longer distance services). As the competition commission has extensively researched the bus operations and it’s profit margins (Exec Summary—Para 7—adverse effects of competition costing consumers and taxpayers £115–£305 million per year), it must be now relatively easy to calculate these!?

6.6 Minimum Service Levels for bus service registrations. When franchising/QCS isn’t an option require operators who wish to operate a higher frequency service (and therefore must be profitable) to provide a minimum level of service in the evening and Sundays. There are many cases where operators provide such a service at every 15 or even every 10 minutes in the day, to stop other operators getting in, but don’t provide any evening service. This is happening in many places, including quite large urban areas (e.g. Hartlepool and Worcester) where LTA’s can no longer afford to fund this, why should they when the operator is making so much profit on the daytime service?!

6.7 Increase Drivers Wages and Quality training. For what is a very stressful job, and hardly ever discussed.

6.8 Cancel the Planned Reduction of BSOG (Fuel Duty rebate).
6.9 Deal with Mismatch between Capital and Revenue funding. There are many cases of this where there seems to be large investment in one project roughly at the same time that revenue services are cut. Or bus stations have been built without any thought to staffing of facilities. In Tyne and Wear brand new bus stations often have no one on duty, and toilets either locked or non-existent. We have mentioned above where LTA’s have spent money encouraging bus passenger with investment in infrastructure and then services are cut. Voluntary Partnerships do little to help this in anything but short term. Cambridgeshire has just opened it’s fantastic £multimillion guided busway between Huntingdon and Cambridge, however, it has carried out drastic cuts to it’s supported bus network. Although this service operates every 5 to 10 minutes on Weekdays, it only operates every hour on Sundays and this finishes at 5.30 pm.

APPENDIX

TABLE FROM COMPETITION COMMISSIONS QUANTITATIVE SURVEY REPORT

9. Factors Which Might Encourage Non-Users to Consider the Bus

<table>
<thead>
<tr>
<th>(% saying use the bus more often—top 2 box)</th>
<th>Competitive</th>
<th>Non-competitive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buses go to more places where I want to go</td>
<td>58</td>
<td>49</td>
</tr>
<tr>
<td>Lower bus fares</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>Buses on time more regularly</td>
<td>47</td>
<td>32</td>
</tr>
<tr>
<td>Lower availability of parking</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>More frequent bus services</td>
<td>43</td>
<td>32</td>
</tr>
<tr>
<td>Buses run for longer hours</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Higher parking charges</td>
<td>35</td>
<td>31</td>
</tr>
<tr>
<td>Higher fuel prices</td>
<td>33</td>
<td>32</td>
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<tr>
<td>More congestion for car users—bus priority measures</td>
<td>30</td>
<td>21</td>
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<tr>
<td>Cleaner buses</td>
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</table>

14 February 2012

Further written evidence from Tyne and Wear Public Transport Users Group (Newcastle Branch) (LBS 17A)

SUMMARY

TWPTUG (Tyne and Wear Public transport Group) has noted the Governments response to the Competition Commissions report and is disappointed that it merely endorses the recommendations of the commission, which as TWPTUG points out in our initial written submission to the Transport Select Committee (14 February 2012) has only considered competition for competitions sake..

TWPTUG notes in the governments response that it rightly sees (para 20 in it’s response): “bus services are key contributors to both of the governments transport priorities—cutting carbon and creating growth, they provide access to work, education, healthcare and social activities”, something which TWPTUG would whole heartedly agree with. It therefore questions why it wants to continue with “the broken wheel of deregulation and competition” when it has proven to work completely against the governments stated aims above?

We have outlined in our initial submission, (Section 3—14 February 2012) how competition has had the effect of wasting resources on running too many buses with empty seats, and emitting too much carbon, on main routes and sucking resources out of other parts of the network and at other times such as evenings and Sundays. Access to the key places that the Government identifies above, are essential at those times, eg the limited number of work opportunities that are now available to “out of work” jobseekers are often low paid and require working unsociable hours, therefore it is paramount that a system that cuts this waste is implemented to provide these links. If the government wants to provide, as it suggests, access to key facilities, it will have to co-ordinate and regulate the industry better.

As the Competition Commission points out, the privatised/unregulated industry has either operated in a “cartel” type way, interspersed with limited unsustainable spells of “head to head” competition, this has resulted in a financial loss of between £115 and £305 million to passengers and taxpayers. Neither has been very desirable, and the core network would not be as healthy as it is with regards to profits without considerable taxpayers input!

Therefore, although TWPTUG’s earlier submission and recommendations stand, we would take this opportunity to briefly highlight further evidence and possible solutions that the government/DFT should take.

CASE STUDY: CROOK TO BISHOP AUCKLAND VIA HOWDON-LE-WEAR (COUNTY DURHAM)

TWPTUG would like to draw attention to an example of the adverse effects of competition that has happened just recently in the North east, on a rural route between the towns of Bishop Auckland and Crook. Originally
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three buses an hour on Monday to Saturday daytimes served this route, Go Ahead has recently introduced a new half hourly service in direct competition with the regular operators Arriva & Weardale Motor services; therefore Arriva have introduced another new service providing an extra two journeys per hour. This now means there are seven buses an hour in each direction, but only up until 6pm in the week and not on Sundays. At these other times, there is only one bus an hour, but this is provided on subsidy by the Durham County Council with a very limited budget. Not only this, close by, many evening and Sunday services have been axed to places with reasonable sized populations due to budget cutbacks by the local authority. This included points served by some of the services on this route. For instance the Weardale motor services 101 continued past Crook to Frosterley, Wolsingham & Stanhope, and service 1/1A continued on to the town of Tow Law. These places no longer have evening & Sunday services! How can so much money and fuel be wasted on a route that doesn’t need seven buses an hour, when people in many places can’t reach key facilities and jobs outside of these “core” hours. If these commercial operators can provide all these journeys on one route, how can they not serve their customers at other times of the day?

Therefore, to deal with this problem, TWPTUG believes that the government should start to build on its observations re tendering for loss making services (para 6 in the CC summary), and build on the 2008 Local transport acts provision for QCS Quality Contracts/Franchising. In addition it should also further strengthen the “bus service registration” system.

It notes that the CC contradicts itself in its conclusions on tendering for contracts of supported services, in para 6 it states that: “we found that, in most cases, the markets for the tendering of contracts for supported local bus service worked well.” But later in para 59 it states: “We found that competition in the market for the tendering of supported local bus services is prevented, restricted or distorted because the number of operators bidding…. Is limited…”

We also believe the tender system works well where it is required, and therefore surely this mechanism should be used to co-ordinate the wider network. Therefore the government should consider our comments from Section 5 of our earlier submission on QCS Quality Contracts/franchising:

Because operators bid for a network or group of routes which not only cover the more profitable ones, but also some uneconomical ones and at off peak times, this is a way of making sure the large operators compete on an “even playing field”, and therefore have to bring their margins down. Obviously there needs to be a range of contract sizes to make sure that all operators that meet the quality criteria can bid.

The system for introducing QCS required by the act is very complicated and lengthy, it quite rightly has to meet public benefit criteria, but it also has to go through a government enquiry. It maybe needs to be more flexible. The lead time for one proposed in Tyne and Wear would be three years, so this therefore prohibits planning one purely for a smaller area to “trial the system”, and for maybe more shire/rural authorities to focus them on a particular area which are receiving a poor service from local operators.

Therefore, in para 6.4 we recommend within Franchising/QCS, that it should consider:

— streamlining the legal framework and making the system more flexible, so that this model can be easier to introduce for smaller and possibly “trial areas”, to ascertain best practice?
— make it possible for local authority operators and community transport operators to bid; and
— allow some in-built scope for innovation by those operators who have gone someway to improving services in some areas.

With regard to the criteria to register bus services, TWPTUG also believes that resources would be better used, if the following recommendation is acted on (para 6.6 in our earlier submission):

MINIMUM SERVICE LEVELS FOR BUS SERVICE REGISTRATIONS

When franchising/QCS isn’t an option require operators who wish to operate a higher frequency service (and therefore must be profitable) to provide a minimum level of service in the evening and Sundays. There are many cases where operators provide such a service at every 15 or even every ten minutes in the day, to stop other operators getting in, but don’t provide any evening service. This is happening in many places, including quite large urban areas (eg Hartlepool and Worcester) where LTA’s can no longer afford to fund out of hours services, why should they when the operator is making so much profit on the daytime service?!

TWPTUG’s comments on multi operator ticketing and extended service registration notification times are in our earlier submission. They are welcomed as being of some benefit to passengers, but largely ineffectual in dealing with the main problems of the system.

25 April 2012
Written evidence from Mr John Fisher (LBS 20)

1. I do not think the Commission understand the bus services enough when they talk of competition. No one is against competition but when it is a bus operator who registers a route on part of a present route it endangers the profitability of the whole route. For instance First Eastern Counties run a route between Peterborough and Lowestoft on which two companies have registered services along two sections of the route which are the most profitable thereby possibly endangering the whole route.

2. This has in fact happened in South Yorkshire where a company was operating a service between Huddersfield and Barnsley via Scissett, Clayton West and Kexborough. Two companies registered competing services between Huddersfield and Clayton West and Kexborough and Barnsley, the two profitable sections of the route. The outcome is that there is now no service between Clayton West and Kexborough.

3. Another situation that has arising with the tendering process is that in some cases the company holding the tender lose it at the next round of tendering but then register the route commercially and the local authority withdraw the tender. The cost of this tender process is borne by the taxpayer so surely a company that acts in this way should have to pay some penalty. A report from Norfolk County Council contained in the Competition Commission report highlights a case in their tendering process. A similar case was in Devon where the Quantock bus company registered a route commercially after losing the tender to another company. Surely it should be questioned why a bus company is tendering for taxpayers money to operate a route if they can operate it commercially.

4. Another case of what I consider misuse of taxpayers money and tendering is highlighted by the company Norfolk Green who operated the Sunday service on route 505 from Spalding to Kings Lynn on a tender from the county council but have continued to operate this service after funding was withdrawn last year and are in fact to increase the service. The question that needs to be asked is for how long have they not needed taxpayers money to operate this service.

14 February 2012

Written evidence from Mr and Mrs Wilkes (LBS 21)

1. Introduction

1. My name is Raymond Wilkes. My wife, Jacqueline, and I live in Shipley, West Yorkshire. We are members of Bus Users UK and West Yorkshire Campaign for Better Transport. The following are our personal views, influenced by these organisations and others.

2. We are members of Dalesbus www.dalesbus.org which has a “hands on” record of providing public transport. We are also members of Bradford CHA walking club www.bradfordwalking.org which provides coach and public transport rambles for Bradford walkers. Being in Dalesbus and Bradford CHA gives considerable insight about a bus company’s perspective and we are used to negotiating win-win situations.

2. The importance of local bus services

3. The next three paragraphs partly reiterate some points made in a previous submission.

4. We do not drive so we are totally dependent on public transport: buses and trains. As we are both keen hikers who like to get to remote places we are very aware of rural transport problems. We travel extensively throughout the UK mostly to go hiking but also to visit friends and cultural events.

5. We are environmentalists; we are concerned about air pollution, loss of built and rural environments to road building, and road casualties. We believe the UK must become much less oil dependent if our economy is going to survive rapidly escalating oil prices and the risk of disruption due to natural and political events. Road casualties soak up 2% of GDP. Air pollution is a major health risk and costs the NHS dear. Buses are the only practical option for reducing the severe economic costs and the inconvenience of urban traffic congestion.

6. We think buses are seriously undervalued: twice as many people travel on buses every day as travel by train and Underground combined, and nearly four times as many trips are made by local bus as by national rail services alone. [DfT 5,160 million annual trips on local bus, 1,354 million rail, 1,107 million Underground]. Many decision makers do not seem to realise this and act as if buses are just for the rump of non-car owners. In fact, about half of all bus users have access to a car. Bus travel supports retail businesses, tourism and travel to work. Bus services directly reduce congestion, air pollution and road casualties. Bus companies are major employers and purchasers. However, air, train and car travellers appear to get much more official support than bus users.

7. Air and train passengers pay no fuel tax but bus passengers have to pay fuel duty. This is clearly unfair.

3. Preamble: The relationship between bus operator and its customers is not a zero-sum game

8. Although the Competition Commission and the Integrated Transport Authorities have come to different conclusions about the future of the bus industry, they both seem to start from the same basic fallacy. It is
assumed that any benefit to the bus operator is at the expense of the customer and vice versa. In fact only 1.5 pence in every pound of customer fares goes to shareholders and in return the shareholders provide cheap capital for bus company investment. The vast majority of the bus operators operating profits are reinvested in the company providing better driver training, newer buses and better marketing and publicity. It is in the interest of customers that profits are high. When profits are low the companies cut services, increase fares and, crucially, cut investment. When profits are high as in the case of, for instance, Yorkshire Coastliner, the services are operated with new buses. When the buses are two to three years old, still nearly new they are passed on to other companies within the group so that customers of these companies also get good buses. Yorkshire Coastliner’s publicity is of an excellent quality, attracting people into using the services and thus stabilising the quality of the network.

9. The key way of improving bus efficiency, releasing resources for improvements, is through bus priority and demand management. This would allow buses to be in a virtuous circle of rising patronage which would allow improved networks and would help to contain fares increases. Unfortunately, due to pressures on the price of oil we face fares increases for the foreseeable future.

4. Has the Competition Commission addressed the issues of most importance to the bus passenger?

10. The Competition Commission appears to have completely neglected the most important thing for a bus passenger which is punctuality and reliability. These are highly dependent on bus priority and demand management. Paradoxically, given their stance on competition, the Competition Commission’s failure to encourage bus priority is odd, as bus priority increases profits and therefore increases the likelihood of competition. Many routes which should be profitable are so damaged by congestion that they barely support one operator, let alone two!

5. How effective are the remedies proposed by the Competition Commission likely to prove?

11. We believe that the remedies are mostly unhelpful to bus passengers. Their remedies would add to bus companies’ costs which would have to be passed onto passengers fares or paid for by cuts in services.

6. Is sustained head-to-head competition feasible or desirable?

12. We are perplexed by the Competition Commission’s attitude to buses. They seem to believe that every route should have competition between several bus companies. We personally think this would be a disaster for bus users. It is true that in big cities with good bus priority the bus market may be big enough to support direct route on route competition. The best example is Oxford, and there are certainly other bus corridors where competition like this brings frequent services and lower fares for bus users. However, in Oxford, the local authority has found it necessary to use their transport powers to moderate competition as there were too many buses for Oxford’s roadspace. Unfortunately, most bus markets are not strong enough to support this kind of competition; particularly as heavy traffic congestion undermines patronage and increases bus operational costs. In these circumstances, off-peak services get cut and older buses are used if there is too much competition.

13. The Competition Commission seems to miss the crucially important point that every so called monopoly route is contestable. The fact that another operator might move in is an important competitive constraint on the incumbent operator’s behaviour. The Competition Commission also seems to miss the even more important point that the vast majority of consumers have a choice other than to travel by bus. I am fortunate in that my local bus company, Keighley and District, is very good and I have no worries about using them. However, on rare occasions when we have been in places where we’re less than satisfied with the bus company, we can take direct action by walking reasonable distances or using a taxi. Most people have an even greater choice than we do, because they have a car or can ride a bicycle. Half of all bus users have access to a car.

14. The bus industry is highly geared. Each extra passenger’s fare goes straight on the bottom line because it does not cost any extra to carry an extra passenger. Consequently most bus companies are acutely aware of the need not to drive their passengers onto alternative modes such as cars or taxis. It is true that some customers are captive to the bus company but they are such a tiny number that no bus company could stay in business without attracting and keeping many extra optional customers. In the past, bus companies have not been particularly good at this but across the nation we see that most companies are now much better and still improving.

15. It is bizarre that after years of the Office of Fair Trading trying to prevent bus companies working together by coordinating timetables or having joint ticketing, the Competition Commission is now proposing that joint ticketing should be compulsory. We do not agree, and we hope you will resist the suggestion. Joint ticketing is good for passengers but it is expensive to provide. It is much better to encourage operators to bring in joint ticketing without compulsion; so that they should have the option of not doing so if they think that on balance it will be worse for the economics of their bus network. We do not want a wonderful joint ticketing system if it means extensive cuts to bus services!

16. The Competition Commission seem to have ignored the evidence that major bus companies compete fiercely whenever the opportunity arises. There is or has been extensive fierce competition in Leicester, Devon,
Somerset, South Yorkshire, York and Chester. Smaller companies have taken on the big operators in Carlisle, Devon and Cornwall, Somerset, York, Norfolk and less spectacularly in most counties. The Competition Commission seem to expect competition in places where it would be commercially suicidal!

7. What role should Quality Partnerships play?

17. Quality Partnerships are the key way forward if the local authority wishes to reduce congestion and its adverse economic effects on the local community. It would only take a switch by about 10% of motorists away from car commuting in particular to dramatically reduce congestion. The economic costs of congestion are huge. Congestion also delays emergency vehicles and council vehicles, adding to taxpayer costs, something local authorities should address.

18. There are many good examples of Quality Partnerships including Brighton, Nottingham, Hull, Oxford, Cambridge and others too numerous to mention.

8. Has the Competition Commission adequately considered the franchising option?

19. We believe that if they had considered franchising more thoroughly they would have absolutely rejected it completely. The London franchising system costs £700 million per year, which is £7 billion over 10 years. The London system is praised by the integrated transport authorities when in fact the £7 billion per decade could be seen as a deplorable and disgraceful waste. If London had a deregulated system, the £700 million per annum could provide a new light rapid transit system every year for one of our great British cities. We do not think that LRT should be the priority at a time of austerity but the point illustrates the massive waste involved with franchising. Anything a tram can do a bus in a bus lane can do much cheaper.

20. Franchising and Quality Contracts are a real threat to people living in the Metropolitan districts. These districts cannot afford the huge sums of money which London affords. At least three integrated transport authorities are considering an underfunded franchise scheme which would mean older buses and lower quality operators for most of the bus network.

21. In West Yorkshire we know what kind of operators would be appointed under a Quality Contract system as we see what kind of operators get Metro tenders at present. We see examples of bad drivers, non-uniformed drivers, drivers who do not understand the purpose of bus stops or where the route goes, smoking drivers, high floor buses on hospital services, dirty buses etc. Some look as though they should not be on the road. Some of the low cost companies cannot afford enough back up vehicles or repair facilities leading to the wrong kinds of vehicles being allocated to routes. Their drivers are demotivated by low wages.

22. By contrast the commercial deregulated sector has given us newer low floor clean buses, better pollution control, smart, polite drivers trained to the Institute of Advanced Motorist (Fleet) standard http://www.iamdriveandsurvive.co.uk , customer care training and thorough route knowledge. These improvements are the results of the reinvestment of the main companies’ much criticised profits over the years and Metro’s response is to increasingly exclude the better companies from Metro contracts in favour of operators whose finances are too weak to provide the required quality—indeed their presence on the road brings the industry and its image into disrepute.

23. It is almost inevitable that the local authorities would lose control of the bus network finances. There would be a reluctance to impose any necessary fare increases, (due for instance to fuel price escalation) as they could not be blamed on the bus companies (as at present), but would reflect on the politicians who have promised stable fares as being consequent on Quality Contracts. It would be inevitable that there would be a threat of increases to council tax to avoid cuts to other local vital services.

24. Fares income would also drop as vehicle and driver quality dropped and many customers would switch back to cars or walk. This would create more financial problems.

25. The impetus behind Quality Contracts is in part ideological and in part wishful thinking, both guided by financial illiteracy. We believe the Transport Select Committee would come to this conclusion as we have if they looked dispassionately at the facts in the same level of detail. However, the Quality Contracts campaign has been advanced with consummate public relations brilliance so it takes a steely and forensic determination to identify the absence of economic reality behind the campaign.

26. However, we welcome the fact that the Competition Commission is not positive about quality contracts. Peter Hendy, who operates the London franchising system, must be assumed to be an expert on the matter. He is very clear that franchising is only good thing if a very substantial amount of public money is available to pay for franchising. Otherwise he believes that the present deregulated system is better. We hope you will be able to talk to him about this. In West Yorkshire where we live, Metro, the local Integrated Transport Authority, will not properly cooperate with the bus companies on Quality Partnerships because Metro is absolutely determined to have quality contracts. It is very clear that Metro does not have the funding to run a good quality contract system and on the basis of their tendered network they do not appear to have the expertise. We think it will be very useful if the government would scrap the possibility of Quality Contracts so that Metro would have to concentrate on Quality Partnerships. This would be a very great service to bus users and to council
taxpayers. The Integrated Transport Authorities are hugely inefficient and overstuffed bureaucracies and they need cutting down to size. Getting rid of the possibility of Quality Contracts would be a good first step.

27. Extract Peter Hendy

**Peter Hendy Interviewed by Meera Rambisoon.**

from “Coach and Bus Week” issue 1004, 21 September 2011.

**Question:** Buses in London and Ridership figures have seen huge transformation. Do you advocate a regulated approach for the rest of England?

**Answer:** the only reason regulation in London is successful is because we have the money to buy what London needs. The mayor-both mayors have seen the necessity of that in London’s conditions. If other places in the UK want to benefit from regulation than they need the money to buy the services they want. Otherwise, there is no point. And if there is not any money, then this form of regulation isn’t appropriate. The traffic commissioners are very effective regulators and can economically police a deregulated industry, and in fact deserve more support the doing it so well with so few resources and support.

**Question:** what are your views on the state of the bus industry outside London and what does the future hold for it when the swathes of courts-due to get worse-kick in?

**Answer:** the bus industry outside London is remarkably resilient considering the minimal subsidy it gets. Some of the operators are very good; some less so. I wish the traffic commissioners had more resource to pursue the bottom end of the industry-either operators who shouldn’t be operating at all or ones who aren’t reliable. I think more money and resource put into this, by VOSA and DfT, would be a very good thing. The traffic commissioners deserve support from the whole industry and from government too.

9. What action should local government and central government now take?

28. Central Government and Local Government should recognise that the required expertise for running the bus industry rests with its own highly professional operators who are mostly doing a very good job in very difficult circumstances. We have good city services, perhaps not quite as good as some highly subsidised continental cities; however, unlike most continental countries we also have a good interurban network as well as a significant rural network. The bus industry is under pressure from regulation, fuel costs, labour costs and especially congestion, along with a political and media culture which falsely believes that buses are for the residue of society when in fact it is the omnibus used by everyone in all social classes.

29. The bus industry is working and does not need fixing. Its contribution to society is very important and the industry deserves more recognition and deserves more support for doing it so well.

30. Minimum standards of financial security, depot facilities and professional competence should be strictly enforced to keep poor quality operators out of the industry.

31. Franchising and Quality Contracts should be ruled completely out and the option removed from local authorities. There are dangers from greatly increased costs due to extra bureaucracy and the increased legal costs of EU-compliant tendered networks. Political issues over unpopular fares increases and service changes which are needed from time to time to keep the finances viable will lead to out of control budgets. The results would be swathes of cuts comparable to the time just before buses were deregulated. During the last decade of regulated buses patronage fell more steeply than anytime since.

32. Instead, the emphasis should be on Quality Partnerships. The government should encourage congestion reduction as the main priority of improved local transport policy. Reducing congestion would enhance the economic efficiency of transport-dependent industries and retailers; it would reduce pollution and road traffic accidents. People who switched from car commuting to bus commuting would save about £1,500 per annum. If 10,000 people switched that would be an extra £15 million available to spend in the local communities.

33. Helping bus operators to reduce costs would enable them to increase the size of the commercial networks. Only commercial networks are safe from the Treasury and Local Government cuts which are going to dominate the next decade.

34. National and local government should also recognise that underpayment of concessionary reimbursement is a major threat to the quality of bus services.

*15 February 2012*
Written evidence from Nexus, Tyne & Wear Passenger Transport Executive (LBS 22)

Nexus, the Tyne and Wear PTE, has provided comprehensive responses to both the provisional and final remedies reports proposed by the Competition Commission, and to the addendum to provisional findings—geographic market segregation and operator conduct.

Has the Competition Commission addressed the issues of most importance to the bus passenger?

No—we believe that the CC has missed a fundamental point: what bus passengers want. In all our years of talking to bus passengers (and potential bus passengers) in Tyne and Wear, we have yet to receive any feedback saying that they are concerned that there are too few bus operators.

What passengers do say is that they want a punctual, frequent and reliable service; a stable route network that covers the destinations they need to travel to, when they need to get there; better information; and simple and affordable ticketing choices. We supplied the CC with some recent market research that emphasised these areas.

Clearly the CC’s role is to investigate whether companies are competing effectively to the benefit of the customer. It was therefore disappointing to see that, having concluded that the market was failing in this regard, the CC then moved straight into considering ways to increase head-to-head competition without apparently stopping to consider whether head-to-head competition is good for passengers. Even if the proposed remedies are effective in promoting greater on-street competition (and we do not believe they will be), it is hard to see how that will improve matters for bus passengers.

How effective are the remedies proposed by the CC likely to prove?

We believe that the package of measures proposed by the CC will have only a marginal effect, if any, on the consumer detriment they identified. Indeed in some aspects we consider that they could be counter-productive.

Arguably the most customer-friendly of the CC’s remedies is in the area of multi-operator ticketing. However Tyne and Wear has a long-standing, well-regarded and relatively well used multi-operator ticketing scheme, open to all public transport operators. Despite this the local market is so concentrated that almost all commercial services are in the hands of just three large operators. And as very clearly demonstrated in the Addendum covering the conduct of bus operators in the North East, each of those operators largely works within a defined “territory” and competitive incursions into rivals’ patches are rarely launched. Although the multi-operator ticketing remedy is likely to be welcomed in parts of the UK where no scheme currently exists, the evidence from Tyne and Wear suggests that it will have little or no effect in encouraging new market entrants. Our experience is because operators have ultimate control of pricing of the multi-operator product it invariably attracts a significant premium over industry and operator products and hence, is not particularly attractive to many users. The multi-operator ticket range in Tyne and Wear has seen continuous decline over the last six years with an 11% decline in 2011.

The remainder of the CC’s remedies are largely focused on limiting incumbent operators’ ability to respond aggressively to new competition. This seems at odds with the CC’s approach of wanting to promote the benefits of competition; if the incumbent cannot lower its fares or increase its frequencies it is hard to see how customers will benefit.

Is sustained head-to-head competition feasible and desirable?

No. Head-to-head competition confuses passengers and destabilises markets. Existing and potential bus passengers find it confusing and hard to accept that when they buy a bus ticket to get them from A to B, it is in fact not accepted on all bus services that travel between A and B. Head-to-head competition leads to frequent service changes, with timetables and frequencies that ebb and flow depending on where the competition is focused at any given point (by way of example Howden le Wear, a small village in Durham, earlier this year unexpectedly found itself the beneficiary of 12 services each hour—an increase of eight—as a result of an incursion by Go North East into the territory of Arriva. The bus services involved all use the number 1: 1, 1B, OK1 and X1). Whilst short-term competitive frequency increases may be beneficial to some customers, they are rarely sustained over the longer term. Maintaining a consistent message to customers about public transport services, backed by reliable information, can be difficult under these circumstances.

The CC’s Addendum examining operator conduct in the North East suggests that locally, recent incidents of head-to-head competition have been focused on retaliating against incursions by one operator into another’s established territory. The evidence contained in the Addendum demonstrated little, if any, interest in improving services for customers as a product of head-to-head competition.

What role should Quality Partnerships play?

We are concerned that the CC has missed the point about Voluntary Partnership Agreements and Quality Partnership. A Local Transport Authority’s (LTA) objective in a partnership agreement is almost always to introduce a form of “regulation” in the market by setting minimum quality standards, providing better integration between existing operators, and introducing route and price stability—all to the benefit of customers.
Some aspects of this “regulation” could in theory have the effect of making it harder for a new operator, who cannot meet the standards set by the “regulation”, to enter the local market.

In a partnership the LTA is required to demonstrate that the benefit to the public (arising from the “regulation”) outweighs any detrimental effects that might occur from competition being limited or restricted by the partnership. The Local Transport Act 2008 introduced bus specific competition tests in order to achieve this balance.

Operators will naturally be looking to grow revenue and/or increase profitability in return for accepting the “regulation” proposed in the partnership. For example, as shown in the North East Addendum, at least one local operator considered that a Nexus-endorsed partnership scheme might help to cement its position within its territory and protect it from new market entrants.

The CC’s response to this is to introduce the notion of “competitive partnerships” where, somewhat oddly, it recommends that one of the aims of a partnership should be to promote the entry of new competitors into the market. This seems unlikely to make for a very attractive partnership proposition when it has the potential to undermine both the LTA’s objective of better services and the operator’s objective of better profitability.

We believe that monopolies in the local bus market are inevitable because of its very nature, as explored by the CC at great length in its findings. Although we welcome new competitors to the Tyne and Wear bus market, it has been many years since a significant new player actually did enter the market. It remains the case that 99% of commercial services in Tyne and Wear are operated by just three large operators, and we submitted evidence to show that only 16% of routes actually experience competition even among those three.

It is therefore our objective to seek to regulate the local bus market in order to protect local consumers from the detrimental effects of monopolistic behaviour, and to improve the quality of services for them. Partnership Schemes have the potential to be a powerful tool in achieving this, and we are concerned that this may be diminished by the CC’s remedies.

Has the CC adequately considered the franchising option?

No. The CC’s analysis of the London market found “that franchising was, in principle, a practicable alternative to competition ‘in the market’ and could be made to operate successfully”, and so we were surprised that it chose to dismiss franchising as an effective remedy. Instead the CC appeared to give a lot weight to a consultant’s report submitted by Stagecoach that highlighted the risks involved in developing a franchising model. We were particularly disappointed that the CC could have used the weight of its recommendations to help lessen or mitigate those risks, rather than adding to them by dismissing franchising as a means of improving competition specifically because of their existence.

Franchising by its very nature restricts competition in the market by removing the potential for head-to-head competition altogether. But we believe that introducing the notion of competition for the market is far more valuable because of the destabilising effect that head-to-head competition can have.

We are well aware of the risks set out in the consultant’s report put forward by Stagecoach, and we do not underestimate the difficulties of introducing a franchise in the face of hostile and expensive legal challenges from powerful operators who do not wish to see their position in the Tyne and Wear market threatened by the introduction of significant competition.

However we are working to mitigate those risks, so that if the Integrated Transport Authority determines that the interests of the public are best served by introducing a franchising system, we will be in a position to do so.

What action should local government and central government now take?

As a local government body we intend to continue to pursue our objective of improving public transport for the benefit of local people. This will involve the development of Partnership Schemes, and may involve the introduction of franchising. In all cases we will continue to be mindful of protecting the position of smaller operators, and we will continue to promote healthy competition wherever it benefits customers rather than harming their interests.

We believe that bus operators will respond to the CC’s report in two significant ways: firstly they will be keen to increase instances of head-to-head competition in order to prove the CC’s point (and we believe the example of Howden-le-Wear cited above is a direct example of this); and they will also lobby central government to remove Quality Contracts legislation which they will assert is unnecessary in the eyes of the CC. Nexus would strongly oppose any such suggestion.

Clearly central government will want to consider what legislative changes, if any, are required to implement the CC’s proposed remedies, however we request that central government consults with LTAs in the process to ensure that the needs of local people are taken into account.

16 February 2012
Written evidence from the Institute of Advanced Motorists Limited (IAM) (LBS 23)

ABOUT THE IAM

As the UK’s largest independent road safety charity the IAM is dedicated to improving standards and safety in driving, motorcycling and cycling. It has more than 200 local volunteer groups and over 100,000 members in the UK and Ireland. The IAM is best known for the advanced driving test and the advanced driving, motorcycling and cycling courses. This includes the delivery of a trial driver training scheme for Go Ahead London at Merton Bus Garage where over 130 bus drivers have signed up for voluntary advanced driver training.

The IAM (Institute of Advanced Motorists) welcomes the opportunity to provide evidence to the Transport Select Committee’s Inquiry on the Competition Commission’s investigation into the local bus services market. This short submission highlights a number of points regarding the safety of local bus services, and therefore does not cover all of the Select Committee’s terms of reference.

FOCUS ON SAFETY

The final report of the Competition Commission’s “Local bus services market investigation” covers a number of safety aspects. However, we would have liked to have seen more focus on safety within the report’s recommendations. Safety concerns are cited as one of the main reasons that direct competition was originally withdrawn from the bus services market. It may have been helpful for the Competition Commission to have a specific section addressing safety issues which explicitly illustrates how original safety concerns are no longer an issue.

Despite this, the IAM does not believe that increased competition will negatively impact on passenger safety. Traffic Commissioner’s have a clear mandate for ensuring the safety of passengers and this role will continue to be accompanied by adequate powers to address concerns.

One of our main concerns stems from changes to resources, rather than changes in the nature of competition. We believe that any changes to Traffic Commissioner’s resources should be carefully monitored. As the Competition Commission report mentions, Traffic Commissioners previously had Bus Compliance Officers to check bus services and investigate complaints. The Department for Transport is replacing Bus Compliance Officers with traffic and vehicle examiners. The IAM has concerns that there may not be sufficient resources to investigate complaints to the same extent, and that safety will not be scrutinised to the same level. Under the current system Traffic Commissioner’s are able to react to concerns, although the IAM would like to also see more proactive investigations. It is not clear whether either activity will be possible with the change in resources. Direct competition may also add an additional burden as there will be more companies to scrutinise.

TRAINING

The IAM believes there should be clear incentives for bus companies to train their drivers above and beyond the minimum standards. Training and safety levels often form a key part of tenders for bus services, and can be the basis for winning contracts. If a bus company investing in advanced driver training starts to face direct competition from one which does not it may act as a disincentive to continue the investment. The IAM would like the Transport Select Committee to consider how bus companies will continue to compete in terms of safety under the new system. We recommend that safety continues to be the first priority for Transport Commissioners and other local decision makers, and that bus companies are encouraged to continue to invest in driver training.

The “Local bus services market investigation” report also highlights research conducted by Passenger Focus. This shows that passenger priorities are punctuality, frequency, and the ability to get a seat. The IAM would also argue that safety is a number one priority for passengers. It is presumed that bus drivers will have a high standard of training, and that bus companies will have exemplary safety records. The new system must continue to ensure that safety standards are not compromised in order to offer reduced prices, or increased frequency in order to stave off competition.

16 February 2012

Written evidence from Centro (LBS 25)

INTRODUCTION

1. Centro is the West Midlands Passenger Transport Executive which plans, procures and promotes public transport across the West Midlands Metropolitan Area, serving a population of some 2.6 million who undertake in excess of 300 million journeys by bus annually.
Has the Competition Commission addressed the issues of most importance to the bus passenger?

2. Research undertaken by both Centro and Passenger Focus suggests that punctuality and reliability are the two issues of most importance to bus passengers. Furthermore, in the West Midlands, concerns around anti-social behaviour and safety and security also act as a deterrent to greater use of bus services. These are already priority areas for our bus partnership work.

3. These are important factors in encouraging people away from the private car, which is the main competitor to the bus, and have not been addressed. We fail to see how increased competition for the market per se can have any impact on these issues. Indeed, they were outside the Commission’s remit, which was simply to investigate the supply of local bus services. However, we welcome the proposals regarding ticketing which will have significant benefits for passengers in the Centro area, whilst noting that the Commission sees these principally as a stimulus to competition.

How effective are the remedies proposed by the Competition Commission likely to prove?

4. We have already noted that in themselves the Commission’s remedies will have little effect on the most significant barriers to bus use. However, we do welcome the proposal for an increased range of multi-operator tickets. In areas such as the West Midlands, where complementary services are often provided by different operators, we believe that this will simplify and reduce the cost of bus journeys where interchange between operators is required. The Commission’s movement away from the prescriptive approach outlined in its provisional remedies is welcomed.

5. Centro has already commenced dialogue with bus operators to this end. However, currently, there is only limited legislative support for such schemes and it will require voluntary partnership agreements with bus operators to implement products which could have an affect on the commercial nature of their businesses. Should this not be forthcoming, this particular remedy will fail unless appropriate legislation can be introduced, which will inevitably be a lengthy process. The Department for Transport has not yet responded to this point.

6. In terms of promoting competition—however desirable that may be—we feel that the other proposed remedies will have little impact. The suggestion of extending the notice period for varying registrations to counter competition will simply complicate the registration process and delay the inevitable; access to privately owned bus stations is very much of minority interest and, in our view, there are already adequate legal safeguards against “cheap exclusion”.

Is sustained head to head competition feasible or desirable?

7. Generally, no. A responsible business is unlikely to commit resources to compete with another unless it has a reasonable chance of prevailing, or, at least, acquiring a significant section of the market. At best, if a new operator were to compete with an incumbent offering a similar service on an existing route, the total cost level will double, and, whilst there will certainly be additional patronage generated this is most unlikely to yield enough additional revenue in total to match the additional cost unless the incumbent had been making grossly excessive profits. There is rarely “room” for two operators. Therefore, such competition is usually short lived, unstable and disruptive and rarely of benefit for passengers. It can also contribute to wider traffic congestion for other road users. We do not want to see “bus wars” in the West Midlands.

8. We would also be concerned that new entrants tend to concentrate their service at the busier times. Therefore, if they impact significantly on the revenue of the incumbent, there is a serious risk that the latter will curtail or withdraw his operation outside of these hours, thereby increasing the need for public subsidy of these services.

9. However, we recognise the importance of competition and the fact that the threat of competition does help to drive higher quality standards and lower fares. In the West Midlands, we also have healthy competition for subsidised bus services, having received an average of five bids per contract tendered to commence during 2011.

10. Some limited head to head competition does exist in the West Midlands, however, and falls into three main categories. Perhaps surprisingly in view of the above, there are several trunk corridors on which two operators providing comparable frequencies and fares have co-existed for a number of years. However, it is noticeable that in just one of these does the “competitor”, unlike the “incumbent”, provide an evening service. This “creaming off” is regrettable, but is addressed in our network reviews and partnership agreements (see below).

11. We identify a second category of smaller operators competing on less frequent routes, which arises from time to time. We recently had a case of a medium sized operator registering to run five minutes in front of an incumbent on a half hourly service. The incumbent naturally then registered to run five minutes ahead of the competitor. This process is likely to continue, with wasted resources and confusion for passengers. However, we were able to facilitate an agreement where the two operators provide a fitted quarter hourly frequency which has proved beneficial to all passengers.

12. The third category of competition consists of low quality operators, usually with only a few, often elderly, vehicles, competing at low frequencies with the major operators on trunk routes. We feel such services provide
minimal benefit for bus passengers in general, give a poor image of the bus industry to non users and usually have no impact on the services provided by the major operators.

What role should quality partnerships play? 

13. In the West Midlands, Partnerships are playing a pivotal role in delivering bus services. The Commission has focussed on ensuring competition within the market place, but Centro believe that this needs to be considered in the context of the significant historical decline in use of bus services within the metropolitan area and its future projections without intervention.

14. Centro believes that quality partnership agreements between Transport Authorities, operators and Highway Authorities are crucial in bringing together those who can put into place all the necessary building blocks to deliver the improvements to bus services that will increase customer satisfaction and encourage the wider public increasingly chose the bus as a means of transport. We are at the forefront of partnership working in the larger, metropolitan areas and competition forms an important part of our approach to developing bus partnerships.

15. We currently have three Voluntary Multi-Lateral Partnership Agreements (VMAs) in place all of which have resulted in increased levels of patronage. We have published our vision Transforming Bus Travel (not printed) which sets out our aspirations for the future. Our bus network reviews, undertaken in partnership with bus operators and Local Authorities and following wide ranging consultation with customers and elected members, are the bedrock of the VMAs and commit all parties to work together to improve the overall quality of the bus product over the three year life of the partnership. In 2012–13, Centro plans a further three area based VMAs, in Coventry, North Birmingham and Sandwell.

16. Without quality partnerships Centro would not have the combined efforts of operators working together to grow the market in the review areas in order to ensure a long term network worthy of continued competition. Additional agreements on data sharing, ticketing, highway improvements, new vehicles and standards have been developed through these partnerships, which would otherwise not exist. 

17. Centro has been very successful in persuading operators to work together in this way on a voluntary basis. However, legislation provides for partnerships to be placed on a statutory footing where such co-operation is lacking. Centro is planning a Statutory Quality Partnership in Birmingham City Centre during 2012 as the participation of all operators is vital for it to achieve its objectives.

18. We note the Commission’s concerns “… there is a risk that partnerships have the potential to… restrict competition if they specify unnecessarily high quality standards…”. However, the standards Centro seeks to promote are only those which the travelling public rightly expect of bus services.

Has the Competition Commission adequately considered the franchising option? 

19. The Commission concludes that franchising will not address the Adverse Effects on Competition (AECs) that it has identified. Centro is concerned that a franchise may remove the incentive for innovation which is essential for any successful business, with the franchisee immune from any competitive threat. But, we also believe that the fact that the legislation exists is helpful in ensuring that bus operators are prepared to come to the table in a proactive way and are willing to embrace partnerships.

20. However, implementation of a franchise could be fraught with difficulties in respect of vehicles, garages and staff which could deter potential bidders.

21. Nevertheless, we would not presume to suggest that franchising may be inappropriate in all circumstances. As noted above, Centro has been highly successful in driving up standards and modernising networks on a partnership basis. By definition, partnerships require partners to be prepared and able to understand and accept each other’s different priorities and objectives and there may be circumstances and areas where the desire for and commitment to partnership is lacking. In such circumstances, franchising may well offer a way forward.

22. We therefore welcome that the Commission acknowledges the wider roles and objectives of Integrated Transport Authorities and Local Transport Authorities and that there may be reasons to bring forward Quality Contracts in their areas. We therefore welcome that the door has been left open on this option.

What action should local government and central government take now? 

23. Centro has already begun negotiation with operators with the aim of widening the range of multi operator tickets in the West Midlands, The Government should take the lead on reviewing and consulting on the Commission’s proposals in this area which we believe offers the opportunity for significant and positive benefits, and we would welcome confirmation by DfT that the necessary additional legislation will be introduced as soon as possible.

24. Centro will continue with our partners to introduce agreed programmes of network enhancements across the region and will continue to promote quality services for passengers.
25. We believe that the approach set out in the 2008 Local Transport Act is the right one in that it provides three tools for local transport authorities—voluntary partnerships, statutory quality partnerships and quality contracts—whilst giving them discretion to use these tools in which ever way best meets their local circumstances and aspirations.

17 February 2012

Written evidence from ATCO (LBS 27)

1. ATCO welcomes the invitation by the House of Commons Select Transport Committee for written evidence in relation to the Competition Commission report. The views of ATCO are set out below for each of the headings identified by the Select Committee.

Has the Competition Commission addressed the issues of most importance to the bus passenger?

2. While it may not have been part of the original brief for the Competition Commission (CC), ATCO is nevertheless concerned that the report does not sufficiently identify that the main competition in relation to the bus is the competition between the bus and the car.

3. The report also fails to identify that there are a number of regulatory and other factors relating to these issues that disadvantage the bus relative to the car, including in planning policies and the application in practice of highways priorities etc. by Local Transport Authorities (LTAs). Further, the impacts on operators in regard to the economics and commercial return on running bus services also need to be assessed in relation to the CC recommendations.

4. The report does not recognise sufficiently that the main concerns of most bus passengers, and most potential bus passengers, is not whether or not there is bus competition (on that route or corridor) but:
   — whether or not there is a bus;
   — whether it can be relied upon; and
   — whether, given the current pressures on the market and local government finances, their bus service is likely to continue long term.

5. Other key passenger concerns are whether the network is simple and easy to use, and whether fares are seen as good value for money.

6. There is ample evidence of high levels of passenger satisfaction within networks which are not subject to any competition, which suggests that the absence of competition is not a prime concern of passengers, although abuse of monopoly positions very likely would be. In many networks which are seen by passengers as successful (such as London) most would be unaware of the existence of competition as it does not take place on the street. Evidence also exists of high passenger satisfaction where there are co-ordinated timetables and inter-available tickets across competing services.

7. A key aspiration of passengers and their representative groups is for a more integrated public transport network, with true integration across networks including in relation to timetables, connections between services and modes, ticketing including acceptance of return tickets on services on the same corridor, and up-to-date accurate information. Head-to-head competition, even under the remedies proposed by the CC, would not appear to improve these aspects of the public transport network.

8. ATCO believes that any study on the effects of competition on the travelling public is not complete without recognising the above points as major issues for the travelling public, and that there is a pressing need to consider them in future policy shaping.

How effective are the remedies proposed by the Competition Commission likely to prove?

9. In relation to the Specific Remedies, the ATCO response is below.

(a) Ticketing—to give LTAs additional powers to determine the characteristics of mandatory multi-operator schemes and for the OFT to review certain aspects of competition law framework governing voluntary schemes

10. ATCO supports powers that enable a LTA to introduce a multi-operator scheme. In drawing up the guidance/regulations, careful consideration is needed in relation to the need to balance operator revenue (avoiding revenue loss except where margins may be excessive), while needing to avoid this resulting in the LTA having to set an unduly high ticket price. In this respect there needs to be careful consideration of whether it is always appropriate to set the ticket price for eg a multi-operator day ticket in relation to existing day ticket prices.
(b) Operator behaviour: restrictions on changes in service frequency through increased notice periods

11. ATCO supports previous guidance to restrict registration changes to a number of set dates per year. There is clearly a balance between (a) the immediate public interest of as few change dates as possible, and (b) the wider interests and those of bus operators to be able to change services when required throughout the year. To allow changes on only, say, four dates per year would clearly be in the interests of the travelling public in terms of certainty about timetable times and changes. The changes coinciding with change dates for train timetables would be of further benefit to the travelling public. This may however restrict the ability of an operator to respond to other changes including competitive changes.

12. There is also a need to retain short notice registrations for specific circumstances. Eg for short notice highways or other changes that may affect a service or worsen a service if it is unable to immediately respond to these changes, or if a service is suffering from severe unreliability it is not in passengers interests to have to wait to the next agreed change date to put things right.

13. Some of the anti-competitive activity, about which the CC has raised concerns, would appear to be normal competitive activity in response to the actions of others competitors in the market. ATCO suggests that this activity in itself, depending on how predatory etc it is, may not always be action that should be criticised or acted against—and that competitive action in itself should not be seen as more noble than competitive reaction. An inevitable consequence of normal or healthy competition in any industry, where it exists, is that competitors will act as they can to obtain advantage over, and at times to the detriment of, other competitors.

(c) Access to bus stations—fair access

14. Fair access to bus stations is important, regardless of who owns or leases the premises. However charges, and the level of charges, need to relate to facilities, eg:

   (i) sufficient bus station facilities (eg toilet facilities, driver rest areas);

   (ii) facilities maintained in good order, which should include frequent cleaning, and maintaining a positive passenger environment conducive to attracting passengers;

   (iii) ensuring good and safe access for passengers and buses, including eg in the event of snow or ice, (for both passengers’ walkways etc and normal bus access to/from the highway and onto bays and layover bays); and

   (iv) the provision of high quality and up-to-date bus service information.

(d) Best Practice guidance

15. Best Practice guidance should include, in addition to tendering/procurement best practice, more general and less prescriptive guidance on “softer measures”, for example how LTAs engage with operators, the culture set in relation to encouraging innovation and outcomes, and the degree to which LTAs use their position to maximise competition for services and the number of tenders received. This could also include LTA forums/seminars with operators to engage on industry issues and pressures to seek common solutions, and to encourage greater market involvement in local bus tenders, amongst operators not previously operating these services, through explaining processes and offering advice on the tendering process.

(e) Information about newly deregistered services for LTAs on patronage etc

16. ATCO welcomes this, but it is not clear how to incentivise operators to provide accurate data, given that operator data is not always accurate; ie it is not the provision of data in itself, but of accurate data, that is most crucial for it to be useful.

(f) Application of competition law to the industry

17. ATCO welcomes greater scrutiny of mergers/takeovers within the industry but this process needs to be prompt. Acquisitions and subsequent divestments can be costly and destabilise services for passengers. However it needs to be understood that the current dominance of the larger operators has not necessarily resulted in generally adverse effects, and that these operators have achieved their current size, and competitive positions, through the merger/takeover process.

(g) LTAs to consider the potential for tailoring partnerships to facilitate increased competition in their areas

18. ATCO believes that the partnership approach can often deliver real improvements in public transport. In this context it needs to be understood that there is nothing wrong with a partnership with a single operator—either because of the operator’s size and relative importance to the public transport network, or because a partnership is attempting to address a particular issue on a corridor. However, ATCO accepts that there may be occasions when such partnerships should be opened out to include other operators, but that this should be expressed as a sentiment in guidance rather than through prescriptive regulations that would restrict the ability of LTAs’ to have a productive partnership approach with a single operator.
(h) BSOG—used to incentivise the development of and participation in the above remedies

19. It is not readily apparent how BSOG could actually incentivise adherence to the above remedies without detracting from the need to achieve a balance between incentivising passenger growth and avoiding a disincentive to operate more rural or longer distance low patronage services.

Is sustained head-to-head competition feasible or desirable?

20. Head-to-head competition may be desirable where the characteristics and dynamics, of a particular area, generate sufficient patronage and/or competition, and where there are sufficient numbers of passengers to sustain—a commercial basis with sufficient profit margins—more than one operators’ service.

21. In all other areas, head-to-head competition is unlikely to be economically feasible, and under these circumstances it is hard to see how it would be beneficial or desirable.

What role should Quality Partnerships play?

22. ATCO sees a need for Statutory Quality Partnerships (SQPs), but believes there is a case to make it easier for a LTA to introduce a SQP when this is in the interests of the travelling public or for environmental reasons; in many other circumstances ATCO believes that the voluntary partnership approach is the optimum way to achieve the best results for the travelling public. Given that relevant legislation has been available to use for some time, ATCO would argue that LTAs are using the method of partnership which best fits their local needs already. This “horses for courses” approach set out in the 2008 Local Transport Act would appear to suit all areas as it allows for Quality Contracts where a local authority is committed to adopt this approach and committed to any cost risks that may result.

Has the Competition Commission adequately considered the franchising option?

23. Please see above. ATCO considers that local authorities are the most appropriate bodies to decide on the most appropriate local options in regard to franchising and partnerships.

What action should local government and central government now take?

24. In considering these findings, central government should balance the economic (or at times theoretical) advantages of strong competition with the wider environmental and social issues, and in particular the passenger interest. Only then should a decision be made on which aspects of the Competition Commission findings it is interested in taking forward. Robust and inclusive consultation should then follow.

25. Central and local government should work together with relevant industry bodies to finalise any guidance or changes in regulations that may result from the report. In particular local government representation needs to be led by ATCO as the only local government professional body with sufficient transport expertise across these issues. Representation should also include the Passenger Transport Executive Group and Confederation of Passenger Transport to ensure that sufficient breadth of expertise from across the sector is able to help shape any changes to achieve the best outcomes and avoid, where possible, adverse unintended consequences.

17 February 2012

Written evidence from Campaign for Better Transport (Bristol/Bath travel area) (LBS 28)

My name is Anne Lock and I have been involved in campaigning on transport issues since 1986, and in 2003 succeeded in achieving the inclusion of our station reopening in the timetable! Sadly the RPP funding was withdrawn and that community aspiration continues. As a result of that campaign I have been involved with Wiltshire Council from the eighties and I regularly attended Public Transport Forums in Avon, until its unfortunate demise, as after that one had to attend similar meetings in Bath, Bristol, South Gloucestershire and N.Somerset. Due to the time travel to such venues might take, in the end I only attended the first two on a regular basis. I also regularly attend the Taunton meetings of TravelWatch SW and in the past would attend those of the TUCC/RUC. I have also sat on the Wiltshire Freight Quality Partnership since its inception and also now sit on the Wiltshire Transport Alliance. However, I am no authority on the bus industry, although I am very aware of the problems the industry faces in some areas at the present time. Having read the findings of the Competition Commission I wondered whether they had ever attended forums or meetings and listened to the complex problems faced by the industry, particularly at the present time with the huge losses inflicted due to the last government’s free bus travel for pensioners. Very popular with pensioners, but it will not prove popular in the end if there are insufficient fare paying passengers to enable them to run the services or invest in new vehicles.
1. Has the Competition Commission addressed the issues of most importance to the bus passenger?

I think not.

2. How effective are the remedies proposed by the Competition Commission likely to prove?

To me they appear to make an already difficult situation worse. From the passenger’s point of view they seek as frequent a service as possible, on buses which if they have started their journey on one of a certain standard, they can complete it on another. i.e. people with mobility problems wish to feel confident that if they start out to a destination, that they will be able to board the bus which happens to present itself for the homeward journey.

3. Is sustained head-to-head competition feasible or desirable?

Most definitely not. For passengers on the routes which serve our town it is a constant irritation. The original operator, First, ran two services to Bath at approximately 25 minutes past and five minutes to each hour. A small operator then came along and registered with the Traffic Commissioner two services per hour, to run approximately three minutes prior to the well-established service which operated between Chippenham and Bath. (It should be remembered that these bus services, through no fault of the operator, can be intermittent due to the fluctuating nature of the congestion on the way in—and out of—Bath. Congestion forms, and can as suddenly clear, therefore it is quite possible to wait double the anticipated time for a service, only to find two appear at almost the same moment).

To the passenger, this situation is irritating in the extreme. No-one can understand why the Traffic Commissioner is not given the powers to guide an operator as to the timing of the bus service they wish to provide. It is illogical to even call a new service, timed to be three minutes earlier than an established one, a “service”. In our opinion the Traffic Commissioner’s powers should extend to consulting with the communities served and gaining their feedback as to the timing which they see as reasonable and helpful to their lives. In the case of Corsham for instance, a new operator offering to run a service at half hourly intervals, at a time which would provide passengers with a quarter hour service into Bath, that could be welcomed, but not the present regime. That is a bus war and far more important for the Traffic Commissioner or the Competition Commission to outlaw than their present concerns!

4. What role should Quality Partnerships play?

Quality Partnerships should be sought in all areas in our opinion. They lead to an upgrading of the traveller experience; ensure the bus system is reliable and consistent from the point of view of those less mobile; it also ensures that the Local Authority has to be as consistent in the provision of the waiting environment through the route. They are nothing but good news for passengers and hopefully as a result will attract more people to experiment with public transport.

5. Has the Competition Commission adequately considered the franchising option?

I am not qualified to answer this question.

6. What action should local government and central government now take?

Whilst refusing to address the airlines’ use of untaxed fuel, the Government has recently altered the situation which had existed for many years on a fuel subsidy for the bus industry. This action, combined with the free over-60 initiative is bound to have a damaging effect on the viability of the operators and render them unable to have sufficient funds to invest in new vehicles. This opinion I have heard from any number of operators when in conversation with others at recent meetings and indeed it was a view expressed during a presentation at a TravelWatch SW meeting some 18 months ago, before the Fuel Duty Rebate was cut. This may eventually prove to be not only detrimental to the industry, but the passenger. Government should therefore, having assured themselves that the bus operators have not taken a leaf out of the bankers’ book, look again at the advisability of the removal of the rebate and also consider giving extra powers to the Traffic Commissioners to dictate to new bidders of a service just when that service should run, in order that the passenger experience is improved.

17 February 2012
TravelWatch NorthWest (TWNW) is an independent Community Interest Company representing users of all forms of public transport in North West England. We welcome this opportunity to comment on the Competition Commission’s proposed remedies for the “imperfect” bus market

1. Background

1.1 We submitted our views in June 2009 when the OFT referred the bus industry to the Competition Commission, and in May 2011 commented in detail on the Commission’s interim proposed draft remedies. On 25 October 2011 we again commented by letter on their final proposals, endorsing some of their remedies for the imperfect competition they had found. These submissions are not printed with this paper.

2.2 We agreed that LTAs should be given greater powers to introduce and reform multi-operator ticketing schemes in their local area and that there should be restrictions on bus operators making changes to service frequency to discourage “overbussing” and other anti-competitive practices, such as predatory pricing.

2.3 However we could not agree with the Final Report’s finding that there is no case for endorsing Quality Contracts, nor that off road competition “for the market” (franchising) need necessarily be more expensive than on the road competition “in the market.”

3. The Competition Commission’s Conclusions and Recommendations

3.1 We consider that the HOCTC’s brief summary of the Commission’s conclusions and recommendations fairly reflects these. We note with satisfaction that a number of issues previously concerning us have since been addressed.

3.2 The Competition Commission’s conclusion was that sustained head-to-head competition between bus operators was uncommon and that bus operators avoided competing in another operator’s core territories. As a consequence there were “adverse effects on competition”. These have led to a detriment to consumers; less frequent, poorer quality services and possibly higher fares. In addition, lack of competition may be responsible for higher contract prices for tendered services.

3.3 The Commission has recommended a series of measures (“Remedies”) intended to increase head-to-head competition. These include more multi-operator ticketing, longer notice periods for service changes, closer monitoring by the OFT of bus company mergers and incentives through revisions to BSOG.

3.4 The Commission considered whether bus services should be awarded under franchises (as in London) but concluded that enhanced competition was generally the better solution.

3.5 We note in particular here the Transport Committee’s observation in their invitation to submit evidence that “the Competition Commission’s findings have been criticised by the bus industry as unrealistic. The Passenger Transport Executives have expressed disappointment that the Competition Commission did not recommend franchising (Quality Contracts).” TWNW considers that the failure by the Commission to look at the bus market in London and Northern Ireland alongside the rest of Great Britain was a lost opportunity to gather evidence on the costs and effectiveness of this market model.

4. The Transport Committee’s Six Questions

Has the Competition Commission addressed the issues of most importance to the bus passenger?

— Only indirectly. Bus passengers’ major concern is reliability, and, allied to this, the stability of the bus network.
— Price competition is seriously imperfect as there is sparse “off bus” transparency of fares information on which passengers can make comparisons. Some operators see fare tables as “commercially confidential. (See “Information about fares” TWNW June 2009).
— The Commission’s desire to promote more “head to head” competition is short sighted—the fundamental issues are falling demand and the fact that the private car, not other operators, is the major competitor.
— Competition does not always result in lower fares or more frequent services.
— We believe that the emphasis of the report is wrongly directed to “on road” competition in the market when it should also be examining “off road” competition for the market.

How effective are the remedies proposed by the Competition Commission likely to prove?

— We note that only review of ticketing block exemption, vigilance on mergers and bus station access are enforceable by competition authorities.
— Many matters fall within the purview of Traffic Commissioners (TCs) who rely on VOSA for monitoring services.
— Local Transport Authorities (LTAs) could be more proactive in reporting errant operators to the TCs whose powers the report largely ignores.
— Multi-Operator Ticketing (MOT) depends on the enthusiasm and powers of persuasion of the LTA, although most appear to have overlooked their powers under the Transport Act 2000 to make their own ticketing schemes.

— The Commission places an over reliance on their proposed remedies, particularly MOT, to increase ridership. There are some very successful examples of MOT but also some not so successful ones in metropolitan areas and larger urban areas. The freedom of operators participating in MOT schemes to sell their own discounted tickets alongside could encourage predatory pricing.

— Increases to registration notice periods could constrain not encourage competition by over protecting the incumbent, but on balance TWNW supports this remedy because it should help stabilise bus networks and might constrain anti competitive behaviour.

— A code of Conduct (to be produced by Traffic Commissioners) could be a sensible interim measure.

— Tendering can only be more effective if the number of bidders for contracts increases. In times of austerity the rewards can be insufficient to encourage significant numbers of new entrants. Increased information on patronage and revenue may increase willingness to tender and will assist Local Transport Authorities better to understand the local market. TWNW suggests that operators should be compelled to release their data to LTAs.

Is sustained head-to-head competition feasible or desirable?

— Only in very few corridors in some towns and cities is the maximum local bus share of the travel market likely to be big enough to sustain long term competition. Even there the conclusion reached by operators and authorities is that sensible sharing of the market—multi-operator tickets, even headways etc, with competition on vehicle quality and customer service is preferable (eg Oxford, Merseyside).

— Elsewhere head-to-head competition has generally succeeded in raising expectations but has been short lived and has depressed the market when expectations have not been met and competition collapses. It can also lead to congestion, undesirable behaviour (“cheap exclusion”, predatory pricing and safety risks). As well as being undesirable it is also unsustainable, usually ending in the competitor exiting, consolidation with local oligopolies and fare rises.

— Franchising (an option now left to LTAs to determine if affordable) would be more manageable.

What role should Quality Partnerships play?

— The role of quality partnerships includes traffic management measures to assist reliability—they are partnerships with local authorities as well as between operators. Effective partnerships with highway authorities should provide better than cosmetic responses.

— The report confuses Voluntary Partnership Agreements and Statutory Quality Partnerships (even describing Quality Contracts as “partnerships”) and ignores LTAs’ powers (TA 2000 s135) to make statutory ticketing schemes to run either in parallel with or within a VPA).

Has the Competition Commission adequately considered the franchising option?

— No, but TWNW is mollified by the Commission’s admission that QCs still might be a lawful and feasible option if an LTA considers them affordable or Value For Money.

— The failure by the Office of Fair Trading (OFT) and the Commission to look at London and Northern Ireland alongside the rest of GB has been a lost opportunity to gather evidence on Quality Contracts. We cannot be certain that the rest of the country cannot afford the overheads of a franchising system.

— QCs should not be seen as purely an urban solution. The Association of Transport Co-ordinating Officers’ suggestion of Tendered Network Zones where Bus Service Operator Grant (BSOG) could be given to their members to administer over an essentially rural network (in consequence becoming largely non-commercial) could well be revisited.

What action should local government and central government now take?

— Local government needs to promote multi-operator ticketing and partnerships (too often LTAs fail to deliver their promised inputs and frustrate operators).

— Central Government needs to trust local government and operators and provide a framework for them to work together to deliver effective services meeting transport and environmental policy requirements.

— Central Government should refrain from further tinkering with BSOG or regulations (including registration) except that there is an urgent need for review of concessionary travel reimbursement.

— Central Government is constrained by lack of time in this Parliament to enact primary legislation. However there are missed opportunities in existing legislation to make subordinate regulations and revise DfT Guidance (eg to aid the establishment of QPs and QCs and to foster taxi bus operations).
It has always been a truism that “he who holds the data runs the buses” and there is a need for a voluntary code, eventually backed up by primary legislation, compelling Bus Operating Companies (BOCs) to share data on fares, revenue, patronage and performance (especially RTPI). This is becoming rapidly more urgent as contactless smartcards with Near Field Recognition (like Oystercards touch in) and Global Positioning data is increasingly being “owned” by operators to the exclusion of LTAs.

Data sharing could overcome the unfair advantage that a BOC which “tactically” deregisters a “non-commercial” service enjoys in subsequently winning it back by tender.

5. Conclusion

5.1 TWNW welcomes the fact that the proposed remedies address many of the concerns which prompted us in the first place (in 2009) to comment on the OFT’s referral to the Commission of the local bus market.

5.2 One major general criticism of the report’s findings is that, like the industry, it appears to see other operator’s services, rather than the private car, as the main competitor of the bus. It also fails to recognise the adverse effects for passengers and operators of competition for road space. BSOG is a matter for Government and is an inappropriate tool to use to encourage competition.

5.3 The failure by OFT and the CC to look at London and Northern Ireland alongside the rest of GB was a lost opportunity to gather evidence on alternative bus market models, and in particular on whether the rest of the country can afford the overheads of a franchising system.

17 February 2012

Written evidence from pteg (LBS 31)

1. Introduction/Background

1.1 pteg represents the six Passenger Transport Executives (PTEs) which between them serve more than eleven million people in Tyne and Wear, West Yorkshire, South Yorkshire, Greater Manchester, Merseyside and the West Midlands. Leicester and Nottingham City Councils, Transport for London and Strathclyde Partnership for Transport are associate members, though this response does not represent their views.

1.2 Over one billion bus trips were made across the six PTEs in 2009–10, representing 37% of the bus market in the area covered by the Competition Commission’s (CC) investigation. Bus networks provide a vital connection to jobs, services and facilities for the 33% of households in metropolitan areas who do not own a car. Our analysis shows that public transport accounts for more than half of all morning peak trips into the largest city centres in England. If all these trips were to be made by car, traffic levels would double and cities would grind to a halt. Ensuring that public transport networks remain competitive, relative to the private car, is therefore critical if we are to avoid congestion spiralling out of control in the future.

1.3 We welcome the CC’s conclusion that in many areas bus operators face little or no competition, leading to passengers facing less frequent services and, in some cases, higher fares. We also note that the majority of the CC’s estimate (between £115 million and £305 million) of the study area detriment for passengers from market failure is likely to occur in PTE areas. Some of the CC’s proposed remedies have the potential to bring benefits for passengers, but as an overall package we do not believe that the remedies will make a significant overall contribution to improving bus services for passengers, and that the main focus of the CC’s recommendations—a further attempt to stimulate more on-street competition—does not serve passenger interests in large urban areas.

2. Has the Competition Commission addressed the issues of most importance to the bus passenger?

2.1 No. At the early stages of the inquiry it appeared that the CC was going to take a more rounded view of passenger priorities but by the time of the final draft remedies the CC reverted to type by arguing that the overriding priority was to stimulate competition between bus operators on the streets. This on the grounds that, as consumers, what bus passengers must want is a choice of operators on their local bus route providing a different quality of service and different fares. In our view this is a very simplistic and inappropriate view to take of urban public transport. It is also not clear to what extent the CC tested their view of the primacy of on-street competition against what real bus passengers actually think.

2.2 Indeed there is considerable evidence to show that passengers (particularly in large urban areas) attach a high value to the wider benefits of the provision of an integrated public transport network with simple smart ticketing. The success of London’s Oyster card is the most prominent UK example. Research shows that there is a psychological cost in making complex journeys. By removing much of this complexity, integrated tickets can effectively reduce the overall effort and cost of making a trip. It is also instructive to note that London is excluded from the CC’s investigation but that if the CC’s goal of on-street competition were to be applied to London (where the CC itself is based) then simple Oyster card ticketing (as we know it today)
would disappear overnight; as indeed would many other features of London’s integrated transport provision (including high quality standards and service stability).

2.3 Our view is that to compete with alternative modes bus services need to be not only cheap, frequent and fast but also convenient, clean, comfortable, secure and, more critically, easy to use. Almost by definition, unfeathered on-street competition will generally fail to deliver on some of these attributes.

2.4 The CC failed to recognise that making a bus journey is not simply like buying a fridge, or flying to New York. Its objective to replicate what works for those very different markets in the local bus market is disappointing and is as doomed to failure as all the previous efforts of the competition authorities have been in seeking to achieve a vision of perpetual bus wars on Britain’s streets.

3. How effective are the remedies proposed by the Competition Commission likely to prove?

3.1 Although some of the measures set out in the report do have the potential to bring benefits, the report does not present a case for how the individual measures will combine effectively as a package over a realistic timescale, or for the cumulative benefits of the individual measures. Our overall view is that the proposed set of remedies is very unlikely to produce any significant impact on the local bus market in metropolitan areas, let alone tackle the cost to passengers and tax-payers of the current market structure.

3.2 Of all the remedies presented it is those on ticketing that could bring most benefits, and if supported by appropriate legislation, the proposed set of measures could make a positive contribution towards more integrated ticketing, lower prices and greater fare certainty and simplicity. However, there are a number of barriers and potential risks which could limit the effectiveness of this remedy as a market opening measure.

3.3 First of all, Local Transport Authorities (LTAs) already have the powers to introduce most of these measures, in agreement with operators, as set out in the Local Transport Act 2008 (LTA 2008). Given that several LTAs have already attempted, and failed, to introduce them due to opposition from operators, it is unlikely that this remedy could be implemented without further statutory powers. At the same time, the process for parliamentary legislation can be extremely protracted. For example, the time taken from initial consultation through to enactment of the associated orders on the last major piece of buses legislation (the LTA 2008) was two years and nine months. This does not include the time taken to find a parliamentary slot in the first place (and it is our understanding that this could prove difficult for any new buses legislation) and for the take up of the measures by operators and local transport operators once the legislation (and associated guidance and orders) is available.

4. Is sustained head-to-head competition feasible or desirable?

4.1 The experience after twenty five years of bus deregulation is that significant head-to-head competition between rival bus companies is increasingly rare. The main exception, inevitably, being where routes converge on the approaches to city centres. Where there is deliberate head-to-head competition (ie where two or more companies are competing for a route or market) this competition is often short lived, unstable and disruptive. It can also contribute to wider traffic congestion for other road users.

4.2 Even if stimulating new and extensive head-to-head competition on the streets of large urban areas was feasible, or likely, we do not believe it would be desirable. The evidence from the post-deregulation period on the effects of on-street competition in metropolitan areas is overwhelming. Metropolitan areas had seen stable patronage for the five years preceding deregulation in 1986, whereas five years on from deregulation patronage had declined by a quarter.8 White (1997) has shown that a substantial proportion of this decline was due to the high degree of service instability that resulted from the initial high degree of on-street competition in many areas.9

4.3 We note that the CC itself recognised in its provisional findings that stable on-street competition is not necessarily likely to arise in the deregulated bus market.10 “(our provisional finding is that head-to-head competition tends towards instability the closer the competition between operators becomes”).12 The CC’s final report does not explain why, and on what basis, the CC eventually changed its view.

4.4 In our responses to the CC, we have drawn on existing research13 to explain why new entry into a typical bus route is unlikely to be profitable and therefore likely to be short lived. In simple terms, if a new...
entranter chooses to run a competing service between the services of an incumbent it will face similar costs but will only be able to attract around half of the demand, effectively meaning the service will be loss making. Large scale entry would make all services loss-making for both operators until one eventually decided to abandon the market. The CC failed to acknowledge this evidence in its final report. Effectively, the CC’s final position ignores much of its earlier analysis and our own evidence and seems to be based on assertion.

4.5 But even if the limited set of remedies proposed were to produce a material change in some less concentrated markets and stable on-street competition somehow materialised it seems at best optimistic to expect that they will make a change everywhere. The CC’s own analysis classifies close to three quarters of all urban areas as either “near monopoly” or “near duopoly”. These are areas where there is little or no meaningful competition at present and where we would not expect to see competition in the future without fundamental changes to the existing market structure or the local regulatory framework. The CC has given us no reason to believe that its relatively modest package of remedies will stimulate that significant increase.

5. What role should Quality Partnerships play?

5.1 pteg believes that it should be for local transport authorities to determine the most appropriate measures for improving bus services in their areas and that the measures in the LTA 2008 (ie Voluntary Partnerships, Qualifying Agreements (QAs), Statutory Quality Partnerships (SQPs) and Quality Contracts (QCs)) give LTAs a set of tools which can be used depending on local need and priority.

5.2 PTEs have already been using the voluntary and statutory partnership tools to bring about real improvements for passengers. For example, in Merseyside SQPs and QAs have been used to ensure even frequencies and more inter-available ticketing between operators. Passenger satisfaction ratings are now higher on such routes than for the wider network. In South Yorkshire, since a QC became a more realistic option the operators have agreed to measures that they refused to contemplate before, including coordinated timetables and more inter-available ticketing. Meanwhile the introduction of SQPs has led to significant growth in patronage in both North Sheffield and Barnsley compared with decline across the wider network.

5.3 However, we are concerned that the CC risks casting a shadow over high end partnerships (ie partnerships that are based on raising quality and performance standards) because the CC attaches greater priority to creating the conditions where lower quality bus services could enter the market. In the CC’s own words: “(...) there is a risk that partnerships have the potential to [...] restrict competition if they specify unnecessarily high quality standards (...)”.

5.4 We believe this is a dangerous and fundamentally misguided approach that could set the industry back to the stasis that existed before the LTA 2008. This is because it could act as a deterrent to operators entering into partnerships based on quality if they feel that the competition authorities might act against them in the future. It is also misguided because the CC is in danger of undermining what works today and what benefits passengers (partnerships based on quality) in favour of keeping open, what is in most cases only a hypothetical possibility, of a low quality operator starting up on a route. Low quality operators will often also rely on older, dirtier buses which has implications for urban air quality and traffic congestion. We already have evidence from PTE areas that some operators are expressing more caution about entering into high end partnerships specifically because of the tone and language of the CC report.

6. Has the Competition Commission adequately considered the franchising option?

6.1 The PTEs believe that the introduction of some form of franchising could effectively inject greater competitive forces into the market. Indeed, this was recognised in the 2000 Transport Act, whose provisions in respect of QCs were later reinforced in the LTA 2008. We therefore welcome the CC’s acknowledgement14 that there is a clear legal basis for utilising franchising and that LTAs, in considering this option, need to take into account wider objectives brought about by its statutory duty to “secure the provision of such public passenger transport services as the Authority for the area consider appropriate”.15

6.2 However, we believe the ideological position that the CC has taken in favour of on-street competition has meant that it has not fairly judged the merits of QCs (which by definition are about competition for a market rather than on the streets). We believe that the CC has overstated the impact of its proposed remedy package, while understating its costs and implementation timescales. On the other hand, we feel that the CC has overestimated the costs and risks of franchising but not taken into account the efficiencies that will offset such costs as well as the wider consumer benefits that could result.

6.3 Although we have provided extensive evidence to support these views and the likely benefits of franchising in the UK bus market, the final CC report makes little reference to this. We therefore feel it is worth re-stating some of the key arguments:

- Franchising has great potential to simplify and provide far greater “legibility” of local bus services, making it more attractive to passengers and growing the bus market.

14 Paragraph 435.
— There is an extensive evidence base,\textsuperscript{16} not least from London, which demonstrates that franchising can drive similar productivity improvements as “competition in the market”, while ensuring that most of the benefits flow back to passengers and the tax-payer rather than shareholders.

— Franchising has the scope to remove inefficient duplication of services and head office functions by competing operators. It can also ensure that proceeds from profitable parts of the network are used to fund social “lifeline” services elsewhere in the network and hence improving the financial sustainability of local networks overall.

6.4 There are a number of reasons why “competition for the market” is likely to be particularly appropriate in PTE areas (although the CC took a one-size fits all to the study area):

— Complex demand patterns, with a significant degree of multi-operator and multi-modal trips, highlighting the importance of integrated, easy to use networks.

— Critical importance of bus networks in tackling congestion.

— High degree of operator concentration and excess profits (for some operators their monopolies in large urban areas are in effect a cash cow for their wider business). Analysis commissioned by the DfT\textsuperscript{17} shows profit margins amongst large bus operators to be highest in PTE areas, where they are at least 9% above market-efficient levels.

— Existing critical mass within PTEs in terms of knowledge, skills and monitoring capabilities with substantial experience with tendering of non-commercial services, light and heavy rail networks/services, all of which have attracted a significant degree of sustained competition to date.\textsuperscript{18}

6.5 A number of PTEs/ITAs (SYPTE, Nexus, Metro) are actively considering the introduction of some form of franchising and have developed detailed evidence-based proposals on how this could be implemented so as to maximise the degree of competition both initially and in the longer term. Both Metro and Nexus have produced estimates of the total social benefits that could be expected from a QC model, and how that would compare with the current scenario and existing partnership proposals. In both cases, a QC model could lead to substantial growth in patronage relative to the alternative scenarios. Part of this would arise from the introduction of improvements such as simplified/integrated ticketing and marketing, partly funded from a more efficient allocation of resources. More importantly, this would be achieved at a broadly similar cost as at present.

6.6 For example, pteg’s analysis suggests that if all bus passengers were to switch to pre-paid tickets, bus operating costs could fall by 3% due to lower journey times and demand would increase by 3.8%. Despite the obvious benefits, few operators are yet to adopt network-wide pre-paid ticketing, discrediting the idea that competition necessarily leads to innovation.

7. What action should local government and central government now take?

7.1 The Government should take the lead on reviewing and consulting on the implementation of the CC recommendations with particular priority given to the recommendations on ticketing which we believe offer the biggest opportunity for significant and positive benefits. We also believe that the approach set out in the LTA 2008 is the right one—in that it provides four tools for LTAs (voluntary partnerships, QAs, SQPs and QCs) whilst giving LTAs discretion to use those tools in a way which meets local circumstances and aspirations. The Government should build on these existing tools.

7.2 As set out in paragraph 5.2, voluntary partnership and SQP powers are already being used to improve services for passengers. We would also contend that although QCs have not yet been used, their potential for use has led to a significant improvement in the offers that operators are making on the service levels and quality that they will seek to provide. There remain however some significant challenges in implementing QCs which could be eased by legislative change (particularly on a smooth transition to an initial QC, and from a first QC to a subsequent QC). Given the threats being made by some operators to oppose QCs through both legal action and what could be termed as ‘scorched earth’ threats to close depots and withdraw services if a QC were to be promoted, then it would be helpful if the Government were to take a more supportive, rather than an agnostic approach to QCs. This would help overcome “first mover disadvantage” issues, enable some initial QCs to be established and for judgements to then be made on their effectiveness in practice.


\textsuperscript{17} \url{http://assets.dft.gov.uk/publications/review-of-bus-profitability-in-england/review-of-bus-profitability-england.pdf}

\textsuperscript{18} Despite these arguments, the CC insisted in its final report that “franchising will cost more than at present”.
Ev w44 Transport Committee: Evidence

8. Observations on the conduct of the CC inquiry

8.1 We found the way in which the CC carried out the inquiry to be unsatisfactory in the following ways:

— The CC consistently missed their own deadlines for producing draft reports and then gave respondents wholly inadequate response times for consultation as a result (typically three weeks to respond to hundreds of pages). Furthermore, the tone and direction of the provisional decision on remedies changed substantially (towards on-street competition) from its earlier draft making it very difficult to respond fully and effectively in the limited time available.

— On 1 November the CC issued the most damning evidence of blatant collusion—the North East investigation, where for example one major operator, Go Ahead, told another, Arriva that: “The offer I’m making is that from whatever date you agree to come to the party we will do nothing that in any way causes you grief, and we will seek to implement changes to our mutual benefit.” This was less than a month after the CC had already issued their provisional decision on remedies (ie these remedies could not be substantially changed as a result of the North East findings)

— The CC also made a basic error in its calculation of the costs of market failure, which was identified by pteg in its response to the provisional decision on remedies. In November the CC accepted this error which led to a doubling of its estimate to as much as £300 million per year (equivalent to around 7% of total industry turnover). Had this error been spotted earlier then it is possible that the remedies might have been different.

17 February 2012

Further written evidence from PTEG (LBS 31A)

EXPLANATORY NOTE ON “HIGH HURDLES FOR QCS"

CONTEXT

There is some confusion in the debate around bus policy over what is meant by “franchising”, “quality contracts”, “re-regulation”, and a London-style system. So it might be helpful to address this before moving onto the specific issue of hurdles to QCs.

There are three options for local transport authorities in the Local Transport Act 2008 for improving bus services.

— Voluntary partnerships.
— Statutory Quality Partnerships (SQPs).
— Quality Contracts (QCs).

A further tool, known as a Qualifying agreement (QAs), can also be used in relation to both voluntary and statutory quality partnerships.

A Voluntary Partnership describes either a written or unwritten understanding between operators and local transport authorities. It can therefore describe a very wide range of arrangement.

A Statutory Quality Partnership Agreement (SQP) allows for a binding agreement to be entered into between a local transport authority and a bus operator. Under a SQP a PTE can provide improved infrastructure (such as bus priority measures) on a corridor and negotiate the arrangements for the use of that infrastructure by bus operators. These agreements can now cover minimum vehicle quality standards, maximum fares, frequencies and timings. Following a slow start SQPs are now becoming more prevalent.

A Qualifying Agreement allows a Local Transport Authority to certify that a partnership agreement (to which the LTA is not a party) and has been made between two or more participating operators, passes the Competition Test. As such a Qualifying Agreement protects the parties against potential prosecution by the competition authorities should the Agreement subsequently be found to breach competition law. This has allowed more co-ordination between operators on fares and timetables where they have been introduced.

A Quality Contract allows an LTA to franchise routes or networks of services. The Local Transport Authority specifies the bus service it wishes to be provided and the private sector competes to provide the service. In essence a quality contract would allow an LTA to secure local bus service provision in the same manner as London. Franchising is also the system that the Government uses to provide national rail services, and the same system that is used to provide many other public services.

The hurdles to a Quality Contract

Many local transport authorities (and indeed passengers and their elected representatives) would like the outcomes that a franchising system can bring. A contractualised system that is based on the delivery of concrete outcomes (fares levels and integration, service stability, customer satisfaction, service quality and so on). Yet so far no Quality Contracts have yet been delivered. What is the explanation for this paradox?
The main difficulty is moving from a deregulated environment (nominally a free market, but in reality a market dominated by large multi-nationals operating local monopolies) to a franchised environment.

It’s difficult because:

— It’s unknown territory, as usually the transition to franchising is from public sector ownership/operation to franchising;
— The incumbent operator has the vehicles, staff, depots and market information, thus giving them a considerable advantage in a franchise contest and also the option of non-corporation before a QC came into force;
— Incumbent operators are naturally reluctant to give up a poorly regulated (and often highly profitable) local monopoly for a franchise which they may not win and where some form of profit capping may well be operated;
— Incumbent operators have deep pockets and some have threatened to frustrate any moves to a Quality Contract through all avenues of legal challenge and through ‘scorched earth’ tactics like closing depots and withdrawing services;
— Operators make offers of improvements to services as an alternative to QC. These offers may fall short of what a QC would provide (and may not be fully delivered in practice) but come with less risks attached than that of a QC;
— Both the former, and current Government, has been agnostic rather than supportive of any QC first movers;
— When local government funding is being cut there can be a tendency towards caution in pursuing anything perceived as having risks attached.

Overall then there are considerable “first mover disadvantages” on QCs.

The statutory process for an LTA moving to a Quality Contract is arguably less of a hurdle than the above factors. This is not to say that the process couldn’t be further reformed to lower the statutory hurdle. However by and large the process in the Local Transport Act 2008 is a workable and appropriate process.

The process for an LTA moving to a Quality Contract is as follows:
An LTA has to satisfy itself that a QC proposal will satisfy the following public interest tests:
(i) have a positive impact on the use of bus services
(ii) will be of benefit to users of bus services by improving quality
(iii) will contribute to the implementation of the local transport policies
(iv) achieve all the above in an economic, efficient and effective manner, and;
(v) that the adverse effects of a QCS on operators is proportionate to the improvement in wellbeing of persons living or working in the QCS area.

A Quality Contract Scheme Board (made up of a Traffic Commissioner and two members drawn from a panel with relevant expertise) has to be consulted and give an opinion on whether or not the proposal meets the public interest tests.

The LTA is free (once the QCS board has given its opinion) to make the scheme.

The route for an appeal is via the Transport Tribunal rather than direct to the Courts.

If the QCS Board opinion was that the proposal did meet the public interest tests then the right of appeal is restricted to points of law only.

The advantages of this process are:
— It is the decision of the LTA whether or not to go ahead with a QC.
— The process is compliant with European Law and Domestic Law and also routes appeals to Tribunals on matters of law rather than to the Courts. It also seeks to restrict appeals to process rather than reconsideration of the arguments.
— An LTA does not have to exhaust all other options before going ahead with a QC. It does not have to be the last resort.
— The SoS does not make the decision—the LTA does.

The areas where the legislation could be improved would be on transition issues (to a first QC, and between a first and subsequent QCs, and possibly on a further easing of the public interest tests.

Although these changes would be desirable they would require primary legislation which in turn risks reopening far wider debates about the use of Local Transport Act 2008 tools (and consequent blight of their use). There would also be a time penalty while the legislative changes were made.

In our view it is not legislative change to the existing QC legislation that is the top priority but a more supportive approach from Government to get some initial Quality Contracts “over the line”. This would allow
an assessment of the merits of QCs and also make it easier for other LTAs to follow the trail that the pioneers had established.

**The “re-regulation” option**

If any Government wanted to “re-regulate” the buses ie take some form of national initiative to ensure that buses were operated on a franchised basis then arguably the best way of doing so would be to introduce new legislation that would give the Secretary of State permissive powers to designate “deregulation exemption zones”. Within those zones the local transport authority would be compelled to trigger an amended QC process. In this way bus services would be re-regulated but with the detail implemented locally. National Government would have the choice over how fast and how extensively it wished to “re-regulate” overall. It would seem unlikely that the present Government would adopt such a policy however.

26 March 2012

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**Written evidence from Metro (LBS 32)**

1. **Introduction**

   1.1 Metro (West Yorkshire Integrated Transport Authority/West Yorkshire Passenger Transport Executive) is the Local Transport Authority for West Yorkshire, which has a population of 2.2 million.

   1.2 Metro provides significant financial support to the West Yorkshire bus market with expenditure of around £24 million annually in tendered local bus services.

   1.3 There are currently around 45 bus companies operating services in West Yorkshire. Despite this, according to the Competition Commission’s own analysis, there are only around 2.3% of bus routes in West Yorkshire which can be categorised as not being subject to the “Adverse Effects of Competition”.

   1.4 Metro has fully engaged with the Competition Commission (CC) and has provided evidence and responses to the Competition Commission’s reports. Copies of the latter along with a summary of our hearings with the Competition Commission can be found at http://www.competition-commission.org.uk/our-work/local-bus-services/evidence.

   1.5 Metro has contributed to, and endorses, the separate submission made by pteg to the Select Committee.

   1.6 Metro would wish to supplement the pteg submission, as set out below.

2. Q1. Has the Competition Commission addressed the issues of most importance to the bus passenger?

   2.1 The Competition Commission appears pre-occupied with a model of competition that is inappropriate to a local public transport market where customers value reliability, stability, simplicity and ease of use rather than a series of start-ups and market entrants leading to instability, confusion, over- and under- service provision and frequent variations in service levels over time.

   2.2 Bus passengers want a bus. They show very little or no natural brand loyalty—the only brand loyalty is shown in response to operator only ticketing schemes designed to protect market share.

   2.3 Every passenger, bus operator and transport planner knows that the wait time at the bus stop is the worst part of a public transport journey. Operator-only ticketing schemes exacerbate this problem by reducing the effective frequency to intending passengers. This is why Transport for London does not allow, for example, First to offer a First only Oyster card.

   2.4 The Commission have also failed to recognise the significant barriers that exist for new customers. The deregulated system does not currently provide prospective passengers with easy access to even the simplest of information about the fare they can expect to pay. In most parts of the UK prospective passengers can find out more about a local bus service in the Netherlands than they can in their locality.

   2.5 The Competition Commission’s remedies are all based upon remedies to promote further competition without the evidence that competition is what passengers want or is in the passengers’ interest. Indeed feedback from public consultation consistently shows that passengers in West Yorkshire are more concerned about issues such as improving reliability, providing simplified ticketing and addressing high fares. Metro cannot recall a single piece of customer feedback requesting more competition.

   2.6 Metro believes that passengers, and tax-payers, are concerned about value for money. Competition for the market, not in the market, is the most commonly used method for securing this value for money. It is notable that Transport for London receives more bids per tender in a franchised system than Metro does in seeking to secure services it deems to be socially necessary but not provided by operators in a de-regulated environment.
3. Q2. How effective are the remedies proposed by the Competition Commission likely to prove?

3.1 Metro considers that the remedies proposed by the Competition Commission are likely to be completely ineffective in addressing the Adverse Effects of Competition in West Yorkshire, which are estimated to be up to £25 million per annum using the Commission’s methodology.

3.2 The reasons for this belief are that the remedies are either already in place (eg access to bus stations, management arrangements for pre-paid multi-operator tickets, discussions about service changes) or will be strongly resisted by operators.

3.3 Metro has significant concerns that operators place a premium price on multi-operator tickets, as well as promoting their own tickets more heavily and through a wider range of sales outlets. This approach includes selling operator-only weekly tickets on bus (recognising this is to the detriment of service punctuality).

3.4 Metro envisages a protracted debate with operators about the application of the Competition Commission’s pricing formula, with operators refusing to shift from their stated position that multi-operator tickets are a “premium product” with a premium price.

3.5 Metro offered, in 2011, to fund on an on-going basis the differential between the multi-operator day-ticket (£5.00) and the main operator-only equivalent tickets (£4.30). This offer was declined, confirming (in Metro’s view) operators determination to use their own tickets as a means of protecting market share and deterring new entrants.

3.6 The Competition Commission’s preferred arrangements for the management of multi-operator ticketing schemes are already in place in West Yorkshire. However, operators used these arrangements (when the West Yorkshire Ticketing Company was established) to significantly increase the prices of multi-operator tickets, resulting in reduced sales and market share.

3.7 The graph below demonstrates the reduction in sales of multi-operator tickets in West Yorkshire following the establishment of the West Yorkshire Ticketing Company.

3.8 Metro believes that the de-regulated framework incentivises operators to place a price premium on multi-operator tickets in order to use their own operator only products to protect market share and deter market entry. This is an entirely logical and rational response, and will not be adequately addressed by the Competition Commission’s remedies.

4. Q3. Is sustained head-to-head competition feasible or desirable?

4.1 The bus market in West Yorkshire is heavily concentrated, with the Competition Commission identifying only 2.3% of routes as being subject to competition.

4.2 Metro believes that this is because, with very few exceptions, head-to-head competition is not sustainable. A number of operator submissions (eg from Arriva) to the Competition Commission share this view.

4.3 Metro also does not believe that head-to-head competition is desirable and is no guarantee of passenger benefits.
4.4 Metro also considers that competition between operators and modes is wasteful (often of public money) and is inconsistent with the legal duty (Section 108, Transport Act 2000) placed on Local Transport Authorities to:

(a) develop policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within their area, and
(b) carry out their functions so as to implement those policies.

4.5 Metro also believes that integration (which is the anti-thesis of competition) is a key feature of high quality, well regarded and well-used public transport systems across the world. However, many transport professionals would share the view of the Lord Rogers Urban Task Force Report (2005) whilst “conurbations need an integrated transport system, public transport in most UK cities is totally un-integrated”.

5. Q4. What role should quality partnerships play?

5.1 Metro believes that there is a role for Quality Partnership agreements and arrangements in clarifying objectives and actions, and has entered into a number of voluntary partnership arrangements, including a number of Punctuality Improvement Partnerships.

5.2 Whilst Metro has worked with operators in a number of partnerships, it is considered that they are likely to be inherently anti-competitive as they tend to impose additional barriers to market entry.

5.3 Metro also has concerns that the effectiveness of Quality Partnerships can be limited because they:

— Do not necessarily involve a balanced and proportionate share of risk and reward.
— They are likely to be developed in a context of asymmetric knowledge, meaning that may not be possible for the Local Transport Authority to place a value on the additionality of operator contributions.
— Operators will mostly invest in vehicles, which can be relocated. Local Transport Authorities are expected to invest in infrastructure which cannot be relocated. Hence Local Transport Authorities have less recourse to cover the value of their investment should a partnership fail.
— Lack the enforceability and requirement for remedial action associated with a contractual framework.
— Can involve tax-payers unintentionally funding share-holder dividend or transfer of funds overseas (Arriva, Transdev Veolia) without the benefit of a competitive process to demonstrate value-for-money.
— May risk contravening State Aid rules in the case of major investment by public authorities.

5.4 Metro also has experience of the delivery of consistent quality standards and a consistent customer experience being hard to achieve through partnership. One operator in West Yorkshire consistently performs best in terms of punctuality, reliability, customer satisfaction, fewest complaints. This same operator also performs best in the partnership arrangements for the provision of real-time information to customers. Metro has no real ability to incentivise any other operator to achieve the same service standards that the “best in class” consistently achieves. Another operator (of a similar size) generates up to 10 times the volume of complaints per 100,000 passenger journeys.

6. Q6. Has the Competition Commission adequately considered the franchising option?

6.1 Metro does not consider that the Competition Commission has given adequate consideration to the franchising option.

6.2 The Competition Commission has not properly acknowledged or considered European models of bus service. The Commission has failed to recognise that competition for the market through franchising is much more prevalent throughout the developed world than UK’s de-regulated system, which is so well regarded that no-one has copied it.

6.3 Metro believes that the Competition Commission’s assessment of franchising is unduly negative and considers that the concerns that the Commission have identified with franchising can be overcome. The Commission has failed to acknowledge that market appetite for the introduction of a franchising model in the UK does exist. Indeed Metro has carried out a recent soft market testing exercise to inform the development of Quality Contract proposals for West Yorkshire, which has shown market interest to be significant and sustainable

6.4 There has been a significant change in the Commission’s views on franchising between the publication of the draft and final reports. Metro speculates that large Operators and their representative groups, which have significant budgets at their disposal, will have sought to influence the findings of the Commission. It is in the interest of Operators to defend the status quo, which protects their ability to make higher rates of return than would be expected in a franchised system. A large West Yorkshire operators published accounts have consistently reported up to twice the average industry rates of return—hence their opposition to change is not surprising.
7. Q6. What action should local government and central government now take?

7.1 Metro has had good working relationships with, and has adopted a partnership approach with, competent and well-regarded operators for over 15 years, investing heavily in bus stations, guided bus-ways, passenger information, real-time technology and stops and shelters. Operators have invested in new vehicles. The outcome has been a 23% decline in patronage since 1995, despite a growing population and increased employment.

7.2 Metro does not currently believe that a continuation of the same approach will achieve significantly different results.

7.3 This in part because operators have, and will, take a short-term view and prioritise financial returns over organic growth and resort to service cuts, fares increases and a lack of attention to customer care. It is noticeable that a major operator in West Yorkshire has publicly acknowledged this flaw with their previous approach.

7.4 Metro believes (on the basis of a report for pteg by NERA) that the large operating groups have in general adopted a strategy of profit taking from areas such as West Yorkshire to fund diversification (for example into rail or over-seas operations. Whilst this might be a sound strategy for share-holders it has been damaging to the economic, social and environmental well-being of West Yorkshire.

7.5 Metro therefore believes that it is time that central government, local government and operators recognised and accepted that de-regulation has not worked well in conurbations such as West Yorkshire.

7.6 Metro also believes that central government, local government and operators should now recognise and accept that alternatives to de-regulation in conurbations such as West Yorkshire are a legitimate response to the sustained loss of patronage and have a role alongside partnership approaches.

7.7 The benefits of de-regulation were predicated upon on-street competition, which is not feasible or desirable. This is why no other country has adopted this model and why there is no appetite to introduce it to London. Metro also considers that this is also why the Competition Commission, comprised of able, experienced and talented people, have been unable to identify a coherent and robust set of recommendations to address the failings of the current bus market.

7.8 Metro believes that current legislation provides sufficient means for Local Transport Authorities to introduce franchising through a Bus Quality Contract Scheme. Metro also believes that many operators recognise the virtues of a franchised system and are happy to provide services, and make a reasonable profit, in that framework.

7.9 Metro also believes that a franchised system can provide opportunities for much stronger partnership arrangements, using, for example, the incentive contract model deployed in Copenhagen and Stockholm.

7.10 Metro believes that many operators who are opposing Metro’s stance do so through fear of financial loss rather than opposition to the democratic principles it would bring to what is an essential public service.

7.11 Metro therefore would welcome a dialogue with government and operators about how to manage transition arrangements to address the fundamental problem of “I wouldn’t start from here” in improving local bus services in areas such as West Yorkshire and making an essential local service accountable to local people not plc share-holders. This would make Quality Contracts a better understood and viable means of improving local bus services and assist Local Transport Authorities in considering the merits of franchising, as well as partnerships, in achieving local economic, social, environmental policy objectives.

7.12 Metro would also urge the Department for Transport to provide similar support to bus services outside London to that provided to bus services in the capital. In early December 2011 it was announced that £136 million of Department for Transport funding had been provided to help keep bus fares in London as low as possible during 2012. This meant that a lower than expected rise in fares would come at no cost to Transport for London, or to passengers in London, and would have no impact on the planned bus investment programme for the capital. In contrast to this direct support, a few days later larger local transport authorities outside of London were invited to compete for a share of the much smaller £50 million Better Bus Area Fund.

7.13 Metro believes that this illustrates the disparity between the type of direct intervention that is possible in the regulatory regime in London, compared to the situation for areas such as West Yorkshire, where no mechanism exists for this type of intervention and instead the local authority is required to divert resources to compete for funding on a reduced scale.

17 February 2012
Written evidence from the North East Combined Transport Activists’ Roundtable (LBS 35)

1. This response comes from NECTAR—North-East Combined Transport Activists’ Roundtable. NECTAR is an open, voluntary, umbrella body, established to provide a forum in which the many organisations with an interest in sustainable transport, in all its forms, can develop a co-ordinated view on contemporary transport matters. It is one of a national network of Transport Activists’ Roundtables, sustained through the Campaign for Better Transport. As such, NECTAR provides opportunity for the exchange of news, studies, and information.

2. Our members include those who live in an ITA area (Tyne and Wear) and those who do not (Tees Valley, Northumberland, Durham city and county, among others). Many of us are bus users on a fairly regular basis, but not confined to one bus route or operator. Some of us, by choice, do not own or drive a car. Many also use rail services, and have experience of using local buses to reach our various railhead stations.

3. (i) We recognise that different bus operators aim at two distinct travel markets. One market is Private Hire—coaches chartered by groups for specific one-off excursions, and hence, by definition, financially remunerative. A more regular off-shoot of this, eg daily commuting to and from a work place, weekly transport to an opponent’s sports ground, and so on, again will be run on a financial basis that covers the coach operator’s costs, even if its users do not contribute to them directly.

(ii) The other “market”, until 1986 largely made up of municipal bus operators, is in stage-carriage services, access to which is open to all (hence the term “omnibus”, of course) as long as they pay, or have pre-paid, a fare in return for this access. At the margins of each market, for a number of reasons not germane to this Inquiry, overlap has occurred, mainly but not only when the de-regulation process began: thus some school contract services were provided by a coach-hire firm rather than a local authority’s buses, for instance.

(iii) We think that this “overlap”, which in many cases benefited all concerned, has now grown to become, in effect, almost the norm, as everything bus-shaped that moves on UK roads has to be financially self-sufficient by one means or another. In other words, cross-subsidy has been virtually banned—in our view, the main explanation for the parlous state of the UK’s bus industry in 2012 (outside London that is).

(iv) By stunning and enviable contrast, we see that mainland Europe can show a good number of towns and regions (now even including Gibraltar) whose municipal bus operations are actually totally free of charge at the point of use—on exactly the same basis as is our UK National Health Service.

4. NECTAR has reservations per se on the wisdom of operating bus services on a “competitive” basis at all, and we expand on this, with our reasons, in the course of our submission. But first we will try to answer the six listed questions.

Question 1: Has the Competition Commission addressed the issues of most importance to the bus passenger?

(a) It depends on the bus passenger[s]. They vary according to age, gender, use made of particular bus routes, ownership or otherwise of a car and/or bicycle, and whether travelling alone, with a partner and/or children, in or out of push-chairs, etc. Personal agility is also an important factor.

(b) It is arguable that local buses, be they urban, suburban or rural, and “competition” as such are irrelevant one to the other. Buses are seen by users as a service, moving people from A to B, rather than a fixed commodity or a trading-place (eg a shop or a restaurant). However intensive the network of bus routes a built-up area enjoys, some places within it may not be linked by a through service, but need one or more changes. Nowhere in the UK offers a recognisable single-journey transferable ticket, valid for a second bus within a given length of time: by contrast, continental Europe sells such a ticket as the norm. This is not to be confused with “all-day” tickets, valid on a whole system, which are available in large numbers in the UK, as in Europe. From the UK bus user’s point of view, however, their restriction to one operator’s services is an unnecessary nuisance if several operators overlap on a main route, a situation that the Competition Commission seems to consider the most desirable, but one absent from just about every continental conurbation—and an extra, irritating hurdle for the British bus user to jump. The Commission report fails to address this uniquely British “issue”.

(c) Without second-guessing the views of every other UK bus passenger, we bus users in NECTAR’s area are handicapped in the task of defining “of most importance”. Before mentioning five of our own candidates, however, we feel justified in asking:

(i) Why the commission consulted so few (1,100) actual bus passengers during this report’s 18-month gestation period? Better than none, maybe, but with 141 million bus-journeys annually in Tyne and Wear alone, a minuscule drop in a profound ocean.

(ii) When and where did the Competition Commission invite members of the bus-using public—or, indeed, those who did not use buses, apart from the 122 that it did talk to—to give their evidence to it on how they saw the effects of competition on their own journeys?

(iii) How many of the commission’s members are themselves frequent users of urban buses, and/or took any “mystery shopper”-type bus rides to test the validity, in the context of day-to-day urban bus operation, of the current requirements of UK Competition Law? [Report Summary, §§60 and 66]
(d) NECTAR’s five “most important issues” are, not necessarily in order of urgency:

1. Introduction of a Flat Fare system to replace the time-wasting and nerve-wracking haggling every time a passenger gets on a bus. Drivers have enough strain in coping with urban traffic, without taking on the running of a mobile shop at the same time. 
   (See also appendix 1.)

2. Addition of at least one more door to every bus in urban service. When those alighting and those boarding the same vehicle at the same stop are each in double figures, through passengers on it can be held up for three minutes or more. A separate exit could easily halve this wait. 
   (See also appendix 2.)

3. Moving rapidly from a “competitive” to a “collaborative” attitude amongst operators of public transport in general. Buses should aim to meet and connect with other buses, trams, and trains as often as feasible. Notwithstanding the widely-advertised “Plus-Bus” facility, this aim is rarely achieved, even in a few British cities that have tram systems. Properly-conceived modal interchanges rarely exist: indeed, the case-studies in the report itself too often talk about the competing presence of, e.g. Nottingham trams or Tyne and Wear Metro services, as if they presented handicaps to the smooth operation of bus services.

4. Relaxation of the present discouragement of “cross-subsidy” imposed on all bus operators, to the point where a stated proportion of a route’s services—in practice, most of those in evenings and on Sundays—is maintained, and if necessary sustained, from surpluses earned earlier in the day. After all, a fair proportion of daytime bus-users can be expected to need the same bus service at less “profitable” points in the day or the week.

5. Enlarging the appearance of every bus stop to include, besides a proper shelter, a full current timetable, and a whole-area bus/tram/train route map, as well as full details of the service-numbers that the stop caters for. At the moment, some stops—especially those with signs marked “All Services” and nothing else—look as though they are part of a quaint local mystery-cult, and, even for regular bus users, border on the useless.

We rarely see any mention in the report of any of these possibilities, even in order to reject them. What we do see, to our collective horror, are Remedies 67 and 68—actively forbidding just the kind of passenger-friendly co-operation that so many of us have seen at the heart of mainland European local transport networks, and clearly attracting capacity loads as a result.

(e) For most if not all users, buses are a means to an end, not an end in themselves. As such, they are used to reach workplaces, educational establishments, railway stations, or (more rarely) tram stops. While many routes pass close to the first two, few deign to go near either of the second two, unless by order of a determined PTE—even less to make recognisable connections with train services when they do. Barry Doe in RAIL issue 682, p.54, has mentioned the Busway routes from right outside Huntingdon station, which at off-peak times and on Sundays, actually set off, hourly, just two minutes before the hourly trains to King’s Cross pull in.

Question 2: How effective are the remedies proposed by the Competition Commission likely to prove?

(a) NECTAR is circumspect about this question, the wording of which seems to assume that the “remedies” will be implemented quickly. Allowing, therefore, for a certain amount of revision of these “remedies”, either all at once or piecemeal, we are again brought to a stop by the vagueness of the term “effective”. Effective for whom? the bus passengers? the bus operators? local authorities? the road lobby? the Office of Fair Trading? We need more clarification here even to have a chance of commenting usefully.

(b) Notwithstanding this, there do not at first glance seem to be any proposed remedies that look likely to help bus users to get better services, never mind to do something to unblock road congestion arising from many towns’ present bus operations. Yet this last is something that even the Highways Agency has begun to look to the providers of public transport to assist with, in the absence of adequate funds (in their view) to enlarge existing road networks. Indeed, in our region, there is apparent Highways Agency support for rail-based alternative to the roads in its area. This might be thought to imply that the HA has little faith to enlarge existing road networks. Indeed, in our region, there is apparent Highway Agency support for

(c) Mention of the Highways Agency, and motorists, leads to a comment that, if there is any valid form of “competition” in the bus industry now, it is that between private mooring and public bus services. With certain reservations, and not just that rail and tram comes into it too, this is the only legitimate use of the term “competition” in this context—and one of increasingly vital importance to everybody in these islands, as part of our continuing struggle to limit the quantity of CO₂ emissions.

Question 3: Is sustained head-to-head competition feasible or desirable?

(a) In the world of sport (football/cricket/tennis etc) the “head-to-head” concept has some meaning, but equally important, in our view, is the fact that such competition is of finite length. “Sustained”, in this question, changes this picture. Bus companies, rather like TV stations, set up with the aim of continuing existence, often gaining loyal followings of their various programme-series in a guise recognisably similar to that of regular bus users. But the “competition” as such is minimal or non-existent. Commuters, like TV audiences, tend to be set in their ways, preferring the known to the unknown, provided that it remains
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reliable over time. In other contexts, such as political activism, we might find this anything between sadly regrettable and chronically exasperating, but in a bus-operating context it (where found) signifies satisfaction with a job repeatedly and reliably carried out, at a tolerable fare-level.

(b) “Sustained competition”, far from being either feasible or desirable, seems to us all both totally irrelevant and grimly off-putting. To achieve it would, by definition, require duplication of service—a gross inefficiency in operations, increasing significantly if not prohibitively both road traffic congestion and carbon emissions. Few bus commuter wish to be condemned to live in a permanent bus war-zone, we think. And neither do we. (See also appendix 3.)

(c) Reverting to the context of bus operators, a short history lesson may be salutary. The 1930 Road Traffic Act was the result of impossible conditions created by unbridled rivalry among bus operators, with manhandling of potential passengers away from nearby rivals’ vehicles only one of many undesirable factors. The next five decades were comparatively orderly, a minor but only temporary boost to bus usage being given by Beeching-era rail closures; but buses still ran on a basis of regulation by Traffic Commissioners.

Deregulation proposals in the mid-80s elicited numerous warnings of:

(i) more pre-1930-type bus wars, and

(ii) fly-by-night new companies (“Cowboy and Son” as a national Transport 2000 campaigner put it).

Sure enough, evidence for both emerged in abundance from 1986 onwards—indeed, this “competition” between bus operators noticeably led to boosted rail use by people exasperated with the unpredictability of changed bus-routes and numbers, garish liveries, even unrecognisable vehicles causing passengers to let the bus they wanted slip by before they could stop it.

More to the point of this question, after a brief and often beneficial flurry of extra buses on already busy urban routes, some long-established operators were forced out of business thanks to unwinnable fares wars. Bus stations were abandoned in many towns, and—as the Report notes—five large nation-wide profit-seeking operators in effect replaced the scores of municipal operators who had run buses as a community asset hitherto. After all, if the basic motive for running buses is the amassing of profit, all operators will crowd on to the busiest roads and routes, ignoring the remote rural and less-densely-populated suburban areas almost totally.

Question 4: What rôle should Quality Partnerships play?

(a) To answer this needs much more firm knowledge of exactly how these are defined. If they involve enforceable high standards of punctuality, frequency and length of operating day (Sundays included), they should be encouraged in large numbers up and down the country, and not just in urban areas. If, on the other hand, they extend merely to the depth of the seating upholstery and/or kindred features, they are unlikely to be of any practical use to the bus passengers at whom they are aimed, especially those to be won away from car driving-seats.

(b) Be they “partnerships” or the more demanding version, “contracts”, there is and will remain the stumbling-block of their enforcement. It is common knowledge that the number of officials who might be expected to carry out such enforcement is in line for steady reduction as part of the austerity programme, so we see little of hope here.

Question 5: Has the Competition Commission adequately considered the Franchising option?

(a) Yet again, it depends on the definition of “franchising” from which the Commission was working. We need more information on this to answer helpfully, though we do know that Tyne and Wear is actively considering the pros and cons of franchising, including the nature it would take. [cf. (c) below]

(b) Going back once more to pre-deregulation days, we know of one area of England where a “franchising” system was introduced—Lancashire. As we understood it, the then county council (early 80s) stipulated how many bus routes would run, and at what frequencies. It then advertised to all known and potential bus operators—possibly including private hire companies, we do not know—the services that it wanted, and asked each to bid for a stated proportion of journeys, on specific routes, that it was willing to provide. Revenue was to be pooled in proportion to journeys run. There would no doubt have been an effective enforcement check in place; this system certainly survived until de-regulation was enforced.

(c) Within our own North-East region, Nexus has been holding consultations about a possible Franchise, recognising that nothing can emerge from it without a three-year time-lag. Among the other significant statistics that have been quoted, we learn that profit margins for bus operation in Tyne and Wear average 12 to 13%, and in some instances reach 25%. When even the highly-profitable Tesco posts profits of 7% or lower, this looks disgraceful, not to say a frank affront to all bus users, especially if we reflect that their ranks will include many of the lowest-income groups in the community, struggling to pay fares at a level far higher than those seen in mainland Europe. And that is before taking into account verified reports of job-seekers who cannot afford to use their local buses to reach the Jobcentre because—even when the fares are later to be refunded—singles of £2 or more are prohibitive.
(d) Tying these profit ratios in with the steady disappearance of the less-well-patronised bus services over the quarter century of de-regulated operation, and the continuing threat to surviving “tendered” bus routes that local authorities strive valiantly to keep on paying for, we can only conclude that anything is better than the current bus régime. That includes some kind of Franchising that aims to guarantee continuing service-patterns, properly advertised and operated, with affordable fares, and reliable connections into other services, of whatever sort.

(e) As matters now stand, the record of passenger usage figures since de-regulation is one of almost constant decline, except where—as in London—buses are run on a more regulated and franchised basis. Even the introduction of free bus-travel for the over-60s a few years ago, which did turn the tide noticeably (a 15% increase) for a time, has not been enough to stem this underlying trend. In those few pockets of resistance to it, such as Brighton and Oxford, we know that, broadly speaking, buses are provided by one main operator, ticket-prices are kept stable, and both bus operator and council staff include at least one prominent official who has the enthusiasm and the drive to increase bus patronage, instead of watching it drain away. Such people also boost the image of the local bus as a respectable and environmentally-superior way to get about urban and suburban areas. In short, regulation in all but name.

Question 6: What action should local government and central government now take?

In NECTAR’s considered opinion, the possibilities include:

(a) Investigate further the rates of “profit” on commercial services that some bus operators have been found making. Our remarks above, at Question 1, note 4, about cross-subsidy’, apply here, as, if these stated margins are anywhere near the truth, bus companies have far greater resources to re-introduce evening and Sunday services than they make out. “Cherry-picking” has no part in a user-friendly bus operation; occasional “loss-leading”, an equally-recognised commercial weapon, certainly does.

(b) Whether “cross-subsidy” becomes permitted again or not, the fact remains that the most salient differences among urban boroughs in public-service provision are often in the level of local authority support for non-commercial bus services. Hartlepool, for instance, now has none at all, leaving large urban areas without any evening or Sunday buses, and even some areas with no buses whatsoever. Worcester, of similar size, has also suffered comparable pillaging of its marginal bus services, so the problem is not confined to the North-East. We wonder if European Union funds might be tapped into, to restore the lost services in towns such as these. Funds of this sort, though available, are rarely taken up in the UK, it seems.

(c) Forthcoming additional cuts from central funding in general promise even more swingeing reductions in apparently unprofitable but socially valuable bus services up and down the country. This does little to help efforts to discourage private car use, but does far too much to discredit the entire bus industry, with adverse ecological consequences to match. So we strongly urge the government to revoke the decision to reduce levels of fuel subsidy for bus operation, as it can only make a bad situation worse, and once again vitiates efforts to cut carbon emissions.

(d) Recognise that a privatised industry, especially one providing public services to the whole community, has by definition more demands on its income than one run by a local authority, whose obligations are towards its inhabitants, as distinct from financial commitments to profit-hungry shareholders. A bus-company that wilfully reduces its bus services, either by reducing frequency of by removing them entirely, the better to record multi-million-pound profits, is frankly anti-social in a very broad sense. It deserves public censure, not encouragement.

(’cf. our remarks in Question 5 above.)

(e) Meditate on the indisputable fact that, after a full quarter-century of its development and operation, the “competitive” approach to providing local bus services remains unique to the British Isles. Even the free-market-minded USA has not followed the UK’s lead—Los Angeles and New York, for instance, manage without any “competitive” bus operating régimes. Are they, and the whole of Europe and beyond, really “all out of step but our Johnny”?

APPENDIX

1. It is noteworthy that so many buses carry invitations, not to use them more, but to get a job driving them. This implies that staff turnover is high, especially at a time when service levels are going down rather than up.

2. Examples of this frequently occur at Billingham Town Centre, in Middleton bus station, and in Stockton High Street, to name just 3 in the Tees Valley alone. It is bad enough in fine weather, but during heavy rain it becomes intolerable and off-putting, to say the least.

3. Stockton-on-Tees provides a depressing case-study of such “competition” during Sunday day-times. Every hour, four buses on different routes link its High Street with Norton (Red Lion) and Billingham Town Centre, within three minutes of each other; the two Stagecoach routes also run at the other “half hour”; x.22 and x.23. Otherwise, nothing. The full details are:

— x.50 Compass Royston tendered service 556 towards Haverton Hill.
— x.52 Stagecoach service 52 towards Low Grange in Billingham.
Further written evidence from the North East Combined Transport Activists’ Roundtable (LBS 35A)

NECTAR responded to the Inquiry into Bus Competition in February this year. We note with considerable concern that the Government has accepted almost without quibble the conclusions that were reached by the Competition Commission earlier on, to the point where it intends to do most of what the Commission recommended.

We have looked at the text of the Government response, and are very disappointed with what we see there.

In particular:

(§6) We totally doubt that anyone, no matter how well informed, can ever put any figure on a supposed “loss” to the taxpayer arising from a lack of bus service competition, never mind one of £115 million. And that, we are expected to believe, is the lower estimated limit. As bus users, our main perceived “losses”, thanks to such competition as exists within the industry, arise jointly from the reduction or removal of bus services, from some former routes totally and from others in part—evenings and Sundays. Putting a price on such losses from our point of view is, to us, a futile exercise, as well as thoroughly irrelevant to our “plight”—though for us to discover the extra costs to a bus operator of restoring service-frequencies off-peak, and/or of reinstating former bus routes, is, we are told, impossible thanks to “commercial confidentiality”.

(§8, footnote 1) Schemes to extend multi-operator ticketing are welcome: the proviso that they should specifically avoid being multi-modal, however, we reject entirely. Does neither the Competition Commission nor the Government know that many of such existing schemes are offered in at least two versions, one with, and the other without, rail travel?

So we are pleased that the House of Commons Transport Committee has asked for additional evidence to be sent in connection with the earlier Inquiry into Bus Competition. We note, correctly we hope, that the terms of reference posed remain as for the original Inquiry, and so we send the following in response to this.

Our replies are confined to Questions 1 and 6, with some additional comments arising from events in the North-East.

Question 1—Has the Competition Commission addressed the issues of most importance to the bus passenger?

Our answer to this remains, in one word, No. Since February 16, we have learned of developments in North-East bus provision that have in many cases underlined the continuing futility of running buses in competition one with another.

Before detailing these, we point out a few aspects of bus service provision that have changed over the last 25 years (the full period of bus deregulation), on a before-and-after basis. In most cases, we would have expected far more improvement as a result of competition as such: its absence, we feel, speaks volumes for the shortcomings of a competitive bus service régime.

1. Service-frequency

(i) It depends, of course, on where one looks, but in Stockton borough area it is hard to see any improvement—if anything, frequencies even during the day are lower than those pre-1986. No sooner, for instance, had Tees Valley Unlimited succeeded in its bid for Bus Enhancement funding than Stagecoach reduced its 10-minute-frequency services to 12-minute intervals, and 12-minute ditto to 15 minutes ditto.

(ii) This apart, several entire bus routes have been withdrawn, often with little notice, despite reasonable patronage. We can only guess that this translates as “insufficient margin to provide adequate dividends for our shareholders”. The nature of some of these routes—vital links to local hospitals—suggests an operator’s culpable lack of social conscience. In the past, a local authority could have persuaded an operator not to withdraw a service, but to market it in an entrepreneurial spirit. Now it cannot—especially as funds for bus service support continue to be reduced.
2. Bus stop provision

(i) Bus stops have long been put anywhere on a road except where they would have been of use to bus users. The usual excuses would be that “the police objects to their position”, and/or that “motorists and lorry-delivery drivers will be inconvenienced”. The idea that users of public transport make, overall, far less demands on road space, either on or off high-capacity buses (or trams) never seems to have crossed the official mind: if anything, puritanical belief that the extra yards walked will “do the bus passenger good” seems to have prevailed.

(ii) For instance, the recent “Bus Priority” measures (so-called) between Thornaby railway station and Stockton High Street have resulted in longer walking-distances between, for instance, the station platform and the nearest main road bus stops. Even on a bus-lane (which passes the station entrance), we are told that no bus stop can safely be provided at the shortest distance from the station platform.

(iii) In general, little rhyme or reason governs either (a) how far apart, on average, bus stops are placed or (b) if bus stops serving opposing directions of travel are put as near as possible to each other, if not actually directly in parallel. Similarly, no automatic provision exists for would-be passengers to cross a road safely (by zebra crossing) to reach their required bus stop when their bus is in sight. Bus-frequencies now are too often so low that missing one for reasons of obstructive road traffic can entail a time-wasting half-hour wait.

(iv) Some areas, with the best of intentions, pride themselves now on providing (remarkably expensive) raised platforms by the stops, aimed, above all, at helping disabled passengers and those with push-chairs. If Stockton is anything to go by, however, this merely ensures that each different bus driver interprets their purpose differently, some making a point of pulling up exactly where their passengers are not waiting. That apart, the solidity of these structures itself discourages any improvement in bus stop convenience: and yet, in several cases, their position at the stop is either on the “wrong” side of its shelter, or, as in one notorious case—one of the busiest stops in Billingham town centre—80% useless, thanks to being under a shelter whose glass wall is nearest to the road instead of being facing away. (The remaining 20% leads off the bus straight into the shelter’s only gap, ie exactly where the line of passengers waiting to board invariably stands.)

3. Fare structures and fare levels

(i) The latter is bound to have changed since 1986, thanks to inflation in general: but the former is just the same absurd jumble of possible prices for different would-be passengers as it was, in essence, before 1986—complexity for its own sake. Continental urban bus-operators long ago realised that, despite the occasional resulting rough justice, a one-fare-fits-all policy was much easier for all concerned—if, to some passengers, the fare-level seemed excessive for shorter journeys, it also included a time element that allowed the same ticket to be used on connecting buses at no more cost. There was, and is, much more emphasis on pre-paid fares in bulk, which reduces the individual ticket price.

(ii) On buses in the UK, one comparable attempt was the “transfer ticket” offered on some routes in Wallasey, though there may well have been similar tickets in other places. It is true, too, that some current operators, who use the same vehicle to run successively on different bus routes, issue “through fares” to those staying on beyond the first route’s terminus. But not all do—notoriously, Stagecoach between Billingham, Middlesbrough and then the Hemlington direction use one bus, whose route-number changes at the bus station—but only after making everyone leave it there and walk round to its next service’s starting-point. Again, not much of a social conscience.

(iii) There is also the point that, thanks to one-(wo)man operation and myriads of fare combinations rather than a flat-fare system, bus journey-times are sometimes absurdly extended. It is difficult to see how such a system can ever attract more bus users, on any ground, let alone that of speed benefits, especially if the idea is to woo such users from their own cars. Thankfully, one operator—Go North-East—has cottoned on to this latent sales-resistance, and now uses zones as the basis for the fares charged on some routes—similar, of course, to Transport for London’s zonal system, though sadly not, like theirs, extending to rail use even in part.

(iv) It is not out of place here to mention the adverse effect of the 20% reduction, as from this month, in the Bus Service Operators’ Grant. Every operator in the Tees-side conurbation immediately raised its bus fares by a similar amount to offset this loss of grant with additional payments by bus users. It may yet be too early to see if bus patronage has gone down as a result, but we think that it is fair to conclude that all bus operators believe that they now carry, almost exclusively, a captive market. Despite widespread and increasing financial hardship among very many actual and potential bus users, especially in an area noted for above-average post-industrial decline and the consequent deprivation affecting so many households, this decision to pass extra costs on, rather than market the services with greater enterprise and vigour and retain the previous fares levels, speaks volumes to us about the attitude of just about every urban bus operator to its already long-suffering customers.

4. Information and publicity about bus services

(i) We do not pretend that bus stops before deregulation were mines of information on where their buses went to or came from. But, in a competitive context, we would have thought that different operators would do all they could to capture market-share by including, at each bus stop, a clear map of the routes their buses took,
and the fares that they charge, as well as their departure times, and the time taken to reach their destinations—in other words, to provide bus stops equipped much as those of TFL are now. No such luck, at least in and around Tees-side. Protests are made that “this is not the bus operators’ job”, leaving hard-pressed local authorities to put timetables up at as many stops as their limited annual budgets allow. In similar vein, we would expect bus operators to show their service-numbers on each bus stop as part of their advertising. Again, with rare exceptions, not so—the travelling public is credited with powers of clairvoyance when, as too often happens, their bus stop says “All Services” and then resolutely omits to contain a timetable frame, let alone information on which “services” these are.

Is this what competition was designed to bring to us? And who does it help most of all? One does not have to be unduly cynical to conclude that the only sections of society to benefit from bus deregulation were, and still are, motorists, motor vehicle dealers, road-builders and taxi-drivers.

It is worth bearing in mind two inescapable facts: one, that the population of the UK, though rising, has done so by little more than 10% overall, and in some parts of the country has actually declined slightly. The other is that total road surface area has gone up by far more than this, accompanied by continuing increase in road vehicle-mileage—witness the increasing number of sets of traffic lights to deal with it all. Recent statistics may suggest, to our delight, that motoring as a whole has begun to decline very slightly, thanks, in part, to higher fuel costs, but we need to point out, even so, that the comparison of costs between petrol and public transport fares shows the latter rising to a far greater extent than the former, especially when rates of inflation are taken into account.

Recent developments in the North-East:

1. The Tees-side area has seen one or two additional routes introduced, usually by Tees Valley motor services, to fill gaps left by other operators or to investigate new markets. Not every such initiative that this operator takes lasts very long, however.

2. We also learned that at least one financial offer was made, by a local council, to any operator who would take on the running of a better-frequency service in a poorly-served district of Thornaby. No operator was found who would do so—despite the area boasting several private-hire firms with spare vehicle capacity and crews available. So much, again, for competition.

3. Tyne and Wear, by contrast, has begun talks to introduce a more locally-controlled Franchising system, in part to protect urban and rural areas in its patch from losing tendered services. The uproar that this has caused, among supposedly adult managers of just about all the long-established bus operators in the area, has to be seen to be believed—again, no social conscience, public spirit, or even commercial acumen is to be found anywhere. Instead, they threaten, in protest, to remove every bus service that they operate.

4. On a more widespread level, we are in principle (cf. comment above on §8 of the Government response) pleased to see more machines for “smart-card” operations appearing on buses of all operators. We are told that this is for pay-as-you-go fare-collection, instead of lengthy negotiations followed by a laborious cash transaction. Leaving aside the fact that we have been promised such a smart-card scheme since at least 1994 to my own knowledge, we must point out that, in practice, no two bus operators’ smart-card machines are the same: what will work on one operator’s buses has to be turned through 90 degrees to achieve the effect on another’s. Yet again, the idiocy of the “competition” policy obstructs the dragging of the UK’s antediluvian bus fare systems, kicking and screaming, up to the basic standards taken for granted by our continental counterparts for decades.

How much more need we say to prove to the powers-that-be that this competition is totally irrelevant to the successful operation of bus services?

Question 6—What action should local government... now take?

1. In the present climate of doctrinaire competition, there is little that local “government” can take, as we have shown above. But it is readily noticeable that the most successful urban bus networks are those in areas where a local authority has had money available, had staff with a real belief in the potential of public transport to alleviate traffic congestion, and has worked with bus operators by, in places, limiting road space to buses, and/or creating, and then strictly enforcing, bus-lanes as widely as possible. East Kent, for instance, has reported vast increases in bus use—thanks to financial help from the local authority.

2. Elsewhere, the changed basis on which local authorities receive grant to support public services in their area has prevented similar efforts, as mentioned in our original submission. Yet exceptions can be cited—Middlesbrough-Stockton-Durham has a fast, half-hourly service seven days a week, into the evenings and even, at weekends, later still, thanks to financial help from Durham University—but only in academic term times. Better than nothing, and evidence that bus service levels do not have to drop away in evenings if the political will and the all-important financial support is there. And no, there is not, and never has been, any competing bus operator on that route. The service is provided on its own merits, not from any competitive urge that we can see. Indeed approaching such services from a “head to head competition” standpoint would be a recipe for certain disaster.
3. A quotation from an article in the *Guardian*, Saturday 28 April, will not, we think, be out of place, though it does not refer to the North-East of England. Zoe Williams, discussing the powers of a Mayor in an article primarily devoted to London’s forthcoming election, cites reducing air pollution as one of them:

“...[T]wo...different sources—Ted Reilly, a road safety campaigner, and Alice Bell, a lecturer in science and society...—say [air quality] correlates, not vaguely but absolutely precisely, with the traffic volume, ...and that once you get any distance from its source—20 yards—it vanishes. In other words, if you pedestrianised major thoroughfares from 8am [until] 8pm, if you... made public transport cheaper, if you consolidated deliveries to the periphery and got one provider to bring it all to the centre, you could do as much for the health of London as the person who discovered that smoking caused cancer.”

As for London, so for the rest of the UK—and of far greater importance for the health of everybody in these islands, bus users or not, than competition. In this, the centenary of the sinking of the *Titanic*, a government that rearranges the terms of competitive bus operation increasingly looks like a marine deck-chair attendant. They, and the competition from which they arise, should be abolished at once, in the interests of public health.

4. We close by pointing out that the rest of Europe, subject to the same Brussels-inspired “competition laws” as the UK, have in no case run their buses as competitive enterprises, in the form still envisaged by the Competition Commission and the government. So why should the United Kingdom continue to do so?

30 April 2012

Written evidence from Professor Chris Nash (LBS 36)

1. I am a Research Professor in the Institute for Transport Studies at the University of Leeds, and a Director of the Dales and Bowland Community Interest Company. I have been asked by the Board of that company to submit evidence based on its experience, but there has not been time for the Board to consider this document, so the views expressed are my own.

2. The Dales and Bowland Community Interest Company was established by the Yorkshire Dales Society, a charity, in February 2007. The CIC is a “not-for-profit” or “social enterprise” company limited by guarantee, and operates in partnership with the Yorkshire Dales Public Transport Users Group, a voluntary body and public transport pressure group. The Yorkshire Dales Society holds the single share in the Company.

3. The objectives of the D&B CIC are:

(a) To facilitate the provision and operation of public passenger transport services to benefit local residents and visitors to and within the Yorkshire Dales and the Forest of Bowland.

(b) To advance and promote, directly and indirectly, the objects of the Yorkshire Dales Society.

4. D&B CIC contracts out all its operations. The bulk of the services managed by the D&B CIC operate on Sundays and Bank Holidays. There is a simple reason for this. It is a direct result of services being withdrawn by the relevant local transport authorities on what are, for most visitors, the most popular days of the week for leisure travel and access to the Dales for outdoor recreation.

5. We maintain close contact with our users through on bus surveys, through working closely with the Yorkshire Dales Public Transport Users Group and because the Directors regularly travel on the buses themselves and discuss their services with passengers.

6. My understanding is that what our passengers most want is a reliable network of well integrated services and fares which provide value for money and are valid on the entire network of services.

7. Of course on the road competition is almost entirely irrelevant in the rural bus market in which we operate, but even where it does exist, it is my impression that it does not achieve these requirements. The sort of integrated network we operate can only be achieved if it is planned and marketed as a whole.

8. Actual operations may be carried out by a variety of operators under contract, but they must be carefully monitored in order to ensure that the meet the standards required. The aim of the tendering process is to achieve the best possible value for money, not simply the lowest cost. This may mean a willingness to negotiate in order to achieve added value, for instance by exploiting empty running or to make use of slack time in between other workings to provide additional services for passengers.

9. I accept that we are active in a specialised sector of the market, but nevertheless believe our experience is of more general applicability. Thus, whilst I applaud the efforts of the Competition Commission to extend multi-operator ticketing, I doubt very much the appropriateness of its emphasis on the road competition. I believe it should have looked much more closely at the benefits of a planned, competitively tendered system such as that to be found in London.

10. I do not believe that this needs to be expensive. When tendering started in London it was on the basis of a low overall subsidy, and it achieved a similar percentage reduction in bus operating costs to that achieved in the free market of the rest of Britain, (Table 1 below). It is only because of decisions to greatly expand services whilst holding down fares that London has since required a major expansion in subsidies (Table 2).
11. The following tables are taken from a paper I prepared for a conference on the future of public transport held in Greifswald, Germany, in 2008. They show the experience of the first decade or so post bus deregulation and compare it with more recent experience, but stopping short of the extension of concessionary fares schemes and the current recession. Whilst I accept that there are significant differences between the bus market in London and elsewhere in Great Britain, for instance lower car ownership and greater difficulty in using car due to congestion and parking problems, I do think that the tables suggest that the approach taken in London has on balance been more successful than that taken elsewhere in Great Britain.

Table 1

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* 2004–05 prices


Table 2

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<td>Subsidy*</td>
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* to 2004–05; 2004–05 prices

Source: Transport Statistics GB, Department for Transport, London

17 February 2012

Written evidence from Mr Kevin Gaskin (LBS 37)

I am part of a Community Area Group in Wiltshire which covers a largely rural area with a population approaching 20,000 people.

Unsurprisingly in a rural area where many people rely on public transport it is “Public Transport” and “Improvements to Public Transport” that are invariably the most represented topics of concern from residents usually in terms of frequency of services, standards of buses, pricing and availability of information.

Much of this reported concern is general and unattributed so as a group of volunteers we have taken local initiative to survey the state of bus stops and information provided at those bus stops to provide a more educated basis on which to engage in discussions with our local Council. This has proved most helpful and we are working together to address some of these issues including at the most basic level the responsibility for the maintenance of bus stops and the availability of up to date timetables and contact details for bus information.

In respect of the call for evidence we would not feel qualified to answer specific questions about the completeness of the survey and other aspects of the report. We would however repeat the local concerns, that have probably been expressed in some of the contributing areas, where we have seemingly unmanaged competition across routes where companies timetables effectively see them follow one another with just five minute gaps in between rival buses and then long gaps until the next service.

Bus companies do not appear to talk to one another and the service provider does not appear to be in a position to specify how bus operators should operate within a route to provide better coverage for passengers within a route.

Another issue which users complain about—particularly students travelling between Campus sites—is that on the same route a return ticket can only be used with the company from which it was bought.

We are attempting to establish a local forum to bring together service providers, bus operators and users to address some of these issues and others including the protection of subsidised routes, reliability of timetables,
frequency of services, evening and weekend coverage and access for elderly passengers and space for pushchairs. All issues that people say would help to increase usage.

The alternative, already seen in many rural communities, is the development of community transport options that might be able to better cover some of the more detached villages or parishes and provide shuttle services to better served public transport points.

As a community group and a community area we are supportive of all moves to support more sustainable and environmentally friendly forms of transport and in that respect are fully supportive of the competition commission desire to improve competition within the local bus market. We believe that providing the service providers with the necessary authority to manage competition within any given route would greatly improve the service for passengers and go some way to increasing usage.

17 February 2012

Written evidence from Transport for Greater Manchester (LBS 40)

1. INTRODUCTION

1.1 Transport for Greater Manchester (TfGM) carries out the decisions and policies of the Greater Manchester Combined Authority (GMCA) and the Transport for Greater Manchester Committee (TfGMC). The latter is responsible for advising the GMCA on transport policy. After the passenger, we are the “other customer” of Greater Manchester’s bus operators and in 2011–12, on behalf of passengers, we are budgeted to purchase approximately £41 million worth of bus services from operators.

1.2 We have fully engaged with the Competition Commission (CC) and have provided evidence and responses to the CC’s reports. Copies of the latter along with a summary of our hearings with the CC can be found at http://www.competition-commission.org.uk/our-work/local-bus-services/evidence.

1.3 We have contributed to and endorse the separate submission made by pteg to the Select Committee.

2. PRELIMINARY COMMENTS

2.1 We agree with the CC’s conclusion that there are significant adverse effects on competition in the local bus market, the cost of which amounts to, on the CC’s valuation, £115–£305 million pa, and we note that this disbenefit will fall disproportionately on metropolitan areas such as Greater Manchester. We regard effective competition as essential to deliver benefits to the passenger and value for money to the public sector. For that reason we are disappointed that CC’s investigation has a number of significant limitations that mean that its recommendations are of limited practical value.

2.2 In its Notice of Possible Remedies (May 2011), the CC signalled, without any strong reasoning, its preference for on-road (“in the market”) competition, rather than franchising (“competition for the market”). To a large extent, the course of the remainder of the investigation was then set and its outcome broadly determined. The CC’s obsessive focus on this one particular form of competition has been unhelpful, particularly as they do not acknowledge the disadvantages and costs of on-road competition.

2.3 It is regrettable that the CC’s predisposition towards on-road competition was unchallenged by any examination of bus services where the main alternative, competition for the market (franchising), is in place, such as in London or Europe. We are not aware that anyone, including the CC, has given an adequate explanation of why franchising is a satisfactory way of structuring the market in London but not in any other part of England.

2.4 By focussing on just the last five years, the CC has deprived itself of useful evidence from the period in the late 1980s and early/mid 1990s when its favoured solution, on-road competition, was, certainly in Greater Manchester, at its height. The experience of passengers facing the full adverse impacts of on-road competition, including service instability, irregular headways, unreliability and poor punctuality, poor vehicle and driver quality, was ignored. Furthermore, in limiting itself to the last five years, the CC have excluded evidence relating to the longer term dynamics of the bus market and its impact on the wider transport market, including its influence on car ownership and use. Deregulation, with on-road competition as its primary mechanism, was introduced with the intention of increasing consumer choice and reducing fares, yet there is no analysis in the CC’s report of the well above inflation increase in bus fares since 1986, nor is there any analysis of declining bus patronage in every region of England, apart from London, up to the 2006 introduction of off-peak free pensioners’ bus fares.

2.5 The CC also appears to have paid limited regard to the extensive body of existing transport research. For instance, there is very little reference in the CC’s final report to the extensive published academic research into the effects of bus deregulation.

2.6 A fundamental flaw of the CC’s investigation is that the wider social and policy objectives of transport authorities are “not relevant to this investigation”; this points to the CC’s very limited view of the role of the market, let alone buses. These wider objectives, relating to the economic, environmental and social role of buses, are of critical importance for TfGM, TfGMC, the GMCA and the citizens they represent.
2.7 This narrow view of buses is further compounded by the CC’s conclusion that cars and buses are not part of the same market. It is simply not credible that decisions about whether to buy a car are uninfluenced by the relative convenience, cost and quality of buses and cars, or that the 21% of adult bus passengers in Greater Manchester who have access to a car as a driver are not influenced by those same factors in their day to day travel choices. This is certainly not a position with which operators would agree; Stagecoach, for one, appear unmoved by the CC’s stance and following the publication of the CC’s final report launched a national advertising campaign specifically aimed at car owners.

3. Q1. Has the Competition Commission addressed the issues of most importance to the bus passenger?

3.1 No. The CC are broadly aware of passenger priorities but they have not addressed them. Their concern has been to identify ways in which on-road competition can be increased, taking it as axiomatic that this will benefit passengers, which for reasons given later on is a questionable assumption. The possibility that there may be adverse effects of on-road competition has not featured significantly in the CC’s thinking.

3.2 Our research in Greater Manchester has shown consistently that passenger priorities are, in order of importance, (1) reliable and punctual services, (2) affordable fares, (3) frequent services and (4) safety and security.

3.3 It is reasonable to add service stability to this list. The bus market in Greater Manchester has matured since the 1990s and recent instances of the kind of service instability that results from head-to-head competition are relatively rare, and therefore not of immediate concern to today’s passengers. Nevertheless, it seems reasonable to suppose that passengers would find frequent timetable and route changes unpalatable.

4. Q2. How effective are the remedies proposed by the Competition Commission likely to prove?

4.1 The remedies proposed by the CC will not resolve the fundamental, structural problems of current deregulated bus markets. The CC have focussed on increasing on-road competition but the reality is that most routes are simply not able to sustain more than one operator; indeed, there are many routes in Greater Manchester that have never had competition. We agree with the CC that proximity to potential competition is not an effective constraint; it is therefore unrealistic to expect the prospect of on-road competition to be a competitive constraint on the incumbent operator on single-operator routes. On the few routes that can sustain competition, the CC’s remedies are insufficient to reduce the threat of competitive reaction by incumbents. In addition, the bus industry is increasingly polarised; in Greater Manchester, there are two large operators who face little competition from the dwindling number of smaller operators. There are no signs that the market is attractive to more operators, or that the CC’s remedies will encourage more operators to compete.

4.2 To the degree that the CC’s remedies do achieve more on-road competition, the disbenefits are likely to outweigh any benefits. This can be seen if we consider each passenger priority in turn.

Reliable and punctual services

4.3 The routes most likely to be capable of supporting head-to-head competition, whether in the short- or long-term, are the busy trunk corridors which already have frequent services. Here there is an incentive for drivers to “bend” the timetable to get to a bus stop before a competitor. Lower frequency services, where improved reliability and punctuality would be of particular benefit, are unlikely to attract competition.

Service and network stability

4.4 It is unlikely to be coincidence that the rapid decline in bus patronage in the late 80s and 1990s coincided with the lack of service stability during that period. This service instability was a direct result of on-road competition and it is fair to conclude that a repetition would not be welcomed by passengers.

Affordable fares

4.5 Increased on-road competition may lead to reduced prices for single tickets and for single-operator travel cards (day tickets, weekly tickets, etc.). However, lower fares are generally offered by the new operator rather than the incumbent, who can generally rely on better frequencies, a superior wider network and customer loyalty to see off competition. Lower fares from new operators are likely to be accompanied by disadvantages such as longer waiting times and a less extensive wider network on which to use travel cards.

Service frequency

4.6 On the face of it, more on-road competition would increase frequencies. However, it is likely to do so on routes that already have high frequencies, where the benefit to the passenger—assuming on-road competition were to be sustainable—would be marginal. It is also likely that any increase in frequency on already frequent routes would be achieved by operators diverting resources away from routes with less frequent services, or from evening and Sunday services, which would have a much greater negative impact on the passengers using those services and would place additional pressure on the local transport authority (LTA)’s subsidised service budget. There is nothing in the CC’s remedies that would allow for an efficient allocation of resources,
geographically or across the day/week, to optimise frequencies from the point of view of the passenger; nor, for that matter, is there anything that would ensure even scheduled intervals between buses where there is on-road competition.

Safety and security

4.7 Safety and security is of particular importance to the more vulnerable members of society. There is little in the CC’s remedies that would address their concerns; if anything the opposite is the case. Any reduction in reliability/punctuality or in the frequency of less popular services would result in passengers waiting longer at bus stops, increasing their vulnerability (either perceived or actual). There is also a risk that at its worst, increased on-road competition could drive down driving and engineering standards and thus endanger passengers and other road users.

The CC’s proposals for multi-operator travel cards and provision of passenger data on de-registered commercial services

4.8 We support the recommendations regarding multi-operator travel cards and provision of passenger data on de-registered commercial services, although neither are game-changing remedies. The former is unlikely to lead to significant increases in on-road competition, but it will, within the limits of the de-regulated market, provide benefits to passengers by exerting a downward pressure on the price of multi-operator tickets. The provision of passenger data on de-registered commercial services—as long as it is accurate and timely—will help us to judge the merits of subsidising a replacement service, where appropriate to design a replacement service, and will provide a level playing field for operators who might bid to run such a service. However, there is a degree to which this remedy accepts the decline of the bus network as inevitable. It is not our view that such a decline is inevitable and we would much prefer to work with a system geared to developing the market.

5. Q3. Is sustained head-to-head competition feasible or desirable?

5.1 With few exceptions, sustained head-to-head competition is not feasible. While we recognise the importance of effective competition, we can see no circumstances in which this particular form of competition is desirable.

Is sustained head-to-head competition feasible?

5.2 In their response to the CC’s Addendum, ptcg gave a clear layman’s explanation of the theory of why:
   (a) there are few profitable opportunities for on-road competition;
   (b) where competition does occur, it is likely to lead to a period of timetable instability and unreliability culminating in the withdrawal of the new entrant; and
   (c) tacit co-ordination is rational behaviour for large operators.

5.3 This argument receives a passing reference in the CC’s final report without any reason being given as to why the CC considers it invalid. However, operators themselves have stated that one reason for the absence of head-to-head competition is that existing routes are well served by an incumbent: operators recognise that the theory plays out in practice.

5.4 Where the market can support on-road competition, there is a physical limit on supply—a limit on the ability of transport infrastructure (roads and termini) to cope with additional buses. This is a very real constraint and there are long-standing issues of accommodating buses in Manchester City Centre.

5.5 In their final report, the CC relegates this consideration to a footnote, dismissing it on the grounds that “buses and coaches collectively account for around 1% of motor vehicle traffic miles” and that partnerships may be used to provide transparent and fair methods of managing scarce road capacity in busy city centres while facilitating competition.

5.6 This ignores the fact that most busy routes—those routes which might be able to sustain competition—terminate in bus stations. The capacity of bus stations is constrained, at least in the short-term—most obviously by the number of stands, but also by the need, for reasons of safety and reliability, to limit the frequency of departures from any given stand, and the need to group services for the benefit of passengers, so that buses serving the same or similar routes depart from the same, or at least adjacent, stand. The advantage lies with the incumbent operator and no amount of fairness or transparency in managing capacity (short of a lottery) can overcome this. Over the medium- to longer-term, the lack of certainty over the sustainability of competitive levels could be an impediment to forecasting capacity requirements and justifying capital investment to expand infrastructure.

Is sustained head-to-head competition desirable?

5.7 From the point of view of the passenger, no (see previous question). From the wider public policy perspective that TfGM and the highway authorities are obliged to adopt, also no. TfGM needs to balance the
need for a competitive bus market with road safety, efficiency of the wider highway network for other road users, environmental concerns and value for money.

6. Q4. What role should Quality Partnerships play?

6.1 Partnerships can play an important role in helping improve bus quality, standards, punctuality and reliability. They can also help better present what can be perceived as a fragmented bus network, through common marketing and joint public transport information provision.

6.2 Where partnerships are less effective is in sharpening the competitive pressures between operators. And it would be difficult to understand why, from a financial perspective, an operator would voluntarily choose to enter a partnership that increased its exposure to effective competition, and thus reduced its earning potential.

6.3 The proposals on partnership are unlikely to be able to combine the maintenance of minimum standards and network stability with stimulating new entrants to the market. We see the main purpose of partnership in a deregulated environment as:

— ensuring a stable network and driving consistently high standards of reliability/punctuality, vehicles and driver behaviour that passengers have a right to expect, and which underpin the growth of public transport use; and

— thereby justifying on-going public expenditure and investment in the infrastructure to support a high quality network.

7. Q5. Has the Competition Commission adequately considered the franchising option?

7.1 No. From the outset, the CC seem to have adopted the position that existing UK market structure is not to be disturbed. It did not examine European models of bus service in any detail, nor considered their practicability here, which is odd, when one considers competition for the market through franchising is much more prevalent throughout developed world than UK’s deregulated system. The CC’s assessment of franchising is unduly negative and we consider that most of the issues the CC have identified with franchising could be overcome.

7.2 Nor did the CC adequately consider different remedy options for different markets. It is entirely possible that the best market structure depends on whether the market is in a conurbation/urban area or in a rural/semi-rural area.

8. Q6. What action should local government and central government now take?

Local government

8.1 TfGM intends to work in partnership with operators to implement as quickly as possible those of the CC’s recommendations that we believe will benefit the passenger and which will help us fulfil our own duties—specifically the CC’s recommendations regarding multi-operator ticketing and timely provision by operators of accurate passenger information on de-registered commercial services.

8.2 More generally, working in partnership with operators, we will continue to use our powers, particularly those granted by the 2008 Local Transport Act, to raise standards of bus service delivery.

8.3 As part of Government’s Deal for Cities initiative, we are also seeking a similar working relationship with DfT for buses as we have for rail, to allow us more productively engage with Government to ensure that bus better fulfils its true potential as an efficient means of mass transit to sustainably support economic growth in an urban environment.

Central government

8.4 In the short-term Government should bring forward the necessary legislative instruments to implement the recommendations of the Competition Commission with regard to multi-operator ticketing and the systematic provision of passenger data for de-registered services.

8.5 Central government should also review its bus strategy, in particular with regard to metropolitan areas. This strategy should aim to maximise the ability of buses to deliver economic, social and environmental objectives, building on the existing powers of LTAs granted under the Local Transport Act 2008. It should take appropriate account of CC’s investigation, but should recognise the damaging consequences—both for users and non-users—of increased uncoordinated activity arising from further on-road competition and the limitations of public infrastructure to accommodate such increased activity.

8.6 In the medium term, central government should develop a bus policy that addresses the systemic failings of the current de-regulated market, specifically with regard to its inability to deliver consistently affordable and integrated fares, uniformly high service quality and value for money for the passenger and the public purse. It
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should give serious consideration to the benefits of extending the current franchising system along the lines operating in London to other metropolitan areas.

20 February 2012

Written evidence from the National Federation of Occupational Pensioners (LBS 41)

1. ABOUT THE NATIONAL FEDERATION OF OCCUPATIONAL PENSIONERS

1.1 The National Federation of Occupational Pensioners (N.F.O.P.) is the oldest and largest occupational pensioner organisation in the UK, with 87,000 members nationwide organised into 185 branches.

1.2 N.F.O.P welcomes the opportunity to provide a submission to the Transport Select Committee on the Competition Commission’s report on the local bus services market.

2. INTRODUCTION

2.1 Bus services are incredibly important for older people, especially for those who do not own a car or are no longer able to drive. Our members are most concerned about the reliability of services and the accessibility of bus services to those with mobility problems.

2.2 We have limited our submission to concerns raised by our members, and the impact of a lack of competition on the costs of the Concessionary Bus Travel Scheme.

3. HAS THE COMPETITION COMMISSION ADDRESSED THE ISSUES OF MOST IMPORTANCE TO THE BUS PASSENGER?

3.1 We broadly agree with the conclusions drawn by the Competition Commission.

3.2 The experience of our members is that head-to-head competition between operators is very limited and on most routes services are only provided by one only operator. One operator dominates the many local bus routes and this leads members to believe that a cartel is operating, namely “If you stay off our patch, we’ll stay off yours”.

3.3 Members have reported increasingly high fares, and less frequent services, which indicate “adverse effects on competition” as found by the Commission.

3.4 Whilst our members are concerned about a lack of competition driving up the costs of bus travel, either directly through paid for bus journeys or to the taxpayer though the operation of the concessionary travel scheme, their main concerns are about the reliability and accessibility of services.

3.5 More head-to-head competition could lead to improvements in services, but there are concerns about the effectiveness of on street competition providing a mechanism to improve services in the longer term. We believe that there is a role for LTA’s to agree service standards with operators via Quality Partnerships or Quality Contracts.

4. THE IMPACT OF A LACK OF COMPETITION ON THE CONCESSIONARY BUS TRAVEL SCHEME

4.1 The Concessionary Bus Travel Act 2007, gave people who reach the State pension age of a woman and eligible disabled people in England, free off-peak travel on all local buses anywhere in England (rather than just within their local authority area of residence) from 1 April 2008.

4.2 Around 11 million older and disabled people in England are eligible for the concession that entitles them to travel free on local buses from 9.30am until 11pm on weekdays, and all day weekends and bank holidays, across England. The Competition Commission report has calculated that concessionary fares account for 36% of passenger journeys.

4.3 However, bus operators are entitled to “fair” reimbursement for carrying concessionary travellers. This covers both fare revenue foregone and any additional costs that may result (for example where additional services need to be operated).

4.4 Reimbursement is made by local authorities on a “no better off, no worse off” basis, so operators should neither gain nor lose money as a result of carrying concessionary travellers.

4.5 However, we believe that lack of competition is driving an increase in fares. Therefore, the “adverse effects on competition” highlighted by the Competition Commission means that bus-operating companies are calculating their reimbursement for carrying concessionary travellers using an inflated fare structure.

4.6 Within the current market, the Government ie the taxpayer is paying too high a price for the concessionary fare scheme due to a lack of competition in the bus operator market.

21 February 2012
Written evidence from The Go-Ahead Group plc (LBS 43)

1. INTRODUCTION

1.1 The Go-Ahead Group plc (Go-Ahead) is a leading UK based public transportation group. We employ approximately 22,500 people and run bus and rail services principally in the UK. Our rail services are franchises operated on behalf of the Government and our current portfolio comprises London Midland, Southern and Southeastern.

1.2 We have a bus fleet of approximately 4,000 vehicles. 1,800 of these operate on behalf of Transport for London in the London tendered market and are therefore outside the scope of this investigation. The remaining 2,200 serve a number of communities based on the following areas: Plymouth, Brighton, Dorset, Wiltshire, Hampshire, the Isle of Wight, Southampton, Bournemouth & Poole, Oxford and south Oxfordshire, Surrey, East & West Sussex, Norfolk, Tyne & Wear, Northumberland and County Durham. The businesses in these areas employ around 6,300 people and deliver comprehensive networks mainly in urban areas but also in some cases serving semi urban and rural communities.

1.3 Go-Ahead welcomes the opportunity to contribute to this inquiry and present evidence to the Transport Select Committee (TSC) on competition in the local bus market. After a brief background section the remainder of this memorandum addresses the subject areas set out in the call for evidence.

2. BACKGROUND

2.1 As the preamble to the TSC’s call for evidence suggests, the Competition Commission’s (CC) publication in January 2012 of its final report of its Local Bus Market Investigation was the culmination of a long process which began in January 2010. In fact the process started earlier in March 2009 with the initial investigation by the Office of Fair Trading (OFT) and its subsequent referral of the sector to the CC in January 2010.

2.2 As one of the biggest bus operators in the UK, Go-Ahead was designated as a “main party” to the investigation and submitted written evidence on a number of occasions including an Initial Submission, a response to the Issues Statement and Provisional Findings and a response to the Provisional Decision on Remedies. We attended two principal hearings: an initial general hearing in September 2010 and then a hearing to discuss the Provisional Findings and Remedies Notice in May 2011 (together with a number of other calls and meetings with the CC). In addition to these formal contacts, Go-Ahead provided responses to data requests and a market questionnaire which the CC required to develop their understanding of the market (including submission of substantial amounts of data to the CC).

2.3 The terms of reference given to the CC by the OFT were that “the OFT has reasonable grounds for suspecting that a feature or a combination of features of the market or markets for the supply of local bus services in the UK excluding Northern Ireland and London prevents, restricts or distorts competition.” The CC developed this referral into a number of “theories of harm” based around examination of:

2.3.1 The extent to which there was a stable and concentrated national market picture where large national operators appeared to respect each other’s territories;

2.3.2 The extent to which the majority of local services in many different local areas were being operated by a small number of large companies;

2.3.3 The extent to which there was predatory behaviour by incumbents designed to eliminate competition from new entrants; and

2.3.4 The low number of bidders for tendered services with a reported one bidder for a quarter of all local authority tenders.

2.4 Go-Ahead was surprised at the initial investigation conducted by the OFT coming so soon after the passing of the 2008 Transport Act: legislation which was designed to address some of the perceived issues with the deregulated bus industry in the UK. Go-Ahead contended that—on the assumption there were issues in the industry that needed addressing—it would have been more appropriate to allow the new legislation to bed in rather than subject the industry to more scrutiny, particularly after the Transport Act itself had been the culmination itself of a lengthy process beginning in November 2006 with the publication of a Green Paper on the future of buses.

2.5 Our general position is that the current regulatory framework of the UK bus industry has served the customer and other stakeholders well (backed up on the customer side by independent research carried out for Go-Ahead by Passenger Focus) and that in the context of competition, competition or the threat of competition (due to the ease of entry and exit to and from the market) has meant that standards of bus provision have significantly improved since the privatisation and deregulation of the UK bus industry outside London.

2.6 Given this general contention it is inevitable that Go-Ahead did not agree with the OFT’s initial findings, did not recognise much of the CC’s analysis and found issues with many of the remedies proposed and confirmed by the CC in their final report. However, we believe that the absence of structural remedies in the CC’s final report demonstrates that the current regulatory and ownership framework is fit for purpose and our focus is now on developing workable outcomes for the behavioural remedies that were the main emphasis of the CC’s findings.
2.7 The markets we operate in are many and varied and given our knowledge of the industry we are keen to ensure the remedies proposed by the CC are deliverable and do not lead to any unintended outcomes. Our hope is that with the passing of the 2008 Transport Act and the completion of the CC enquiry we can now move forward with local authority colleagues to deliver the best possible service for customers and assist our local authority partners in meeting their policy objectives.

2.8 We now address the specific questions raised by the TSC Call for Evidence.

3. **Has the Competition Commission addressed the issues of most importance to the passenger?**

3.1 Go-Ahead recognises that the remit of the OFT and the CC is to understand levels of competition in any given market and the extent to which the competition in that market is serving the best interests of the customer. With regard to the bus industry, Go-Ahead would contend that this results in a rather narrow outlook in that the customer’s best interests may better be served by addressing their key concerns of punctuality and reliability. In our customer surveys these are consistently identified by our customers as their primary concern. In that regard it could be argued that the CC has not addressed the issues of most importance to the customer but we recognise their ability to influence traffic flow and allocation of scarce road space is beyond their remit.

4. **How effective are the remedies proposed by the Competition Commission likely to prove?**

4.1 In November 2011 Go-Ahead produced a detailed response to the CC’s Provisional Decision on Remedies which is published on the CC’s website. Apart from an Order the CC is making for fair and reasonable access to bus stations, the remedies proposed were in the form of recommendations to Government (through the Department for Transport) to examine legislative and policy interventions to achieve implementation of the remedies. Go-Ahead is currently awaiting information on which of the remedies the Government will take up, the timescales and the level of consultation with the industry. Go-Ahead would be keen to contribute to discussions over implementation of those remedies being taken forward as there are some areas (as noted earlier) where their implementation in the current form proposed could lead to unintended consequences.

4.2 To take the key areas in turn.

4.2.1 **Multi operator ticketing**—Go-Ahead is generally supportive of measures which are likely to facilitate the operation of multi operator ticketing schemes and is already an active participant in a number of schemes. However there needs to be a demand for a scheme and it is important that the implementation of the scheme does not distort competition.

*Go-Ahead* is concerned that the remedy, which proposes a scheme should be implemented by reference to the size of population rather than the actual demand, is flawed and could lead to unnecessary expenditure in its implementation and proliferation of ticket types leading to confusion amongst customers. Go-Ahead is also concerned that the CC’s proposals on governance of multi operator schemes (which dictate that no single operator can have greater than 49% of the share of votes on the scheme governance board) could result in the undermining of commercial networks by smaller operators who could vote tactically to set multi operator fares at a level which undermine commercial fares charged by single operators. Go-Ahead also contends that Local Transport Authorities (LTAs) are unsuitable to influence the pricing of multi operator ticketing schemes (as the remedies propose) because they have no understanding of bus operating costs.

The contention is that the remedies may be effective in introducing more multi operator schemes but the danger is that the proposed governance arrangements could be exploited to undermine commercial networks which would leave the customer worse off.

**Extending registration periods**—a remedy is proposed to extend registration periods for service changes from the current 56 to 90 days with a 14 day pre-notification period to disincentivise operators to act in a predatory way in response to new service registrations. Go-Ahead contends that this will artificially reduce the flexibility of bus services to respond to changes in customer demand. Many service registrations are actually beneficial to customers and/or competition so that this will artificially reduce the flexibility of bus services to respond to changes in customer demand.

**Code of conduct**—Go-Ahead is broadly supportive of the remedy which proposes the introduction of a voluntary code of conduct to prevent “cheap exclusion,” the phrase the CC uses to define anti competitive behaviour on the road (for example stand blocking and defacing of competitor information). Go-Ahead would not condone such behaviour among its staff and would therefore welcome an appropriate set of rules developed in a common sense industry framework.

**Access to bus stations**—the CC has provided Go-Ahead with a copy of a proposed order relating to the remedy to ensure Fair, Reasonable and Non Discriminatory Access (FRND) to bus stations. Go-Ahead does not object to FRND with regard to bus stations but is concerned at the administrative burden that will be placed on bus station owners and managers by the proposed Order in order to demonstrate that the charging and access policies meet FRND. The issue with bus stations is they tend to be a drain on bus company and local authority resources rather than...
giving any competitive or revenue enhancing advantage and our concern is that the administrative burden may result in current owners and managers from being disincentivised to take responsibility for these facilities. Go-Ahead has made its concerns known to the CC as there is a live consultation currently out on the Order.

Review best practice guidance for tendered services—Go-Ahead welcomes the particular recommendation for more transparency in levels of information available during the tendering process although cautions that this must not be at the expense of releasing sensitive commercial information.

Updating OFT competition guidance for the industry—Go-Ahead has had a competition compliance programme in place for a number of years but welcomes any opportunity for further clarity.

Clarity on the role of partnerships—partnership working was a key element of the reforms proposed by the 2008 Transport Act so Go-Ahead welcomes the CC’s proposals that the OFT should provide further guidance and clarity as to their operation.

Use of BSOG to incentivise good competition behaviours in the bus industry—Go-Ahead believes this may be against EU state aid rules as it is suggesting payment of public grant for unexceptional activities.

5. Is sustained head-to-head competition feasible or desirable?

5.1 Go-Ahead has consistently taken the view that the great strength for the customer of the current regulatory framework is the ease of entry into the market that means that every route is contestable. Even when competition is limited, the threat of competition is enough to drive us into providing customers with what they want to encourage loyalty to Go-Ahead services.

5.2 Go-Ahead competes in a number of markets where there is sustained head to head competition. For example:

5.2.1 In Oxford, despite a recent co-ordination agreement between Stagecoach and Go-Ahead (defined in the 2008 Act as a qualifying agreement to the voluntary partnership agreement—see below), there has been sustained competition on a number of key corridors eg city centre—Blackbird Leys since 1988 and customers still have a realistic choice between operators as both have high frequencies on the same corridors covered by a co-ordination agreement.

5.2.2 Southampton sees competition between FirstGroup and Go-Ahead for example on the Shirley Road between Southampton city centre and Shirley neighbourhood centre.

5.2.3 There is intense competition in the Bournemouth/Poole urban area between RATP Dev and Go-Ahead. In particular the corridor between Bournemouth and Poole sees Go-Ahead operate to frequencies every three minutes and RATP Dev every 10 minutes.

5.2.4 Since 2009, Go-Ahead company Konectbus has been competing with FirstGroup’s flagship Excel service on the Dereham–Norwich corridor with an express service which started as a two hourly frequency on Mondays to Saturdays and has now developed into a half hourly service with a service on Sundays as well.

5.2.5 In Brighton, social enterprise operator, The Big Lemon, competes on the city centre–University corridor with Go-Ahead company, Brighton & Hove.

5.3 It would be difficult to argue in any of these cases that the competition has not had a desirable effect: in the case of the Dereham–Norwich example the customer has greater choice, more frequency (which has been sustained over a long period of time) and at the beginning of this year Go-Ahead invested £1 million in state of the art double decker buses for the route.

5.4 The question posed is probably more directed at occasional examples of competition which occur often when “new start” type operations replicate routes or services (sometimes at lower quality) than the established operation. Although such forays can be damaging to the incumbent and are often short lived, Go-Ahead would contend that in a deregulated market an organisation has a right to compete anywhere it sees fit—with the customer deciding whether the level of competition that it creates is sustainable—and that the threat of such entry is a useful deterrent against complacency.

5.5 Since the passing of the 2008 Transport Act Local Transport Authorities (LTA) have powers to limit competition where it is not considered to be in the public interest anyway. Quality Partnership Schemes (QPS) are “made” by the LTA and limit the number of service registrations that can be made in a designated area. This is policed by the Traffic Commissioners through the service registration process.

5.6 Although not in the scope of the question, the constraint exerted on bus operators from other modes of transport should not be discounted. This is in terms of the threat that customers will switch away from bus use to other modes of transport and the economic imperative upon bus operators to grow the market by increasing patronage, which is principally achievable through modal shift (as markets perceived traditionally as “captive” inevitably disappear because of increasing car availability). The imperative upon bus operators to focus their offering so as to prevent switching away from, and to induce switching to, bus use has a benefit for all
customers, as it is generally not possible for bus operators to discriminate between those customers who might be more prone to switching to or from other modes of transport and those whose use of bus services is subject to limited elasticity. The offering is necessarily the same for all customers.

6. **What role should quality partnerships play?**

6.1 There are two types of quality partnerships designated by the 2008 Transport Act: voluntary partnership agreements (VPA) which are—as the name implies—voluntary agreements between operators and local authorities to deliver quality improvements to services and infrastructure in a voluntary manner and QPSs, where the LTA “makes” a partnership scheme which operators are required to comply with the conditions of and the LTA has to deliver improvements in return (which could be in the form of items such as better waiting facilities or comprehensive bus priority).

6.2 Although not against QPS, Go-Ahead is more disposed to VPAs as they are more flexible and less burdensome in administrative terms. This is important with regard to ensuring bus operators can respond to changing market conditions. As QPS can have the effect of “closing” the market in the defined area there is inevitably more rigour in their development and application and changes to the initial service levels can be difficult to achieve.

6.3 In Oxford the co-ordination agreement (defined in the 2008 Act as a qualifying agreement to the VPA) between Stagecoach and Go-Ahead has been very effective in reducing the number of buses in Oxford city centre (a key environmental concern of the LTA and the City Council) yet at the same time having no impact on frequencies for customers as, an accompanying multi operator ticketing agreement, together with the co-ordination of frequencies, effectively means that customers still access the same number of buses, as common tickets are available on both operators’ services (the Oxford Smartzone ticket).

6.4 Aside from the traditional role of partnership working (where typically local authorities have undertaken to improve bus infrastructure in return for operator investment in new or improved vehicles) the 2008 Act enables LTA interventions where there is a public interest (which is strictly defined to ensure competition compliance) to assist operators in the development of networks. In the case of Oxford this has led to all round benefits: city centre users and traders, bus users, the City Council and LTA as well as the bus operators have all benefitted from the implementation of the co-ordination agreement. Go-Ahead therefore believes voluntary partnerships have a key role to play in the development of bus networks.

7. **Has the Competition Commission adequately considered the franchising option?**

7.1 The CC did consider the franchising option and rejected Quality Contracts (QC) as a method for addressing the adverse effects on competition they had identified were present in the local bus market. This is no surprise: the CC has a remit to encourage competition in markets and QCIs eliminate competition in the market.

8. **What action should Central Government and Local Government now take?**

8.1 The CC published its final report in December 2011 and, as Go-Ahead has publicly stated on numerous occasions, it accepts the remedies and now wishes to work with central and local Government in ensuring their implementation achieves the desired outcomes. We do have some concerns (as set out earlier) that the detail of some of the CC’s proposals may lead to unintended consequences. We have set these out to the CC in our response to their provisional remedies document and will now look to discuss these with the Department for Transport as they consider which of the recommendations to take forward. It is not unusual that there should be some issues at this stage of the process and the industry has a good record of working with Government to settle these in a cooperative way and one that benefits the customer.

8.2 The CC’s final report marks the end of a period of over five years, beginning with the Putting Passenger’s First Green Paper in November 2006, where the regulatory framework of the industry has been under constant review. The focus of central and local Government, operators and other industry stakeholders should now to be to concentrate on achieving implementation on the ground that improves bus services for customers. Go-Ahead welcomes the Government’s recent “Better Bus Areas” initiative as a sign of positive intent in this respect. Go-Ahead also welcomes an indication that funding priority will be given to those LTAs demonstrating their willingness and ability to work in partnership with bus operators.

22 February 2012
1. This submission represents the corporate view of Rotala PLC and its subsidiary operating companies.

2. Rotala PLC sits in size and market position between the large bus-operating groups that operate across most of the area of the Competition Commission’s Inquiry and small and local operators that are normally privately owned. Our areas of operation are the West Midlands, the South-West (Bristol conurbation), the South-East and Preston.

3. In dialogue with the Competition Commission we confined our comments to our particular experiences in the markets that we operate in and our comments herewith should be viewed in the same context.

4. In general Rotala PLC believes that the Competition Commission succeeded in identifying Adverse Effects on Competition that are real in nature and are detrimental to the interests of Bus Passengers.

5. We have experienced barriers to entry and/or development of our network through:

   (a) Ticketing—lack of market-effectiveness of multi-operator ticketing schemes and a failure to offer a cost-effective alternative to market-dominant single-operator products that arises from an imbalance of scheme control within the governance arrangements.

   (b) Operator behaviour—defensive activity on the road including but not limited to over-bussing that is not sustained in the longer term. The damaging aspect of such activity is that network operation is erratic for passengers that lost confidence in services being reliable and predictable.

   (c) Bus Stations—lack of access to facilities in Bus Stations managed by Bus Operators.

6. It is our considered view, having regard to the range of remedies that may have been used, that the Competition Commission has recommended remedies that are proportionate and eminently suitable to resolve the identified AECs.

7. Reflecting on our experience since the publication of the final report, specifically in engaging with other operators in the West Midlands to redesign the Multi-Operator Ticketing Scheme we consider the following comments to be pertinent:

   (a) Centro’s pre-final report suggestion of an “added amenity factor” to use in the calculation of prices for products in the MTC range has created a certain amount of uncertainty in whether this facility should be included in the price-setting mechanism. It is our view that the factor is not adjusted, rather it makes no positive contribution to the process of price-setting, instead it simply affords headroom to price-setting on single-operator competitors. To be clear we feel that application of the formula in unadulterated form is the correct method. Whether the CC share our view or not, we feel that a more absolute answer to Centro on whether the (added amenity factor) idea was consistent with the aim of the report or not would have added valuable clarity and certainty within the group charged with developing the new scheme.

   (b) In a similar manner to the previous point the concern afforded to allowing local factors be taken account of in determining local design and pricing issues has left some uncertainty. Clearly there is a desirable aspect to this, to ensure that schemes are appropriate in local circumstances but the unfortunate downside is that it may be construed as offering licence to undue prevarication and procrastination. The fact is that the operators that are not in a market dominant position have the passage of time working against them here whereas the operators that do have single-operator schemes that are in a market dominant position have everything to gain by delaying progress on scheme development. This leads to an uneven position that effectively jeopardises the effectiveness with which remedies are rolled out through scheme amendments. The smaller the operator, the more dilute the scheme changes and therefore the consequential benefits for passengers are likely to be.

   (c) We believe that a slightly more prescriptive approach in scheme design that, instead of allowing almost complete derogation offered a range of acceptable designs. For example on scheme governance boards, perhaps two or three sizes of board for differing sizes of scheme and two sets of allocated voting rights hinged on whether the ITA/LTA was planning to exercise a voting interest would have been perfectly, adequate, would have more definitely overcome the targeted unacceptable practice and allowed arrangements to be implemented in a more timely manner. The fact is that leaving wriggle-room allows stakeholders to manoeuvre to obtain maximum commercial advantage instead of pressing on with positive scheme development measures.

8. Rotala PLC considers that sustained head-to-head competition potentially achieves improvements in service delivery to passengers and improved value for money. The absence of an effective multi-operator ticketing scheme will often thwart successful head-to-head competition.

9. Prima facie Quality Contracts offer us as a business opportunity to develop network growth. They can achieve particular objectives such as cleaner air and improved quality of bus service delivery and it seems reasonable to accept that some of these effects will generate growth in patronage. We are sceptical though as to whether QCs are the most effective means of achieving these aims.
10. Bus Passengers are a widely varied group, coming from all social backgrounds and age groups. Unimpaired market function potentially delivers a solution that meets all market requirements (including open-market tendering for lower use network areas).

11. We have concerns that QCs may have the consequence of diminishing choice for passengers that need/want to find the most cost-effective option. Additionally we believe that Quality Contracts add cost to the public purse, increasing the subsidy cost for supported services within the QC area. QCs add cost to service operation that manifests as a barrier to entry and development, particularly for small operators and in some circumstances adds bureaucracy for no appreciable gain.

12. Similarly to our concerns about Quality Contracts, we consider that route franchising is an awkward and disproportionate means of delivering overall network objectives. Furthermore we consider that franchising, specifically the lack of competition for patronage leads to mediocrity and lack of range in service delivery standards as well as a lack of innovation.

13. We consider that Central Government should offer proper additional resourcing to the agencies charged with increased responsibilities to ensure that they are capable of achieving the aims identified in the report of the CC.

14. We believe that the proper means of administrating BSOG is via the DfT. In our view there is a conflict of interest in placing control of BSOG into the hands of ITA/LTAs that often work in a voluntary partnership with operators.

15. Central Government should in our view review the progress made in achieving the aims of the CC in their remedies and where the reality has fallen short of expectations be prepared to mandate change using legislation if necessary within a reasonable timeframe.

25 April 2012

Written evidence from Mr Thomas J. Wheeler (LBS 47)

There a few situations in south-west Wales which I believe should be considered in your plans to reform bus service competition legislation. As you are probably aware, the Welsh Assembly has funded a number of mid-to-long distance bus services, under the banner of the TrawsCambria network, which where introduced from 2004 to 2006. This included two routes in the north of the country (X32 and X94), three in the south-west (X50, X40 and 550) and one in mid Wales (704).

These services have largely been a success, with passenger numbers increasing on most of the routes. Recently, this has led to the extension of service 704, re-numbered T4, into south-Wales, most recently all the way to Cardiff and now re-branded TrawsCymru. Unfortunately, the three routes in the south west have a number of issues related to competition. The three services were branded as follows:

— X50 Aberystwyth—Aberaeron—Cardigan
— X40 Aberystwyth—Aberaeron—Lampeter—Pencader—Carmarthen
— 550 Aberystwyth—Aberaeron—New Quay—Aberporth—Cardigan

The main problem was that the X50 did not actually operate to Aberystwyth very often, most services ran between Cardigan and Aberaeron only (for “connection” to service X40). The X50 is run by local operator Richards Bros, who provide a far better service to passengers in terms of customer service and friendliness than the un-approachable Arriva, who operated half of X40 and most 550 services. Arriva later took over the other half of service X40 (from First) and truncated the 550 service at Synod Inn, just south of New Quay. Richards Bros then took over the Cardigan-Aberporth-Synod Inn route, and connections were supposed to be in place between the two halves. Arriva showed disregard for their connections with Richards Bros services, especially with service X40 which they re-timed at least twice without giving Richards Bros an opportunity to amend their services to connect.

As a regular traveller between Aberystwyth and Cardigan, I decided I’d had enough of Arriva’s constant timetable changes and wrote letters with the aim of making all X50 services operate the full length of the route between Cardigan and Aberystwyth only (for “connection” to service X40). The X50 is run by local operator Richards Bros, who provide a far better service to passengers in terms of customer service and friendliness than the un-approachable Arriva, who operated half of X40 and most 550 services. Arriva later took over the other half of service X40 (from First) and truncated the 550 service at Synod Inn, just south of New Quay. Richards Bros then took over the Cardigan-Aberporth-Synod Inn route, and connections were supposed to be in place between the two halves. Arriva showed disregard for their connections with Richards Bros services, especially with service X40 which they re-timed at least twice without giving Richards Bros an opportunity to amend their services to connect.

As a regular traveller between Aberystwyth and Cardigan, I decided I’d had enough of Arriva’s constant timetable changes and wrote letters with the aim of making all X50 services operate the full length of the route between Cardigan and Aberystwyth. From this, I discovered that the local council was unable to contract this service, due to rules dictating that subsided services such as the X50 are forbidden from competing with commercial services (Arriva were apparently operating the section of X40 and 550 between Aberaeron and Aberystwyth commercially).

The X40 was the busiest of all TrawsCambria services, and as such the Welsh Government had six new buses on order and was planning to extend the hours of operation so that it operated hourly between 6am and 8pm. However, Arriva decided they were going to abandon the X40 and 550 TrawsCambria services, and take over both routes with their own commercial services (50 and 40) branded CymruExpress. Not only has this move taken a core route (X40) out of the Welsh Government’s Traws network but the first bus from Carmarthen on weekdays departs at about 7am (not soon enough to arrive in Aberystwyth by 9am), and 09:20 on Saturdays (which doesn’t reach Aberystwyth until 11:20). The Welsh Government’s subsidised service would have been better for passengers, but it has been trumped by Arriva’s activities.
This effectively means that Arriva’s commercial operation destroys the Welsh Government’s (mostly) admirable attempts to improve bus travel by means of the TrawsCambria/TrawsCymru network.

29 April 2012

Written evidence from the Guide Dogs for the Blind Association (LBS 48)

1. ABOUT GUIDE DOGS

1.1 Guide Dogs provides a range of mobility and other rehabilitation services and campaigns to increase the independence, well-being and dignity of blind and partially sighted people throughout the UK. Services are delivered through district teams working with other local voluntary and statutory agencies to identify individuals whose mobility would be enhanced by the provision of a guide dog or other mobility services. Guide Dogs currently provides guide dogs to over 4,500 blind and partially sighted people.

1.2 Additional mobility services are offered to those who apply for a guide dog and who need some initial mobility training prior to taking on a dog or to those for whom a guide dog is not really a suitable aid to independence. This includes both teaching people how to use a cane and sighted guide training for family members so they can lead their loved ones safely and confidently both indoors and out.

1.3 We also campaign passionately to break down barriers—both physical and legal—to enable blind and partially sighted people to get around on their own.

2. EXECUTIVE SUMMARY

2.1 Guide Dogs believes that by making public transport more accessible to disabled people, it improves the experience for all passengers. This is particularly the case for supporting the needs of blind and partially sighted passengers through the installation of audio-visual announcements providing real-time information about current stop, next stop and final destination of the bus.

2.2 Guide Dogs supports the principle proposed of using the Bus Service Operators Grant to incentivise operators to adopt certain policies. Guide Dogs would like to see a similar approach being taken in order to encourage bus operators to make buses more accessible to disabled people.

2.3 With regards to the Competition Commission’s recommendations, Guide Dogs would like to highlight that notification of service changes is often done so in a format which is inaccessible to blind and partially sighted people and would like to see steps taken to ensure all passengers are notified of such changes using their preferred formats.

3. ACCESSIBLE PUBLIC TRANSPORT

3.1 With regards to the Competition Commission report on the local bus market, Guide Dogs believes that the needs of disabled bus passengers were not appropriately covered and would like to have seen some investigation carried out on this group and how the local bus market impacts on them.

3.2 Buses play a vital role in helping disabled people to become more independent and as such this group is heavily reliant on them. Research conducted for DPTAC (Disabled Persons Transport Advisory Committee) in 2002 found that although disabled people travel a third less often than non-disabled people, they have a greater reliance on bus services. The same research also found that blind and partially sighted people use buses significantly more than other disabled people.

3.3 However, the issue still exists that many buses are still not accessible to disabled people, particularly blind and partially sighted people. The Public Service Vehicle Accessibility Regulations have resulted in a number of improvements to the UK bus system, but there are still improvements to be made to ensure that all disabilities are appropriately supported when using public transport.

3.4 There are a number of issues which make bus travel for blind and partially sighted people more challenging. Guide Dogs research has revealed that 32% of the blind and partially sighted people who use bus services experienced a degree of difficulty when using them and 10% found them very difficult to use. Further research carried out by Guide Dogs revealed that the two key priorities for blind and partially sighted people when using buses were finding the right bus and getting off at the right bus stop.

3.5 These issues could be easily resolved through the provision of real-time information on buses, about the current stop, next stop and final destination of the bus. Guide Dogs has been running its Talking Buses campaign since December 2009, which is calling for the mandatory installation of audio-visual information on all new buses. We believe that this change would not only benefit blind and partially sighted passengers, but all passengers as they could board a bus confident in the knowledge that they are on the correct bus and have

19 Attitudes of disabled people to public transport, DPTAC, 2002
20 Functionality and the Needs of Blind and Partially Sighted Adults in the UK, Guide Dogs, 2007
21 Audio and Visual Information on Buses: Moving towards Inclusion, Guide Dogs, 2006
not missed their stop. By improving the consumer experience whilst on-board a bus, Guide Dogs believes that this could encourage more people to use buses and reduce the level of traffic and carbon emissions.

3.6 Although a number of operators across the country have already installed such systems, Guide Dogs would like to see consistency across the UK, hence the call for regulation. However, the Government has said that they do not intend to introduce any further regulation.

3.7 Guide Dogs believes that making public transport more accessible to blind and partially sighted people would improve the consumer experience for all passengers and would like to see the accessibility of public transport taken up, either by the transport select committee or another appropriate authority.

4. INCENTIVISATION

4.1 Guide Dogs supports the principle of using incentives for bus operators to provide specific services through revisions of the Bus Service Operators Grant (BSOG). The use of financial incentive has already proven successful, such as last year’s Better Bus Areas Fund. When the Government introduced a fund to improve passenger experiences whilst using buses, a number of bids involved the introduction of audio-visual announcements. The fund has now resulted in 1,000 more buses which will be fitted with these announcements by the end of 2013.

4.2 Guide Dogs would like to see this used in other aspects of bus travel, including paying an incentive to install and maintain audio-visual announcements on board buses. A piece of research commissioned by Guide Dogs has revealed that a similar level of funding to the Better Bus Areas Fund would be sufficient to equip the entire UK bus fleet with audio-visual announcements (Reference to be inserted).

5. NOTIFICATION OF SERVICE CHANGES

5.1 One aspect of the Competition Commission’s recommendations that Guide Dogs would like to raise is the issue of service changes. Often, these changes are made public through the use of posters. This is an inaccessible method of communication for blind and partially sighted people and Guide Dogs would like to see steps taken to ensure that any issues about service changes are communicated as widely as possible, taking into account all passenger groups, including those with difficulty in accessing written communications.

30 April 2012