



House of Commons

Committee of Public Accounts

Delivery chain analysis for bus services in England

**Forty-third Report of
Session 2005–06**



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*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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Publications

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/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

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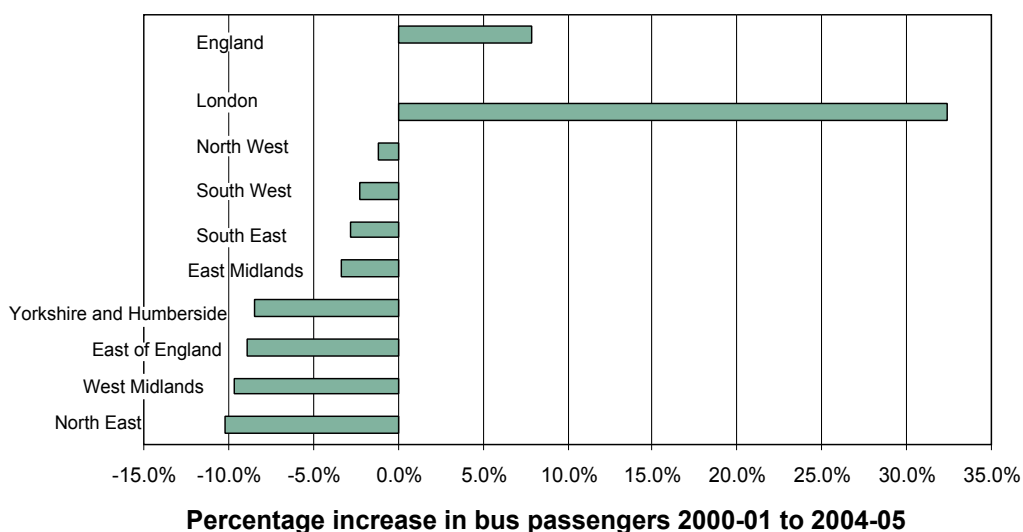
Summary

Bus usage has been in steady decline in England since the 1950s, as a consequence of rising economic prosperity and increased car ownership. But growth in car usage has led to increased congestion and vehicle emissions which contribute to climate change. In 2000, as part of its ten-year transport strategy, the Government set a Public Service Agreement target for increasing bus usage (PSA3) which it amended in 2002 and 2004, to increase bus and light rail usage by 12% between 2000 and 2010, whilst at the same time achieving growth in every English region.

Five years after a PSA target was first set overall growth in bus and light rail usage in England seems likely to reach the national target level by 2010, mainly because of the substantial increase in bus passenger numbers in London since 2000–01 (**Figure 1**). The increase in London can be attributed to the commitment of the Mayor and Transport for London, increased public subsidy, congestion charging and enhanced bus services. Usage in all other regions has declined, however, and it seems unlikely that the target for growth in every region will be achieved.

To achieve wider change in bus usage, the Department and local authorities have limited leverage outside London to influence the commercial operators who provide 80% of bus services in a deregulated market. The Department needs to provide strong leadership, to use the full range of measures available to stimulate growth in demand, including the direction of subsidy, and to use all opportunities to encourage local authorities and operators to work together to improve the network of bus services, their reliability and quality.

Figure 1: Reported use of buses and light rail, nationally and by region, 2000–01 to 2004–05



Source: Department for Transport

On the basis of a Report from the Comptroller and Auditor General,¹ the Committee examined performance against the PSA target, the measures needed to strengthen the delivery chain and to overcome barriers outside London, and how the Department could better support and incentivise local authorities to stimulate bus usage.

1 C&AG's Report, *Delivery chain analysis for bus services in England* (HC 677, Session 2005–06)

Conclusions and recommendations

- 1. London has seen bus usage increase by 32% over recent years; but outside London bus usage has fallen by 7%, putting at risk the Department's target for increased bus use in every English region by 2010.** Increasing bus usage would help reduce congestion and emissions, but achievement of the target for growth in bus usage in all regions in the period 2008–2011 will require a reversal of the current downward trend. The Department should identify what factors have been critical for success in London, and how far they might be replicated in the other regions to stimulate the desired expansion.
- 2. The success in London can be attributed to the commitment shown by the Mayor and Transport for London; measures to support growth and investment in bus services while restricting car use; and a straightforward delivery chain achieved through effective regulation.** The Mayor is to be congratulated on his success in increasing bus usage in London. Achieving this combination of success factors is more complex outside London, where bus services are largely provided commercially and are unregulated, and hence commitment and action by a wider range of stakeholders are needed to achieve growth.
- 3. Difficult issues influencing bus usage include how subsidies are allocated, the use of concessionary fares funding, and the potential risks to fares competition if one or two operators dominate a local market.** Whilst ultimately matters of policy, the Department should review whether changes to the basis and/or balance of funding within subsidy and grant schemes, between operator subsidy and concessionary fares, and between revenue and capital funding schemes, would better deliver the aim of increasing bus usage and reducing congestion and emissions. For example, extension of concessionary fares to children travelling to school in the morning might be shown to reduce school run congestion significantly, and increase bus usage.
- 4. The Department has limited levers to influence bus use directly, being reliant on the actions and commitment of local authorities, which in turn determine priorities for increasing bus usage and restraint of car use.** The Department should therefore agree challenging targets for bus growth with the largest local authorities, and those with the greatest congestion problems, which will establish authorities' individual contributions to delivery of the national target. The Department should disseminate successful local initiatives more widely, challenging local authorities with low bus growth rates to learn from those with thriving local services.
- 5. The Transport Act 2000 provides for local authorities to apply to the Secretary of State to remove an operator's right to run commercial services, but only where this approach would be their only practicable means of delivering their Local Transport Plan, and no local authority has yet made such an application.** The Department should review whether the legislative barrier has been set too high and works against the public interest aims of improving the extent and quality of bus services, and reducing road congestion and emissions. It should also obtain and

make available to local authorities legal advice on the interaction of the Transport Act 2000 provisions with the Human Rights Act 1998 which the Department believes would protect an operator's right to run services.

6. **The Department does not obtain data necessary to measure the contribution which bus services make to reducing congestion and emissions, and increasing accessibility, nor does it monitor the operation of the bus services market and the extent to which monopolies may exist and be affecting fare levels and passenger demand.** Without such data, it is difficult to see how the Department can determine whether its current range of measures is delivering the policy outcomes required.
7. **The Department provided no evidence on whether voluntary codes of practice had led to improvements in the quality of local bus services, and information on commercial operators' performance is not available routinely to the Traffic Commissioners or the public outside London.** The Department should encourage local authorities to set targets and monitor a range of quality of service measures, and agree with operators that performance data should be made available to the Traffic Commissioners and the public.
8. **There is scope to reduce the cost of providing and using local bus services, for example by improving procurement processes, letting longer contracts, and tendering for supported services across an area rather than for individual or small packages of routes.** The administrative costs of concessionary fare schemes could also be reduced if there was greater standardisation and simplification, reducing the need for extensive negotiations within each area, and making it easier for passengers to travel across local authority boundaries. The Department should agree action plans with local authorities and other stakeholders.
9. **The Transport Innovation Fund, providing funding for new schemes from 2008–09 with a budget of £290 million rising to £2.5 billion in 2014–15, may offer an opportunity to increase the use of public transport.** To achieve success, the Department will need to link the funding for schemes to the achievement of specific measurable outcomes which contribute to the Department's objectives for reducing congestion and emissions, and increasing accessibility. More active interest and leadership by the Department might stimulate greater innovation.

1 Performance against the PSA target

1. The PSA target to increase bus and light rail usage by 12% by 2010 is important to achievement of the Department's wider transport objectives of reducing emissions, relieving congestion and increasing accessibility. Reversing the history of 40 years of decline in bus passenger numbers to achieve growth in every region by 2008–2011, the last three years of the target period, represented a significant challenge.²

2. The Department expected to achieve the 12% greater usage target as bus and light rail use has increased by 8% in the first four years of the Department's target period. The increase in bus usage to date has not been uniform across England, however (Figure 1). Significant growth in bus usage of 32% had been achieved in London, and based on an agreed delivery plan, the Department expected London to continue to deliver its contribution to the target. Elsewhere in England, however, bus usage had fallen by 7% between 2000–01 and 2004–05. There were counties, towns and cities where bus usage was growing, for example, Nottinghamshire and Exeter, and in South East and the South West regions the decline in bus usage had stopped recently. The Department estimated that passenger numbers would increase by 5% in Passenger Transport Executive areas and 14% in other areas as a result of the extension of the national minimum for concessionary fares to fully free fares for people over 60 and the disabled with effect from 1 April 2006. Local authorities' draft local transport plans forecast an average growth in bus use of 8% over the five years from 2006 to 2011. The Department agreed that it was still unlikely that growth would be achieved in all regions.³

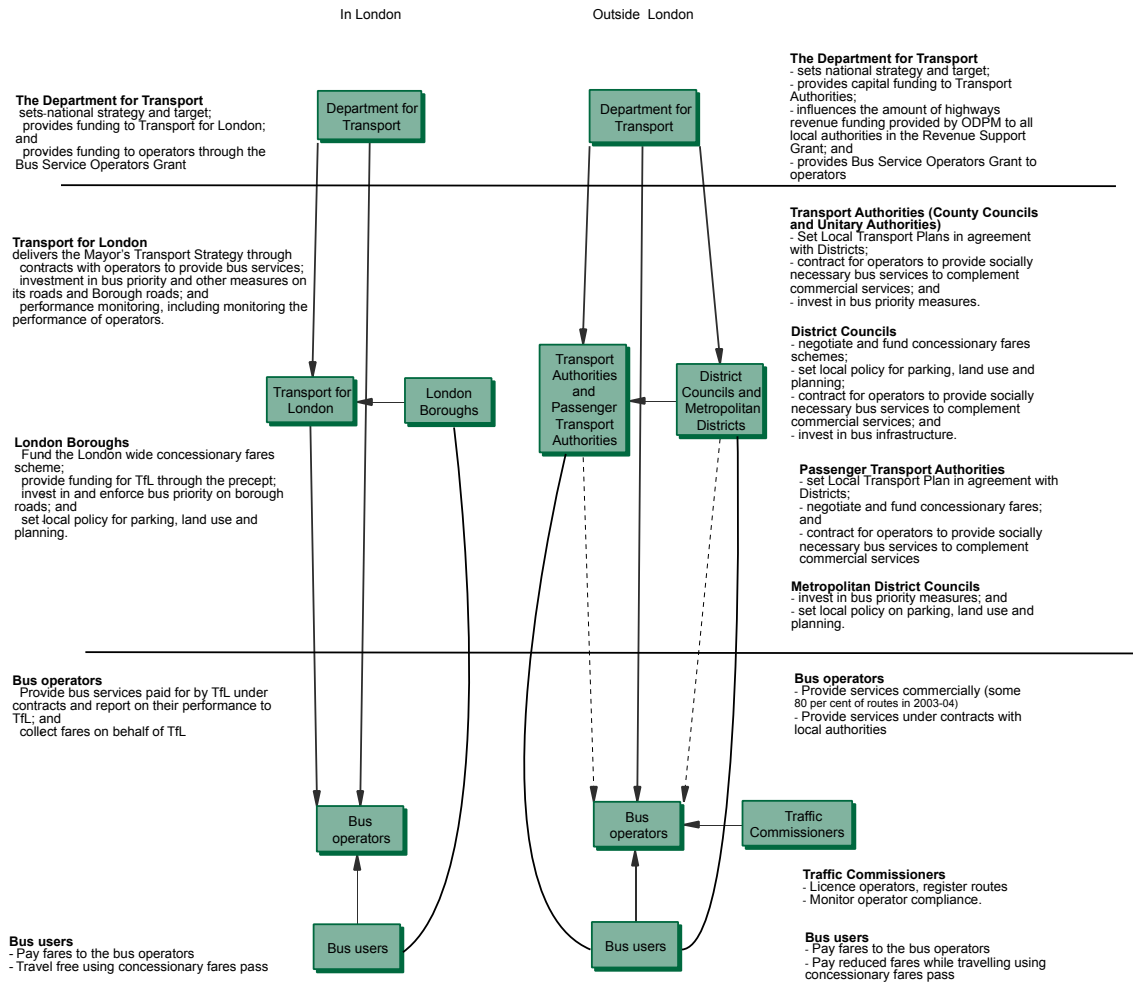
3. The Department had responsibility and accountability for achievement of the target but had to deliver the required outcome through complex delivery chains, involving local government and commercial operators, independently regulated by the Traffic Commissioners and the Office of Fair Trading (**Figure 2**). A firmer steer and a more active interest in achievement of the target by the Department would encourage others in the delivery chain to make the commitment necessary to improve bus usage.⁴

2 Qq 1, 119

3 Qq 11, 68, 72, 101, 107–109; C&AG's Report, para 2

4 Qq 24–26

Figure 2: The delivery chains for bus services in London and outside London



Source: Joint National Audit Office and Audit Commission bus industry work shops

4. The way subsidy is allocated could affect delivery of the PSA target, but the Department regarded funding as a policy issue and hence would not comment on the use of subsidy, including whether more might be achieved through the reallocation of existing subsidies. Public revenue spending on bus services totalled some £2 billion. Bus Service Operators' Grant, which subsidises companies for the amount of fuel they use, amounted to £359 million in 2004–05. The Department had undertaken a public consultation and modelled various options to redirect the funding, but there had been little appetite from authorities or operators for any change, for example to allocate the funding on the basis of the number of passengers carried. Concessionary fares cost £469 million in 2004–05, and the extension of the national minimum concession to free fares for people over 60 and the disabled with effect from 1 April 2006 would cost an additional £350 million. The Department did not have a view, for example, on whether children should also be eligible for concessionary fares when travelling to school in the morning although such an approach might increase bus usage and reduce school run traffic, a major contributor to congestion. Other targeted funding, such as the Rural Bus Subsidy Grant at £50 million a year, represented a relatively small sum. The Transport Innovation Fund, effective from 2008–09 would be significant at

£290 million in 2008–09 rising to £2.5 billion in 2014–15 and the Department believed the fund would incentivise local authorities to increase public transport use.⁵

5. The PSA target was intended to contribute to a reduction in congestion and emissions, and improved accessibility but the Department had not been able to measure the target's impact because of a lack of information. Updated Local Transport Plans have been in place since March 2006, and the ten most congested urban areas in England would have agreed local congestion targets. All local authorities would have set accessibility strategies and targets. The Department would be able to use such information to link local authorities' progress against congestion and accessibility targets with their policies on supporting increased bus usage.⁶

5 Qq 5, 56, 115, 122–123, 128–129, 158

6 Q 4

2 Strengthening the delivery chain outside London

6. In London, Transport for London has responsibility for the bus network and contracts with operators to provide the services required. Authorities outside London, however, have no direct powers over the 80% of services provided commercially. For these services operators determine routes, timetables and fares in competition with other operators. Local authorities provide financial support for the remaining 20% of services to complement commercial services or to meet a specific local community transport need, and for these services they have direct control over routes, fares and timetables.⁷ In relation to commercial services, local authorities' role relates to their use of infrastructure, an exceptional example of which is the Humber Bridge Board, which had been able to set tolls for public services vehicles at much higher rates than for cars, with the result the bus operator had ceased to provide a service across the bridge.⁸

7. There were dominant operators in some areas around the country, but the Department considered the market to be competitive. Bus usage had grown in places where the local authority had worked with one of the big bus operators, such as in York, and there was competition for non-commercial services, with three bids obtained for each tender.⁹

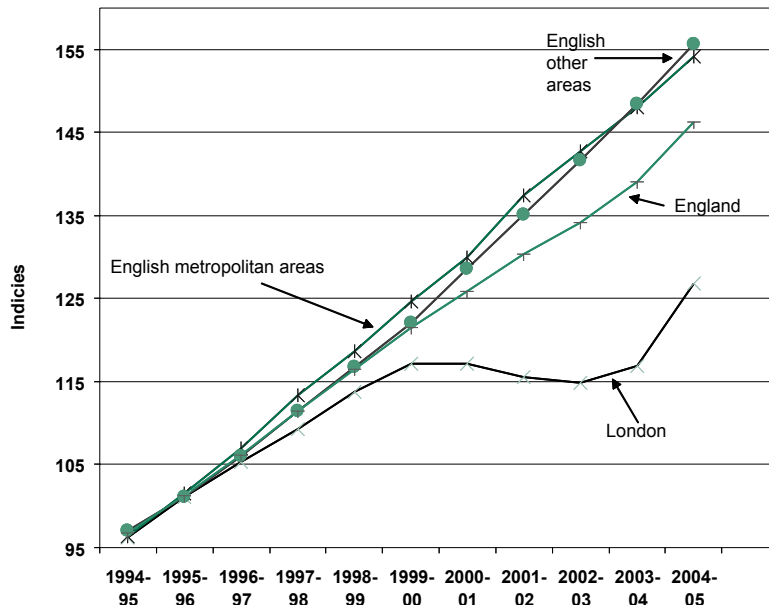
8. The Department believed operators would act rationally to maximise profits and hence would not seek to drive passengers off their buses. Fares had, however, risen by substantially more outside London than they had in London (**Figure 3**). Buses were on average 8.3 years old outside London, whereas in London they were renewed on a five yearly cycle. The Department did not consider age would necessarily affect reliability. It had calculated that, through the provision of some 38,000 new buses, operators had invested some £2 to £4 billion against the anticipated level of private investment of £5 billion set out in the *10 Year Plan for Transport*. The Department acknowledged that in a number of localities one or more of the big five bus operators dominated the market and there was a risk of quasi monopolistic operations. In the Department's view, it was for the Office of Fair Trading, as the competition authority, to address whether operators were abusing a dominant position. Other market forces could impact on the likelihood of achieving increased bus usage.

7 C&AG's Report, 2.3–2.5, 3.2–3.7, 6; Q 153

8 Qq 27–29, 35, 42–43, 78–80, 104

9 Q 6

Figure 3: Bus fares over the period 1994–95 to 2004–05



Source: *Transport Statistics of Great Britain*

9. The Department considered that if a bus operator were earning exceptional profits, new operators would enter the market, increasing competition. The Department, industry and local authorities were building a model of the bus market to better understand the relationship between costs, fares and passenger demand. The Department was not aware of data which suggested that the five major transport operators earned 25% of turnover but 30% of profits from bus operations. If bus operators were driving up bus fares to increase profits it was likely to lead to reductions in passenger numbers.¹⁰

10. Without direct levers for influencing commercial operators, voluntary codes of practice had been drawn up, but ultimately it was for local authorities and bus operators to decide whether they applied the recommended best practice. The Bus Partnership Forum voluntary code of practice on service stability was intended to discourage the changing of bus timetables at any time throughout the year. The Department was ahead of its target to have half of all buses with low-floors by 2010. Investment in new buses had increased the number which were “low-floor” (and hence accessible to people in wheelchairs or the elderly) to 44% of the fleet, improving the accessibility of buses. But it was unclear how widespread these improvements were across the country.¹¹

11. Commercial operators’ accountability to their local communities for services provided could be improved. The independent statutory Traffic Commissioners were responsible for investigating serious failures by operators to deliver against their registered timetables or to comply with the terms of their operator’s licence. The Commissioners were, however, reliant on complaints from the public or local authorities to alert them to possible breaches of operators’ licences. They did not receive information on performance routinely from

¹⁰ Qq 25–26, 47–50

¹¹ Qq 7, 98

operators. Awareness amongst bus users of the role and powers of the Traffic Commissioners to investigate complaints was likely to be low and the Department was unaware of the extent to which the Traffic Commissioners had acted upon local authorities' concerns about poor service. Unlike for franchised rail services, there was no requirement for bus operators to provide information on bus service performance to the public.¹²

12. To date, no local authority had sought approval from the Secretary of State to remove the right of commercial operators to register and run local services and to deliver its local bus strategy using Quality Contracts.¹³ The Department had sought to lower the potential barriers to the introduction of Quality Contracts, by reducing the qualifying period between setting the Contract arrangements and introducing them from 21 months to 6 months. The hurdle had to be high as only a strong public interest reason could be used to remove operators' rights to the quiet enjoyment of their property, which the Department considered was protected under the Human Rights Act 1998. An Authority seeking to introduce a Quality Contract might face court action by the existing commercial operator. Quality Contracts could, however, be appropriate where a local authority wanted to introduce road pricing, and needed the flexibility to control bus fares and bus frequencies as well.¹⁴

12 Qq 8, 96, 132–149

13 Under Quality Contracts, operators' rights to register and operate services can be removed where this was the only practicable way to deliver to local transport plan.

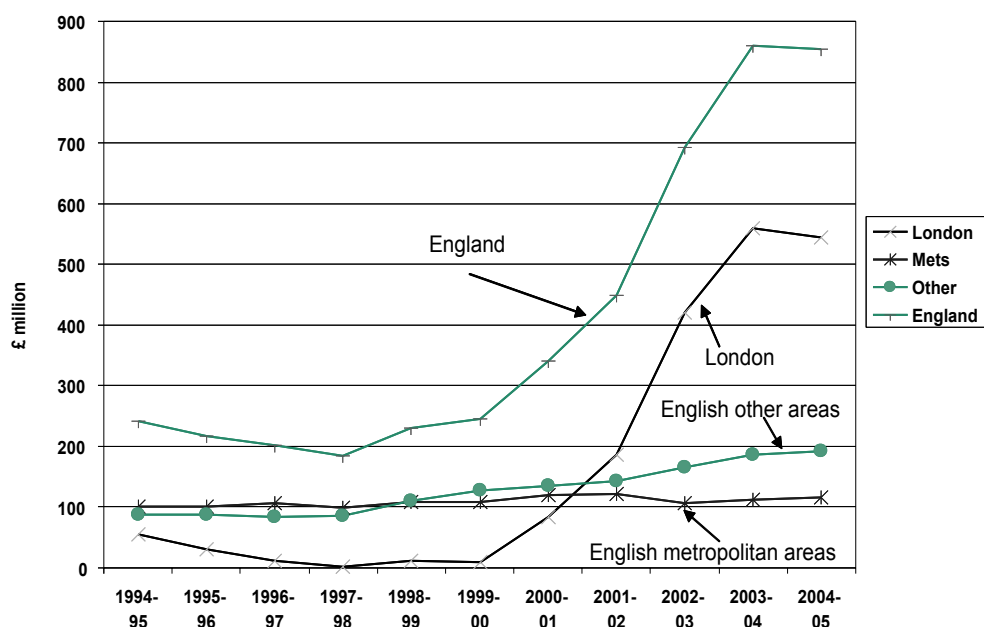
14 Qq 57–61

3 Supporting and incentivising local authorities

13. There was no one measure which local authorities could employ to increase bus usage to the level of success achieved in London. The commitment of the Mayor and Transport for London to increasing bus usage had played an important part, together with a high level of subsidy, greater use of concessionary fares and a reduction in congestion following the introduction of the congestion charge leading to faster journey times. Outside London achieving the target depended on subsidy levels and concessionary fares, restraint on car use, political commitment from the top and building effective partnerships with other local authorities or bus operators. Where car use had been restrained bus services had been made relatively more attractive.¹⁵

14. Revenue Support Grant for local authorities had increased by a third in real terms since 1997 and Council Tax by 50%. In London in 2004–05, bus service subsidy was 31 pence per passenger journey. In the Passenger Transport Executive areas, however, it was 11 pence per passenger journey, and the real level of subsidy had been flat in the last five years. Subsidy had increased in real terms in other areas, as shown in **Figure 4**. It was a matter of local choice how much of the Revenue Support Grant was spent on subsidising bus services, although the Department agreed that this decision would be likely to affect passenger numbers.¹⁶

Figure 4: Local authority subsidy of bus services in England 1994–95 to 2004–05



Source: Transport Statistics of Great Britain

15 Qq 2, 5, 55, 66

16 Qq 16, 42, 46, 63–64

15. The Local Transport Plan process gave the Department limited levers over local authority spending on bus services. The Plans, which have been in place since March 2006, would include targets for increasing bus usage for the next five years. The Department reviewed and agreed local authorities' Local Transport Plans, and could incentivise local authorities through its capital funding allocations, which involved a performance incentive element amounting to 25% of the funding. Authorities reported progress against their plans and the Department expected to work closely with key local authorities over the five year period 2006–2011, to make sure the plans were delivered.¹⁷

16. The Department could also encourage authorities to work together and improve efficiency. The Department was in discussion with the Government Office for the South West to establish a region-wide concessionary fare arrangement and was also exploring a smart-card based concessionary fare arrangement in the North West to include Lancashire, Cumbria and Blackpool. It was working with the North West Centre of Excellence on bus procurement issues, including the tendering of a number of bus routes together to attract more competitive bids and keener pricing. Such approaches would help local authorities outside London to keep down the cost of providing subsidised bus services.¹⁸

17. The Department was also looking to the Transport Innovation Fund to support innovative local transport measures combining car restraint measures such as road pricing, with enhanced bus services. Funds being made available through the Transport Innovation Fund should help local authorities reduce the gap between the cost of motoring and of using local transport. Some £18 million had already been made available to help local authorities put together the initial 30 bids, and some £290 million would be available in the first year (2008–09). Funding was expected to rise in the next decade to £2.5 billion per year.¹⁹

18. A wider range of quality of service measures was needed to capture the full range of factors influencing passenger satisfaction and a person's decision on whether to use buses. The Department produced national statistics on satisfaction with bus services. It agreed to consider whether it would be helpful to measure the experience of disabled passengers. Through the Local Transport Plan process the Department has required local authorities to set targets for punctuality, reliability and satisfaction with bus services and to monitor performance but it provided no evidence about the frequency of changes to bus timetables.²⁰

17 Qq 9, 18–19; C&AG's Report, para 1.18

18 Qq 76–77

19 Qq 115–116, 120–121

20 Qq 97–98, 159

Formal minutes

Wednesday 10 May 2006

Members present:

Mr Edward Leigh, in the Chair

Annette Brooke
Greg Clark
Mr Ian Davidson
Helen Goodman

Sarah McCarthy-Fry
Mr Austin Mitchell
Mr Alan Williams

A draft Report (Delivery chain analysis for bus services in England), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 18 read and agreed to.

Summary read and agreed to.

Conclusions and recommendations read and agreed to.

Resolved, That the Report be the Forty-third Report of the Committee to the House.

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

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Monday 22 May at 4.30 pm.]

Witnesses

Monday 23 January 2006

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Mr David Rowlands CB, and Mr Bob Linnard, Department for Transport

Ev 1

List of written evidence

Department for Transport

Ev 17

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Second Report	The regeneration of the Millennium Dome and associated land	HC 409 (Cm 6689)
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410 (Cm 6712)
Fourth Report	Fraud and error in benefit expenditure	HC 411 (Cm 6728)
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412 (Cm 6689)
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413 (Cm 6689)
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414 (Cm 6699)
Eighth Report	Navan Centre	HC 415 (Cm 6699)
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563 (Cm 6728)
Tenth Report	Jobskills	HC 564 (Cm 6724)
Eleventh Report	Local Management of Schools	HC 565 (Cm 6724)
Twelfth Report	Helping those in financial hardship: the running of the Social Fund	HC 601 (Cm 6728)
Thirteenth Report	The Office of the Deputy Prime Minister: Tackling homelessness	HC 653 (Cm 6743)
Fourteenth Report	Energywatch and Postwatch	HC 654 (Cm 6743)
Fifteenth Report	HM Customs and Excise Standard Report 2003–04	HC 695 (Cm 6743)
Sixteenth Report	Home Office: Reducing vehicle crime	HC 696 (Cm 6743)
Seventeenth Report	Achieving value for money in the delivery of public services	HC 742 (Cm 6743)
First Special Report	The BBC's investment in Freeview: The response of the BBC Governors to the Committee's Third Report of Session 2004–05	HC 750 (N/A)
Eighteenth Report	Department for Education and Skills: Improving school attendance in England	HC 789 (Cm 6766)
Nineteenth Report	Department of Health: Tackling cancer: improving the patient journey	HC 790 (Cm 6766)
Twentieth Report	The NHS Cancer Plan: a progress report	HC 791 (Cm 6766)
Twenty-first Report	Skills for Life: Improving adult literacy and numeracy	HC 792 (Cm 6766)
Twenty-second Report	Maintaining and improving Britain's railway stations	HC 535 (Cm 6775)
Twenty-third Report	Filing of income tax self assessment returns	HC 681 (Cm 6775)
Twenty-fourth Report	The BBC's White City 2 development	HC 652
Twenty-fifth Report	Securing strategic leadership in the learning and skills sector	HC 602 (Cm 6775)
Twenty-sixth Report	Assessing and reporting military readiness	HC 667 (Cm 6775)
Twenty-seventh Report	Lost in translation? Responding to the challenges of European law	HC 590 (Cm 6775)
Twenty-eighth Report	Extending access to learning through technology: Ufi and the learndirect service	HC 706 (Cm 6775)
Twenty-ninth Report	Excess Votes 2004–05	HC 916 (N/A)

Thirtieth Report	Excess Votes (Northern Ireland) 2004–05	HC 917 (N/A)
Thirty-first Report	Northern Ireland's Waste Management Strategy	HC 741
Thirty-second Report	Working with the voluntary sector	HC 717
Thirty-third Report	The Royal Parks and the Diana, Princess of Wales Memorial Fountain	HC 644
Thirty-fourth Report	Returning failed asylum applicants	HC 620
Thirty-fifth Report	The refinancing of the Norfolk and Norwich PFI Hospital	HC 694
Thirty-sixth Report	Tackling the complexity of the benefits system	HC 765
Thirty-seventh Report	Inland Revenue Standard Report: New Tax Credits	HC 782
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Thirty-ninth Report	Consular services to British nationals	HC 813
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Forty-first Report	The South Eastern Passenger Rail Franchise	HC 770
Forty-second Report	Enforcing competition in markets	HC 841
Forth-third Report	Delivery chain analysis for bus services in England	HC 851

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 23 January 2006

Members present:

Mr Edward Leigh, in the Chair

Greg Clark
Mr Ian Davidson
Helen Goodman
Mr Sadiq Khan

Sarah McCarthy-Fry
Mr Austin Mitchell
Jon Trickett

Sir John Bourn KCB, Comptroller and Auditor General, National Audit Office, gave evidence.

Mr Marius Gallaher, Second Treasury Officer of Accounts, HM Treasury, gave evidence.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

DELIVERY CHAIN ANALYSIS FOR BUS SERVICES IN ENGLAND (HC 677)

Witnesses: **Mr David Rowlands CB**, Permanent Secretary, and **Mr Bob Linnard**, Director, Regional and Local Transport, Department for Transport, gave evidence.

Q1 Chairman: Good afternoon and welcome to the Public Accounts Committee. Today we are looking at the Comptroller and Auditor General's Report on Progress on *Delivery Chain Analysis for Bus Services in England*. We are joined once again by Mr David Rowlands, who is the Permanent Secretary in the Department for Transport, and Mr Bob Linnard, who is Director of Regional and Local Transport. You are very welcome. Mr Rowlands, could I start with looking at the overall use of buses. The best figure is probably figure 1 on page 10. Why is it that passenger journeys are still falling in all regions outside of London?

Mr Rowlands: Bus passenger usage has been declining for the last forty or fifty years. The picture outside London is mixed. Overall it is declining, although the decline has stopped in the south east and south west. It is a function historically of people moving out of buses and into motorcars.

Q2 Chairman: The record in London is very good, so it is all down to Ken Livingstone's commitment?

Mr Rowlands: I think it is down to a number of factors. As the Report draws out, it is down to the commitment of TfL and the Mayor of London; it is a reflection of the scale of subsidy that has gone in; and it is a reflection of some factors that are unique to London that you will not find elsewhere. London has a low level of car ownership in relation to the rest of the country. It has a very sizeable economy and a very sizeable bus network. It is a mixed bag of reasons.

Q3 Chairman: It just shows that where you have this personal commitment it can make a difference.

Mr Rowlands: The Report brings that out. It acknowledges that outside of London: where you have got strong leadership and strong commitment, you have seen the difference there in bus usage as well.

Q4 Chairman: In relation to your target for dealing with congestion and traffic emissions and accessibility, which is what all this is about of course, paragraph 1.7 on page 25 states that the Department "has therefore not estimated the likely scale of substitution and hence the extent to which growth in bus patronage would contribute to the PSA target's underlying objectives in respect of congestion and pollution." We do not really know what is going on, do we?

Mr Rowlands: Looking backwards, I think that is fair comment because we did not have the information base. Looking forward, the next round of local transport plans have to be in by March, and for the 10 most congested urban areas we are looking to put into place congestion targets agreed at a local level for each of those 10 urban centres. We will then be able to link that back with what is happening with buses. In the next generation of local transport plans all local authorities will be required to have accessibility strategies and accessibility targets, so again we will be able to link bus usage to accessibility. Looking forward therefore it will be different.

Q5 Chairman: The cost of buses is dealt with in figure 8 on page 28. I suppose that the public assume that taking the bus is cheaper than motoring, but the transport economists tell us the opposite. You will see under "key risks": "Further

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widening of the gap between the cost of motoring and local transport costs.” To what extent will the measures you have taken reduce this gap in costs of taking a bus?

Mr Rowlands: It is not the measures we have taken; it is measures that can be taken at a local authority level. If we leave aside issues to do with Treasury and simply the costs of motoring and costs of taxation, which is not my Department’s responsibility, as figure 8 makes clear, there are two key drivers at local authority level. One is the level of subsidy going into local bus services, and there is a difference there. You have seen that for England another £350 million is going into concessionary fares, so it is no longer statutory—half the elderly and disabled and free fares within a local authority area. It is not just about a push, if you like—it is a pull—but it is about car restraint. In local authority areas where you have seen a willingness to restrain car use, you have seen the difference. It is making bus services more attractive, and it is restraining car use that makes the difference.

Q6 Chairman Let us look at the structure of the industry, which is dealt with in paragraph 1.8, figure 6, on page 25. We have five operators that cover two-thirds of the bus market. Is this going to affect the possibility of meeting your targets on growth? Obviously, if there is less competition fares may go up.

Mr Rowlands: I do not think so. There is no reason to believe that is the case. If you look at those parts of England where bus use has been growing, it is fair to say that you will find local authorities working in each locality with one or other of these big bus operators, and they have still been able to increase bus use. To take the oft-quoted example of York, the council there is working with First Group, from memory; so there is no reason to believe that that will result from these people having 60% of the bus market; it is still a competitive market place. In terms of attendance services, in 20% of non-commercial services that is still a competitive market place; you will still get three bids with each of the tender contracts.

Q7 Chairman: Let us look now briefly at how you work with local government and the bus operators. If you look at paragraph 1.3 on page 33 there was a voluntary code of practice that was put in place in 2003 which was supposed to result in greater stability of commercial services, and the public would be warned of services coming off. Has that been the effect?

Mr Rowlands: I think it has had an effect. It was intended to discourage the possibility that timetables could change in any particular week of the year and move it to a place where generally it would only change at fixed points of the year. I think it has made a difference.

Mr Linnard: Some of the areas where there has been bus growth and very strong partnership between local authorities the major bus operators have embraced this sort of arrangement and other aspects of partnership; but it is only guidance from

the local authorities’ recommended best practice. Ultimately, it is for local authorities and bus operators to decide whether they want to use it.

Q8 Chairman: Let us talk about accountability to the general public, which is dealt with in paragraph 3.37, page 57: “Operators are not required to provide information routinely on bus service performance to the Traffic Commissioners, or to the public.” Why do you not require bus operators to be accountable to the public, who are using these buses?

Mr Rowlands: I think it is quite a good point in the Report. We cannot turn over the information we ourselves get from bus companies, which goes into the national statistics. It is collected under the Statistics of Trade Act 1947, which contains some severe constraints in terms of putting out information identifying an individual company that supplied it. The new generation of local transport plans will have bus punctuality surveys for each local authority in there. We need to work together through the Bus Partnership Forum to get into place the kind of information that this report suggests should be there—although I am not sure that we can use quite the route suggested in the report.

Q9 Chairman: Let us try and pursue that relationship with local government, which is key, and which is dealt with on page 29, paragraph 1.15. The heading is, “Local authorities and bus operators are the primary agents for delivering the PSA target . . .” Do you think that these local transport plans and capital spending schemes give sufficient incentive to address efficiency, or not?

Mr Rowlands: I think they do. We have to recognise that there is a tension here between local decision-making and local accountability, and what central government would like, so we try to strike a balance. The local transport plans are on an agreed basis. We are structuring the disbursement of local capital back to local authorities in a way that incentivises them in terms of performance. We are requiring them to report against their plans. As the Report acknowledges, we set up a new unit in my Department twelve months ago to work with local authorities. That is what we plan to do once we have finalised the local transport plans—not simply sign off at that point but continue to work closely with them for the five-year life of the plans, or at least work with the key local authorities on their plans.

Q10 Chairman: Let us look at this tension again. Take Scotland, for example, which is dealt with on page 56, paragraph 3.35: “In Wales and Scotland the concessionary fares schemes have changed to allow national free travel . . .” They can cost concessionary travel nationally in Scotland, but that is not possible in England. Why not?

Mr Rowlands: If I have misled you, forgive me. Nobody is saying that free concessionary travel England-wide is impossible. What is being introduced from April is free concessionary travel

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at a cost of another £350 million in each local authority area. That could be extended to replicate the Scottish or Welsh schemes, but it would require primary legislation to replicate the Scottish scheme at a cost of another £160 million, because that would be nationwide, and Scotland includes the morning peak as well. It is a choice, and the choice was to spend £350 million additional subsidy, not £500 million, which is what they would need to replicate the Scottish scheme.

Q11 Chairman: Do you think it is a rather confused picture, with you having to meet these targets? The levers for meeting these targets sometimes break in your hands; the local authority also has a finger in the pie; and the market place apparently has a role: who is in control?

Mr Rowlands: I do not think it is a confused picture. I think it is a complex picture. It is a challenge, but the evidence is that both the Department and certainly some local authorities can rise to it. The challenge going forward is to work in a way that gets everybody to rise to that challenge. We cannot change in many ways the delivery chain outside of London; it reflects local government structure, which is way beyond my Department's responsibility. We have to work with a world where we have PTAs, PTEs, met district councils, shires, shire district councils, unitaries—it is a fact of life. We have to work with it. We understand the delivery chain, and you can see some evidence in some places. It is not just the Yorks and the Brightons but places like Nottinghamshire where bus use has grown. You can make this complicated and complex chain work.

Q12 Chairman: To conclude, can you reassure us, in answer to the point made in the summary in paragraph 6 on page 10, which tells us that the public revenue spending on bus services totals some £2 billion, that you are delivering value for money and not supporting empty buses?

Mr Rowlands: That decision is in part for the local authorities to take, and, if you will forgive me, for the Audit Commission to take an interest in because there is a point when it goes beyond us. Remember, the revenue support that goes into local authority bus services comes out of RSG, which is an undifferentiated sum of money, so we have no control over what is spent; we can merely report what is spent and then work with local authorities to make sure it is value for money.

Q13 Helen Goodman: I represent Bishop Auckland in County Durham, so I am quite interested in the difference between what is going on in London and what is going on in the rest of the country. One of the things that comes out of the Report is that without any intervention at all from the state, the opportunities for a growing bus market, a buoyant market in London, are greater than in the rest of the country, because it is more compact and there are already more routes. Do you accept that?

Mr Rowlands: As I said earlier, I accept that there are some unique characteristics of London that are not replicated outside: the size of its economy, the number of people and the level of car ownership.

Q14 Helen Goodman: One of the things that disturbs me is that according to paragraph 2.8 the level of subsidy is almost three times higher in London than it is in the rest of the country. Have you done any modelling on what would be the impact of having an even subsidy per passenger journey across the whole country?

Mr Rowlands: No.

Q15 Helen Goodman: Would you consider doing it? Is the Department capable of doing that? Have you got the data to do it?

Mr Rowlands: I think it would be quite difficult. When you say “even subsidy per passenger”, I am not sure how that works in modelling terms. That would be the same subsidy for somebody travelling on a rural bus with few people on perhaps, and the same subsidy in a crowded bus in central Birmingham with lots of people on it, so I do not think that works.

Q16 Helen Goodman: Do you not think it is rather odd that in the place where the market is the most optimistic for bus services, that is where we also have the highest subsidy? Normally, we subsidise those things where there are most problems, not where there are the least problems.

Mr Rowlands: To some extent this is about choices at local authority level. I do not think it is odd that the level in London is necessarily as high as it is; that is a reflection of the difficulties with congestion in London. If you look outside of London and look at what has happened to subsidy levels, over the last five years or so the real level of subsidy in PTEs has not changed; it has been flat in real terms. In the urban areas, outside the PTEs, it has increased in real terms. Maybe it is a consequence, but passenger usage of buses in PTEs has declined in the face of flat real subsidy, but it has stayed stable in rural areas outside the PTEs where the subsidy has gone up. Somebody has to make choices at a local level in terms of where they want to spend their RSG money. The RSG itself has gone up a third in real terms since 1997. Council tax has gone up 50% so it has made some choices about where it spends the money.

Q17 Helen Goodman: I accept that people have made choices; I am asking you whether the money is as well spent as it could be when it is so unevenly spent across the country. You are telling me that the Department for Transport is not in a position to make that judgment, even though the Department for Transport is the owner of the target to increase bus use.

Mr Rowlands: Yes.

Q18 Helen Goodman: Can you imagine that in a constituency where 21 bus routes are being reduced and one is being abolished altogether—and last

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week we had the news that one of the bus operators is withdrawing completely—there might be some disappointment that the Department for Transport is not taking a more active interest in the way the money is spent outside London?

Mr Rowlands: We are taking an active interest, but I did say earlier that there is a balance here between local accountability and local decision-making, and where central government is. We take an interest, clearly, through the local transport plans, which each local authority is responsible for putting in to us. Those plans will have agreed bus targets for the next five years. We will work very closely with a number of people over the next five years to make sure they are delivered. What my Department cannot do is get down to the level of individual bus services throughout England and take a daily interest in what is going on. That is partly the responsibility of private-sector operators and partly the responsibility of the local authorities, which can, if they so wish, put these things out to tender.

Q19 Helen Goodman: I am interested that you said it is the responsibility of local operators because if you look at figure 14 on page 14 you will see that the bus operators are answerable to bus users for what they do, and also to the traffic commissioners. As you know, the responsibility of the traffic commissioners is to ensure that the Competition Act is implemented and abided by. You also know that that Act prevents the different bus companies from co-operating to make a more integrated transport network. In what sense in relation to the strategic responsibility does the Department for Transport have any leverage over these bus operators?

Mr Rowlands: The leverage, if that is the right word for it, has to come, as I said, through the individual local transport plans—what it is that both the local authority envisages in those plans and what it is we want to work with them for, and through the local authority—the partnership they have with their local bus companies.

Q20 Helen Goodman: I understand that that is the situation at the moment, but since we are concerned to reduce emissions through increased use of public transport, and since that is an overriding priority and the institutional arrangements could be changed, I wondered whether the Department for Transport had thought of reformulating the institutional arrangements, which seem to be a bit of a barrier.

Mr Rowlands: There is no policy, no intent to reform the institutional arrangements. As far as I know, it is not my Department's responsibility to change local government structures or to re-nationalise the bus industry, or to move to a London franchising arrangement outside London.

Q21 Helen Goodman: I am not clear as to what is included in an accessibility strategy. Does accessibility include frequency of services?

Mr Rowlands: It is built around an analysis that looks at the degree of accessibility and the time it takes to get to half a dozen key destinations for most people—surgeries, hospitals, schools, further education, jobs, supermarkets. It is largely done by most local authorities on the basis of some software that we gave them 12 or 18 months ago. It looks at the time taken to get to those particular kinds of destination and the ease with which you can get there.

Q22 Helen Goodman: In looking at the ease with which you can get there, that presumably takes account of frequency of buses, does it?

Mr Rowlands: It should do.

Q23 Jon Trickett: As I understand it, the Department is required to increase bus usage. That is one of your objectives, is it not?

Mr Rowlands: The PSA target is, as you know, to increase passenger use to bus and light rail by 12% by 2010.

Q24 Jon Trickett: In your response to Helen Goodman, it seemed to be that while you have got responsibility, actually any fault in failing to achieve that target is really the responsibility of the councils. Where does your role come into it? It did look very much like a passing the buck exercise, to be honest!

Mr Rowlands: No, I do not think I was passing the buck. Perhaps I failed to explain, but, as the Chairman said, we do not have all the levers in our hands and some of them might even break. This is about trying to work with the local authorities. I do not think I was trying to pass the buck. Maybe I am not doing it very well but I was trying to separate out responsibilities. We cannot take away from local authorities their own responsibilities. We do need to work with them in terms of what they plan to do and what we plan to support.

Q25 Jon Trickett: It did sound—and I am sure it would to anybody who reads the text of your replies—as if you were saying it is for the local authorities to spend their RSG more wisely and use all levers at their disposal, which are not very many either. I want to ask you about the role of the bus companies. I think that a state of quasi monopolies has been allowed to develop across various areas, for instance the PTE areas that I am familiar with in West Yorkshire and the West Midlands and so on. They are quasi monopolies, are they not?

Mr Rowlands: It is a question for the OFT in the end as to whether they are quasi monopoly and abusing their position.

Q26 Jon Trickett: So that is somebody else's responsibility!

Mr Rowlands: I am sorry; they are the competition authority.

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Q27 Jon Trickett: I was not asking you if you were responsible; I was asking you whether you agreed with the statement that there is a series of monopolistic operations.

Mr Rowlands: It is certainly the case that in quite a number of localities there is a dominant bus operator—one of the big five, yes.

Q28 Jon Trickett: The big five undertake 90% of all bus operations in the PTE areas, do they not?

Mr Rowlands: I imagine that is correct.

Q29 Jon Trickett: Would you like to write to the Committee and tell us what the understanding is? I have seen a note saying it is 90%, which is a monopoly, is it not, if that is correct?

Mr Rowlands: You can take this at two levels. I agree with you in the terms you are using it. In OFT terms it depends on how you define the size of the market, and I do not know how you define the size of the market.¹

Mr Linnard: Most of the PTE areas have got two large operators and a lot of smaller ones. Generally there are two large operators in PTE areas.

Q30 Jon Trickett: I am told that 25% of the turnover of the big five produces 50% of their profits; the 25% of their turnover is bus operators; 50% of the profits of the operators comes from buses. Do you recognise that figure?

Mr Rowlands: No, I do not.

Q31 Jon Trickett: Have you ever bothered to ask yourself how these bus operators might be taking advantage of the quasi monopolies which you have yourself acknowledged exist?

Mr Rowlands: I am sorry, but I think I can only say—and this is not passing the buck—the problem is not the competition authority, but for the bus industry the OFT is. If it is plainly the case that they are abusing a dominant position, then that is a matter for the competition authorities.

Q32 Jon Trickett: I am not asking you who is responsible; I am simply asking you the question. I have been provided with a figure that says that of the big five transport operators 25% of their operations, 25% of their turnover, is buses, but 50% of their profits come from bus operations. Is it something that the Department might want to have a look at, to see if you can verify—

Mr Rowlands: I am very happy to look at it and write back to the Committee. Even if the figures were right, what would also be relevant is the return on capital they are enjoying by comparison with the rest of their operations.²

¹ Ev 17

² *Note by witness:* The published group accounts for the largest five bus operator groups indicate that UK bus operations accounted for between 10% and 40% of the five groups' turnover and between 29% and 54% of the five groups' profits. These figures are highly dependent on the accounting policies of each of the groups.

Q33 Jon Trickett: What is more important is how they use monopolies—first, to increase profits—to increase prices, and then—I am talking about elasticity of demand. In the end they are driving prices up in order to produce profits, which produces less passengers. I would have thought that that is something that eventually you are going to have responsibility for—if I can get to that in the 10 minutes available to me! I would like you to see whether you can verify that figure which I have produced.

Mr Rowlands: I would be very happy to do so.

Chairman: Where did the figure come from?

Q34 Jon Trickett: It is a report. I will make it available to the Committee. Before coming on to pricing policy, the operators appear to take second-hand buses from London and then pass them out to the PTEs. I have been given a figure that the London contracts require them to renew the buses on a five-year cycle, but the average age of the PTE fleet is 8.3 years. Is that something you recognise?

Mr Rowlands: I cannot give you a comment on the age of the—

Q35 Jon Trickett: That would affect the reliability, would it not, of buses in the region? If the average age of a bus in London is five years or less, and they are now renewed on a five-year cycle, if the average of a PTE bus is 8.3 years they must be unreliable buses—

Mr Rowlands: It is conceivable it might affect the ambience, depending on how old the bus was; but there is no reason to believe it would necessarily affect reliability. The Routemasters were 30 or 40 years old in London, but they were fairly reliable at that age.

Q36 Jon Trickett: There is evidence, is there not, that in the PTE areas at least there is more time being lost by mechanical breakdown and also lack of trained personnel, which is therefore affecting numbers of passengers? If a bus does not turn up—

Mr Rowlands: It is certainly the case that—

Q37 Jon Trickett: You have no idea whether that is right or wrong?

Mr Rowlands: We can give you some figures on losses.

Q38 Jon Trickett: But you do not know.

Mr Rowlands: Yes

Q39 Jon Trickett: I would be grateful if you could tell me the average age of the buses—if you could confirm the figures I have just given you—and also, if you think there are losses from mechanical breakdowns.

Mr Rowlands: That is the average age for all the buses in all the PTEs?³

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Q40 Jon Trickett: Yes. Someone has got the figures. I will provide the evidence to the Committee. On the use of a monopoly—first of all the use of old fleets, and secondly to put up prices—are you aware of the extent to which prices have gone up in the PTE areas?

Mr Rowlands: I am aware of the increase in tender prices, yes.

Q41 Jon Trickett: Bus fares?

Mr Rowlands: Yes.

Q42 Jon Trickett: I am told that bus fares in the PTE areas in London have gone up by 86%, and in London they have gone up by 36%. Is that a figure that you recognise?

Mr Rowlands: I do not recognise the particular figures, but I think the general point you are making must be right. To some extent it must flow from the Report that the subsidy level per passenger in London is 31p and only 11p in PTEs.

Q43 Jon Trickett: It may be that London is a more competitive market—I do not know. The fact is that there is no competition in the PTEs, or very little competition, and prices have more than doubled to the increase in London. Has it occurred to you—because nothing else has so far—that the increase in price, together with the elasticity of demand, will produce a fall in revenue eventually for the bus operators and hit their profits, but, more importantly, less passengers will go on the buses if the prices continue to rise and—

Mr Rowlands: Forgive me, but I think I would like to make the assumption that, whatever else is going on, bus operators are economically rational and are not trying to go out of business. Therefore, while they are certainly profit maximising they are also passenger maximising. They have no interest in driving passengers off their own buses.

Q44 Jon Trickett: Are you aware that work has been done on elasticity of demand for buses?

Mr Rowlands: I am sure work has been done.

Q45 Jon Trickett: Are you aware of it?

Mr Rowlands: Not personally, no.

Q46 Jon Trickett: A figure for elasticity has been produced, and it is quite clear that we are losing passengers by the excessive increases in prices which the operators have been imposing on the poor unfortunate public. Although the revenue has been increasing, and the profitability, the number of passengers has actually fallen. Are you aware of any of that work?

Mr Rowlands: Yes. I am also aware, as I said earlier, that the level of subsidy in London is three times the level of subsidy in PTEs. It impacts on fares and impacts on wider issues.

Q47 Jon Trickett: Would competition in the PTE areas help to defray the rising prices and therefore help to retain passengers?

Mr Rowlands: If you have a bus operator that is earning exceptional profits, then you would, over time, expect them to be competing away through competition, yes.

Q48 Jon Trickett: I have jotted down (a) that there are quasi monopolies across the PTE areas and elsewhere as well, which is resulting in mechanical breakdowns, older fleet, rising prices and really super profits, all of which is resulting in fewer passengers. You have not been able to verify or even comment on any of those matters. The Department does not own these—it is just evading responsibility and—

Mr Rowlands: Not at all. We, as the Report very clearly shows, have tightened up the target. If we were in the business of evading our responsibilities we would have stayed with the old 12% across the piece by 2010, but we chose in 2004 to put a very difficult additional piece in to—

Q49 Jon Trickett: You have not bothered to analyse basic econometric factors and the implications for passenger use, have you?

Mr Rowlands: No, we do. We are actually building—

Q50 Jon Trickett: You have produced no evidence this afternoon of that.

Mr Rowlands: We are building with the bus industry and with the local authorities a model that will take in costs, ridership, fares and demands, so that we are trying to build and share with industry the very points you are making.

Q51 Sarah McCarthy-Fry: Can I draw your attention to page 30, paragraph 1.24? “This two-year project will build on good practice already identified and include consideration of partnership working, the mix of public transport services provided (for example by buses, taxis and community transport . . .” Do you class taxis as public transport?

Mr Rowlands: Yes.

Q52 Sarah McCarthy-Fry: Given that you have just said that you class taxis as public transport, can you turn to page 51, diagram 15? “Concessionary fares: Wide variety of schemes which are complex and confuse the public: “Budget pressures limiting concessionary fares expenditure. Concessionary fares resource not restricted to use on public transport.” What do you mean by that? What else is concessionary fares resource if it is not on public transport? I assume that to mean that people use their bus tokens in taxis, but you have just told me that taxis are public transport.

Mr Rowlands: Mr Linnard will correct me if I get this wrong. It depends what they mean by “public transport” in the Report. They extend, I think, to community transport.

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Mr Linnard: Some local authorities give concessionary travel on community transport, and I think some do on taxis. Whether there is a definitional problem on what is public transport in different parts I do not know.

Q53 Sarah McCarthy-Fry: This is the point I am making because it is an argument that comes up in most local authorities every year—those that have a half-fare scheme—and it will come up even more when we spread nationwide the full fare free scheme, because my constituents are asking, “Am I still going to get my tokens?” Then the argument comes up whether we are doing this to help our constituents to travel around, in which case people who cannot use buses for disability reasons or whatever reason quite rightly wish to use their tokens on taxis. You hear other anecdotal stories of people who use their tokens, which are a form of concessionary fare subsidy, for their taxis to the airport, and you also get anecdotal stories of the black market in tokens.

Mr Rowlands: There is nothing happening that would prevent any local authority to continue to give tokens in the way you suggest—I think that is right.

Mr Linnard: Yes.

Mr Rowlands:—or to extend their local concessionary travel arrangements beyond buses—on Merseyside, for example, I think it covers the ferries, for example. What is happening is that whatever arrangements they had for which they were getting from the Government support for half concessionary fares, will move to the point where there is another £350 million going in so that there will be full concessionary fares. That they can enter in any way they wish, and that can be included in continuing token arrangements.

Q54 Sarah McCarthy-Fry: Do you believe that this new concessionary fare policy will increase the number of bus passengers?

Mr Rowlands: Yes.

Q55 Sarah McCarthy-Fry: My own local authority believes the same thing. Is this what you believe is one of the levers that local authorities can use?

Mr Rowlands: Yes. As I said earlier, this is in part about increasing the attractiveness of bus use, and some of that may be to do with the levels of subsidy. Our forecast at the moment is that the new concessionary arrangements for bus fares from April should increase ridership of the PTEs by 5%, and outside of them in the rest of England and outside London by about 14%, so we are expecting some significant kick-up in ridership. As I said earlier, this is also about car restraint. That is the evidence from London; it is not simply about the Mayor of London or the London subsidies; it is about the willingness to introduce a congestion charging scheme. It now costs you £8 to go into the centre of London, shortly to be extended to the West End.

Q56 Sarah McCarthy-Fry: Coming back to subsidy, I was a bit surprised to read in the Report about the bus service operator’s grant that subsidises companies for the amount of fuel they use. You have had an opportunity to change the requirement for that subsidy; you could possibly have directed it in a more focused way at increase in bus usage, environmental improvement, enhancing the passenger experience: why did you choose to keep it as a fuel subsidy?

Mr Rowlands: I understand the point you make. This was looked at two years ago. There was a public consultation and there was little appetite either from local authorities or from operators for any change. We modelled various alternative options within the same sort of sum of money so that it might be directed in different ways. It was very clear that if it re-focused the money so that it was paid per passenger for example, the urban centres would win and the rural bus services would lose very substantially. It was the same problem with other options that were modelled. There were inevitably some very substantial winners and some very substantial losers. The conclusion at the time, in the face of that and in the face of it being quite difficult to understand what the impact would be network-wide, was that, despite the point you make about the environmental side, it was best to leave it as it was. What I would say is that in environmental terms this still leaves the operators having to pick up the other 20% of fuel duty, plus the non-duty elements of fuel, so they still claim something towards their fuel costs but obviously not the entire bill.

Q57 Sarah McCarthy-Fry: Can I now bring you on to the quality contracts. Am I right in understanding that if a local authority took on a quality contract—and none has opted to do that—they would have greater control over the bus services and would be better able to direct them to the needs of the residents?

Mr Rowlands: A quality contract would allow the local authority to specify the times and the fares, and that contract would be let to whichever bus company was doing that contract, not necessarily the incumbent.

Q58 Sarah McCarthy-Fry: But no local authority has opted to use it yet. Why do you think that is?

Mr Rowlands: I think, if you ask some of the local authorities, they would say that the hurdles are too high. We have certainly tried to lower the barrier, if only in the sense that a little while ago we reduced from 21 months to six months the period that has to elapse between setting the quality contract arrangements and actually introducing it. However, inevitably this barrier will be quite high because of Human Rights Act implications. Under the Human Rights Act any legal entity is entitled to the quiet enjoyment of their own property and you may only override that in the public interest; and therefore to move to quality contracts requires a strong public interest reason; it cannot be done simply because somebody would like to have

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quality contracts. This amounts, in human rights terms, to taking away from the bus operator the business they are doing in a particular locality, because the Act says it needs to be a proposal put to my Secretary of State on the basis that this is the only way in which they can deliver their bus policy.

Q59 Sarah McCarthy-Fry: So the bus operators must be deemed to have failed the people who live in that area with—

Mr Rowlands: No. Perhaps I can just repeat what I have said. Mr Linnard will tell me if I get this wrong, but the test in the Act is that a quality contract can be put in place because that is the only feasible means by which that local authority can deliver its bus strategy.

Mr Linnard: The only practical way of delivering a bus strategy.

Q60 Sarah McCarthy-Fry: Would it be fair to say it is highly unlikely that we are going to get any of these quality contracts?

Mr Rowlands: Not necessarily. Our understanding—and it is only an understanding—is that there are a number of local authorities now looking quite actively at this. I understand that this is north of the Border as well as south of the Border. I think that is right.

Mr Linnard: Yes.

Q61 Sarah McCarthy-Fry: So the requirement will be on the local authority to have the courage to take on bus companies and see it challenged in court.

Mr Rowlands: That is the way the Act is structured, yes.

Mr Linnard: We said in the 2004 Transport White Paper that an example of a situation where a quality contract would be the only practical way of implementing bus strategy would be where a local authority wanted to introduce local road pricing; and for that to be politically saleable, it would have to be able to demonstrate that it could control the fares and frequencies on the buses, in the same way that has been done with the congestion charge.

Q62 Sarah McCarthy-Fry: So it is not a quality contract, it is to deliver a better quality of bus services; it is for a different purpose.

Mr Linnard: It could be part of that package.

Q63 Mr Mitchell: Why is London always the spoilt darling in these situations? Why does London get 31p subsidy per passenger whereas the rest of us get 11p?

Mr Rowlands: Because out of the monies available, London has chosen to pay 31p per passenger, and others have made a different choice out of the monies available.

Q64 Mr Mitchell: It is generous to itself!

Mr Rowlands: No. The point I was making earlier is that if you look at the last five years or so in PTE areas the subsidy paid for buses has stayed flat in real terms, whereas the RSG revenue in real terms

has been going up. They have chosen to do that. It is a question of local authority decisions and local accountability. Some of them run it differently.

Q65 Mr Mitchell: Let us look at it another way. You are successful in achieving targets in London; but it is disastrous in the rest of the country. How do you explain that? Three things seem to stand out in the Report. One is the congestion charge, so they are using a stick as well as a carrot; second is that the system is better run and managed by Transport for London than is the case outside London; and, third, they have got more money. How would you rate those in order of importance?

Mr Rowlands: I do not think I can rate those in order of importance.

Q66 Mr Mitchell: Surely you need to know that!

Mr Rowlands: There are other factors that play in as well, as the Report brings out. I do not think you can pull one thing out and say that is the magic bullet and that we will get the same result in London; you have to look at the combination. It is something to do with subsidy levels and restraint on car use; and something to do with political commitment from the top; and it is something to do with building effective partnerships either with other local authorities or with bus operators. Some of that is easier in London, given the nature of the franchised bus market, and some of it is certainly more difficult outside London given the structure of local government. Those are the parameters that are set out in this report. I do not think you can pull one out, and I really do not want to put them in order of priority, because it may well vary from local authority to local authority.

Q67 Mr Mitchell: Would the Department not like to know? It would be useful to find out why it is successful in London and not successful outside, instead of going round muttering that there is something in the air!

Mr Rowlands: No, this report explicitly states that we cannot separate out these factors from the delivery chain in London. The NAO and the Audit Commission were not able to analyse it out, and I cannot do it either!

Q68 Mr Mitchell: Do you know why you are doing badly in the rest of the country?

Mr Rowlands: We are not doing badly in the rest of the country. We are not doing well in some parts of the country, but there are other parts where it is going quite well and where bus use is growing. As I said, it is growing in Nottinghamshire; it is growing in Exeter. Everybody knows about—

Q69 Mr Mitchell: I am not interested in Exeter!

Mr Rowlands: Well they are in Exeter!

Q70 Mr Mitchell: Table 4 on page 15 shows the disastrous fall in usage of bus and light rail in Yorkshire and Humberside, the east of England, the West Midlands and the north east. Why is it? What is causing it? Is it due to the factors that

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Jon Trickett mentioned, that local monopolies are overcharging? Is it due to the fact that they do not have enough—

Mr Rowlands: It has been doing this since the 1950s.

Q71 Mr Mitchell: Is it a matter of competition—

Mr Rowlands: It has been doing this since the state ran buses. This trend has been going on since the 1950s.

Q72 Mr Mitchell: Yes, but you are dealing with where the state does not run buses and where you are trying to encourage use. How are you doing it?

Mr Rowlands: If you look at the top bars you can see that over the last five years the decline in the south west and the south east has been modest. If you look at the last couple of years, it has stopped. Bus use has just picked up slightly in the south east and south west, so we are beginning to see—although I realise that we all struggle to understand the complexities outside of London—some shift in the tectonic plates. We are beginning to see a shift in the 40–50 year trend.

Q73 Mr Mitchell: So your strategy is to say there is something in the air and “fingers crossed”!

Mr Rowlands: No, the strategy is not that there is something—

Q74 Mr Mitchell: Why is it that structures that work in London cannot be applied to our bigger cities like Manchester or Birmingham, which have very similar arrangements and very similar problems? Why are they in so much difficulty in encouraging bus use, whereas London is successful?

Mr Rowlands: It is because they choose to put lower levels of subsidy in, because they have not put in demand restraint on motorcars in the way that we have seen there. Whether or not it would help if they had, effectively, franchising arrangements similar to London is an issue to do with whether or not any of them are going to pursue the issue of quality contracts.

Q75 Mr Mitchell: It seems to me that one of the reasons put forward in this Report is that concessionary fare structures are more confusing and more difficult, and cause more problems for the bus driver or bus conductor, outside London than inside London, where you have a very simple system that seems to work quite well. You mentioned the difficulty of having a uniform concession without primary legislation, but why can we not have a more uniform concessionary fare structure in order to make operating the buses easier?

Mr Rowlands: Amongst the differences between London and outside of London is the issue of the fare box and who takes the revenue risk. In London, as we have seen in the Report, Transport for London sets the fares and takes the revenue risk, so it does not have to reimburse the operators for any revenue loss coming from concessionary fares. Outside of London it is completely the other

way round: apart from some attendance services it is the operator that takes the revenue in and takes the revenue risk; and so you have to work out directly with each operator what the passenger loss is in revenue terms from concessionary fares. It is a fundamentally different arrangement to London. You will only get a more simplified approach were we to move to a system like Scotland and Wales, where it is a nationwide concessionary fare, which would make it simpler. As I said, it costs more than £60 million more in England. I think it is unlikely, although I could be wrong, that you will see a move to a world where local authorities outside of London are taking all the revenue risk on the bus services.

Q76 Mr Mitchell: For instance, why should district councils issue concessionary fares and not just have it done by counties? I mention this because the last time I dropped in on Stagecoach in Grimsby they were worried about how other parts of the area to which their buses went were going to apply their concessionary fare schemes.

Mr Rowlands: You have taken me out of my responsibilities now because we are back into the structure, roles and responsibilities of local government, and that is into ODPM’s territory, I am afraid, not mine. My Department simply cannot change whom it is that issues concessionary fares; it is a matter for The Deputy Prime Minister and his Department.

Mr Linnard: What we can do is to encourage district councils to join together and run schemes on a county basis, which some do very successfully.

Mr Rowlands: We are trying to do that. We are currently in discussion with the government office for the south west to try and get a regional-wide concessionary fares arrangement, and we are talking to people in the north west about a smart-card based concessionary fare arrangement that will run across Lancashire, Cumbria, and places like Blackpool. Blackburn has its own municipal bus company. We are working at it, but what we cannot do is change the whole structure of local government.

Q77 Mr Mitchell: It states in the report on page 31, paragraph 1.26 that the Department has not identified the need to take any significant further action to address the rising cost of bus use. Why is that?

Mr Rowlands: Well, we have prospectively. We are working with the North West Centre of Excellence on bus procurement in terms of the sorts of things suggested here about bundling up bus routes to get more competitive tenders and keener prices, in the way they have done in London. We want to use that to get some real experience and get it out to the other local authorities to help them get down the cost of the bus service.

Q78 Mr Mitchell: I have a final question, and I am sure the Chairman will indulge me on this because it is very parochial to him and I! The Humber Bridge Board charges 400% more for a public

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service vehicle than it does for a car. That is the highest ratio in the country. By this policy of maintaining high toll charges and the highest ratio of public service costs to car use, the Humber Bridge Board has succeeded in driving down bus use over the years and it has now taken that benign process to its ultimate success of stopping it altogether because the company cannot afford to carry on the service and pay the charges. I just wondered, in the light of Government policy to increase the use of buses, what the Department for Transport might say to the Humber Bridge Board.

Mr Rowlands: Can I give you an answer in two parts? I am not briefed for this. I am sure the Department's formal position must be that this is a matter for the Humber Bridge Board, or words to that effect. Speaking as a human-being it sounds to me a dumb thing to do.

Chairman: Are you happy with that answer?

Q79 Mr Mitchell: I hoped for a better answer.

Mr Rowlands: I am not an expert on the Humber Bridge, I am afraid.

Q80 Mr Mitchell: I hope your Department will do something; so far there has been no reply, and they had a letter about three weeks ago.

Mr Rowlands: I would be very happy to take it back to the Department.⁴

Q81 Mr Khan: Do you think that the target set of a 12% increase in bus and light rail growth was a sensible one?

Mr Rowlands: Yes.

Q82 Mr Khan: Realistic?

Mr Rowlands: I think sensible and challenging, but realistic enough to be—

Q83 Mr Khan: Good. I have a number of questions, so perhaps we could keep it short! I have 10 minutes. Do you think that the Mayor of London setting a target of a 40% increase in bus travel over a shorter period was sensible?

Mr Rowlands: Yes.

Q84 Mr Khan: Realistic?

Mr Rowlands: Yes.

Q85 Mr Khan: Has he saved your bacon because of the increase he has had in London?

Mr Rowlands: He would have saved our bacon had we not changed the target for the regional content, yes.

Q86 Mr Khan: This is a difficult question to answer, so if it is impossible just say so. Doing international comparisons in relation to Western Europe over the last few decades, we have seen a decline in bus and light rail use. What are comparable countries over the last two or three decades?

Mr Rowlands: It is quite difficult to answer. This is a bit of a sweeping generalisation, but if you look at the history of bus use in this country over the last 20 or 30 years or even more, there is something different about this country. We have had lower levels of car ownership than our near continental neighbours, but we have used our cars more intensively. If you look at Italy for example, you will find much higher levels of bus usage, including by social class. There is a difference.

Q87 Mr Khan: Do you have any idea what has happened to bus use in Scotland and Wales in recent years?

Mr Rowlands: Bus usage in Scotland has historically declined, as it did in England. In the last year or two it has just picked up.

Q88 Mr Khan: In both Wales and Scotland?

Mr Rowlands: Both Wales and Scotland.

Q89 Mr Khan: You mentioned in the ding-dong with Austin Mitchell that for decades it has been going down. Is there not one exception in the 1980s in London, when bus use went up?

Mr Rowlands: Bus use, if I remember rightly, after deregulation in London initially went down in the eighties and then began to pick up in the nineties. In the latter part of the nineties, before the Mayor came along, bus usage was growing year on year by about a third of the rate it did after the Mayor—

Q90 Mr Khan: During the eighties as well the Fares Fair policy, when there was a leader of the GLC—I forget his name—was there not an increase in bus use?

Mr Rowlands: I was talking about the sweep of the eighties.

Q91 Mr Khan: Do you think there is a link between devolved government and the powers that, for example, the Mayor has and the clarity that TfL has—autonomy, and increase bus usage?

Mr Rowlands: I think there may be a link, if only in the sense that it may make the delivery chain less complex and easier; but that is only a piece of process; it also depends on ambition, intent, and what you what to do with that—

Q92 Mr Khan: The reason I ask is because the Scottish Parliament, the Welsh Assembly, the fantastic expert Mayor for London—all they have in common is autonomy to—

Mr Rowlands: No, they have also got higher subsidy levels for their buses. Remember that the Welsh introduced Wales-wide—

Q93 Mr Khan: A decision they took themselves?

Mr Rowlands: Indeed.

Q94 Mr Khan: You support my argument then because they decided, because they were autonomous, to do that—yes?

Mr Rowlands: They were certainly free to take that decision.

⁴ *Note by witness:* The Permanent Secretary has written to Mr Mitchell separately on this matter.

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Q95 Mr Khan: Do you accept the recommendations made in the NAO Report on pages 19 and 20? Presumably you have read the report? Are you happy with them?

Mr Rowlands: Yes. There is one I certainly want to ponder on.

Q96 Mr Khan: Which one is that?

Mr Rowlands: It is in F, talking about making information more available at a local level. Remember, I said earlier that we cannot just over stuff we have got because we are caught by the Statistics Trade Act 1947, so we have to find another route through.

Q97 Mr Khan: Before getting to my main question, there is a question that is concerning me. If you look at figure 10, which is “Quality of service measures” for some reason unbeknown to me, and I am sure other Members of the Committee, who I am sure have thousands of disabled constituents, why does that not measure extend to disabled passengers?

Mr Rowlands: I honestly do not know why it does not measure the experience.⁵

Q98 Mr Khan: Do you think it should? You talked about Routemaster, which—

Mr Rowlands: I am quite happy to reflect on that. What I will offer you is that if you look at our delivery report, in terms of access to buses the target was to have 50% of full-size buses low floor by 2010 because it helps not just the disabled but also the elderly. We already have 44% so we are very close to getting to the 2010 value for that half by 2006-ish.

Q99 Mr Khan: You will reflect on that?

Mr Rowlands: I am very happy to.

Q100 Mr Khan: You will, I am sure, have heard of the disabled people in wheelchairs who are at bus stops and bus drivers pass them and others who get on a bus and have very uncomfortable journeys. I could go on.

Mr Rowlands: I am well aware of it.

Q101 Mr Khan: And, of course, where they are changing the law as well. Can I ask you one more question on the fantastic success story of London. What assurance do you have that the growth in bus use in London will be sustained to enable them to properly save your bacon by 2010?

Mr Rowlands: We have got an agreed delivery plan with TfL. We are going to align that with the 2006 Business Plan. I said earlier that we are expecting to

hit the 12% target and that means we are expecting London to continue to deliver. Working with TfL, we have no reason to believe that their contributions will not be forthcoming.

Q102 Mr Khan: One of the things where the Mayor actually failed in London was to increase fares on buses, and you have still got the congestion charge, obviously. They have been quite open about it, they need the money to have better standard buses *et cetera*. How far do you think the fare rises are a risk outside of London, *vis-à-vis* the increase in buses you said you are required to meet?

Mr Rowlands: To get back to all of that elasticity, they are clearly a risk. The extent to which there are fare rises, some of that will be alleviated by the new concessionary fares policy from April for a group of people who are significant bus users, the elderly. The extent to which it continues to be a risk may partly reflect decisions to be taken about subsidy level, whether it is at a local level or even national.

Q103 Mr Khan: Are you going to have control over whether somebody decides to have a bus increase or not?

Mr Rowlands: We do not control bus fares, that is correct.

Q104 Mr Khan: In the plan we are also told there will be a £6 billion investment in our bus services to complement the public investment. How much has been invested so far?

Mr Rowlands: The figure in the plan was £6 billion for private investment in local transport, £5 billion of that was buses. Since the plan came out, 38,000 new buses and coaches have been registered in this country. Mr Linnard, what does a bus cost?

Mr Linnard: Between £50,000 and £100,000.

Mr Rowlands: In round figures that is somewhere between £2 and £4 billion worth of investment towards the £5 billion that they do not manage, depending on the cost of the bus. There is no reason to believe that the private sector is not putting in what we said.

Q105 Mr Khan: You referred to some of the reasons why there has been such a huge success story in London, but workplace parking levies and the congestion charge were some of the reasons which made public transport more attractive and nice buses, increased security, CCTVs *et cetera*. Why have such schemes not been introduced elsewhere? Do not say because we have a brilliant Mayor.

Mr Rowlands: No. It is clearly quite a tricky issue outside of London. Nottingham is still looking at a workplace parking levy arrangement, but there has not been the appetite for road pricing otherwise, certainly on the lines of congestion charging. We are now beginning to talk to some local authorities in terms of using the new TIF.

Q106 Mr Khan: Why is that? Why have they not introduced them?

⁵ *Note by witness:* Since April 2005, we have provided people completing our quarterly bus satisfaction surveys with the opportunity to identify themselves as have a physical or mental impairment related to disability or old age. If we receive a sufficiently large sample of people responding to the survey and identifying themselves in this manner, we will consider whether to publish separate satisfaction statistics in the annual public transport statistics bulletin in September, a copy of which will be placed in the libraries of both Houses.

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Mr Rowlands: I honestly cannot give you a rounded answer as to the behaviour of a whole lot of local authorities right across the land. It may reflect the complexity of other urban centres. Remember London is a very small, tight central congestion charge. It may reflect what you want to call the courage/ambition of whoever is running the place.

Mr Khan: It is a back handed compliment. I am afraid my time is up even though I would like to talk about the Mayor's successes.

Q107 Greg Clark: Mr Rowlands, we have been talking quite a lot about these PSA targets. Are you going to meet them?

Mr Rowlands: The current forecast is that we are expecting the overall bus usage to turn out somewhere between an 11.5% and 12.5% increase by 2010. That is in the range of 12%. In terms of growth in every English region over the last three years of the period, the Report says as matters stand this is unlikely. I think as matters stand across 18 English regions it is right in saying it is unlikely. It is a measure of the challenge that still faces us. I am not saying we are not going to do it, but it is why, in terms of delivering the regional growth target, we are going to have to work very closely with all the big key players in all of the English regions over the next five years.

Q108 Greg Clark: That is what I thought. You are going to meet it nationally because as Mr Khan said Ken has ridden to the rescue but not regionally. In fact, if you turn to page 35 figure 11, your own projections show that buses outside of London are going to continue to decline. They are not even going to increase, they are going to continue to decline during the period of your targets.

Mr Rowlands: On the basis of the draft labour transport plans we now have, which go final in March, the average increase forecast in bus usage by the local authorities in those plans is 8%. That is not the finalised number, but they are saying yes, they are anticipating the cost of the remaining, in this case five years, planned period, on average they are still expecting it to grow. I think we have got to challenge that and we have to work with them to make it happen.

Q109 Greg Clark: You are saying it is going to increase by 8%, yet you have got a decline of what must be 1% or 2% during the year. That does not compute at all. One estimate must be hopelessly wrong.

Mr Rowlands: Remember I said that concessionary fares are going to come in on 1 April. We are forecasting, that means a 5% increase in PTEs and 14% outside of PTEs, so there is a kicker coming there.

Q110 Greg Clark: Figure 11 does not include the impact of the extension of concessionary fares?

Mr Rowlands: We have included the impact of concessionary fares in the band of 11.5% to 12.5% forecast. It does include that, yes.

Q111 Greg Clark: Figure 11 on page 35, does that include the impact or not?

Mr Rowlands: I think it includes what at the time was a view that it would be 5%, we are now reckoning on a higher growth outside of the PTEs from the introduction of the new concessionary fares.

Q112 Greg Clark: It is partly factored into it, that is not going to ride to the rescue either.

Mr Rowlands: Yes, but it is partly not factored in as well.

Q113 Greg Clark: I have great sympathy with you because I do not see that you have got the tools to deliver against the target. You do not think that Ken Livingstone pursuing his policy of London did so because of your target, do you?

Mr Rowlands: No, he did so because of his manifesto commitments when he was elected.

Q114 Greg Clark: In terms of the local authorities, they will—because you have reflected in your evidence—have set their own policies in response to pressures from their local electorate and what is going on on the ground. I do not believe that they have, at the forefront of their minds, the urgent need to save your bacon as far as your targets are concerned, do they?

Mr Rowlands: No, but they might be incentivised by some of our money.

Q115 Greg Clark: Can you say a bit more about that?

Mr Rowlands: Just touched on in the Report is the Transport Innovation Fund which comes in from 2008–09. Initially it is about £290 million in that first year rising in the next decade to £2.5 billion a year.

Q116 Greg Clark: That is just for buses?

Mr Rowlands: No, it has one or two stated uses, one of which is in relation to road pricing, demand restraint and that goes together with buses. If there is anybody—and we are certainly talking to some people who are showing interest—at local authority level who wants to access those very chunky sums of money in terms of road pricing, in terms of the bus services you would need to support in the way Ken has developments, in his case in London, we have got the money there. We put in place £18 million just to pump prime bids against the Transport Innovation Fund. We got something like 30 bids.

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Q117 Greg Clark: £18 million is not huge.
Mr Rowlands: That is just to put a bid together.

Q118 Greg Clark: Can the situation of tremendous growth in London and decline in the regions be reversed without a substantial change in the relative cost of public transport to cars outside of London?

Mr Rowlands: I did say earlier that it is already changing in the sense that the South East and the South West the historic decline has stopped.

Q119 Greg Clark: Compared with what has happened in London, it is not really changing comparatively. Do you have that degree of change?

Mr Rowlands: Do remember that the growth in the English regions is just growth in the English regions for the last three years of the period. It is not to get London growth rates in the last three years in each of the English regions because I do not think that is feasible. What we are faced with is quite a challenge to turn around history.

Q120 Greg Clark: I agree with the point that what has been done in London has been so dramatic. I do not see anything remotely approaching the scale of what has been done in London in terms of the relative cost of public and car transport happening in the regions.

Mr Rowlands: As we speak I think that is right. The point I am making is that you may begin to see that change as we get into deploying the Transport Innovation Fund and the sums of money there and people then beginning to look at road pricing. This is not just about bus subsidy, it is also about car restraint.

Q121 Greg Clark: Your ability to attain this target all rides on the Transport Innovation Fund. I do not blame you for this because I think it is rather ridiculous that you personally and your Department are charged with this target which rests on a whole host of factors. Your one tiny lever is the Transport Innovation Fund.

Mr Rowlands: It is not our only means. I did say that money makes a difference and quite substantial chunks of money are coming. We have already been working with people at local authority level and we have seen a difference in quite a number of areas where those numbers have turned around.

Q122 Greg Clark: Very many times in the Report you said that you encourage local authorities and you have this kind of sponsorship with them. The Government has taken a view on concessionary fares for the elderly, which is to rationalise it and to have a common system. Do you share your view on concessionary fares for children? In my constituency, and I think others in the country, children below the age of 16 are charged adult fares for travelling to school in the morning before 10 o'clock; child fares kick in at 10 o'clock. As the Permanent Secretary of the Department that wants to encourage public transport, wants to get cars off the road—and we all know from our constituencies

how much the school run contributes to congestion, the environment and all the rest of it—that is an unacceptable practice, is it not, for children who have to be at school by 9 o'clock in the morning to be charged an adult fare? Would you agree that is unacceptable or undesirable?

Mr Rowlands: I do not think I can offer you a view.

Q123 Greg Clark: You do not have a view?

Mr Rowlands: Not personally.

Q124 Greg Clark: You answered a question from Mr Mitchell as a human being, we invite you to step into that role.

Mr Rowlands: What I am saying personally is there is a difference between the issues around a bridge and you inviting me into territory that could cost hundreds of million of pounds.

Q125 Greg Clark: If you can be a human being about a bridge I think children's fares being charged as if they are adults is a cause for humanity even more than that.

Mr Rowlands: It is not as if nothing is being done. There is £350 million a year going into school transport.

Q126 Greg Clark: Are you seriously saying that the Department for Transport does not take the view to the fact that children going to school are being forced to pay adult fares? You are agnostic about that?

Mr Rowlands: I think I am agnostic.

Q127 Greg Clark: I find that astonishing. To follow on from that, because you are agnostic about it you see no useful purpose in encouraging local authorities, or the Chancellor perhaps, to reflect on the contribution of excessive school run journeys, to congestion and pollution, because it is not relevant?

Mr Rowlands: You need to separate out what the Department can do to minimise, if you like, the environmental impact of children travelling to school within the existing policy framework. We and the DfES are jointly subsidising the production of school travel plans designed to minimise that environmental impact, 10,000 schools will have such plans by the end of the decade. That we can do. If you are inviting me into issues to do with policy, surely as a matter of policy Government subsidised school fares, I cannot offer you a view on that.

Q128 Greg Clark: I would not dream of dragging you into your policy. I know that the remit of this Committee is firmly about delivering, but you do have a PSA target to deliver against to improve the take up of public transport. It strikes me that as a matter of execution if you were to encourage, and you do, local authorities to provide concessionary fares for children, it seems unexceptionable that this would contribute to your objectives. You are resistant to executing your remit in a way.

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Mr Rowlands: I think you are taking me into territory I would prefer not to go into.

Q129 Chairman: Of course it is undeniably true that it would help you meet this target if local authorities, through some mechanism or other, were encouraged to issue concessionary fares before 9 o'clock.

Mr Rowlands: I think that may be undeniably true. The issue is where does the money come from? Is this just a reallocation of an existing subsidy or is it additional subsidy?

Q130 Mr Davidson: In paragraph 27 on page 18 there is mention that the operators are: "... accountable to passengers for the reliability and punctuality of local bus services through the incentivisation of the farebox". Do you think that is effective?

Mr Rowlands: In part this takes us back to an earlier discussion. Yes, I think it is. I am sure that if you look at a particular route on a particular day, there is a point of evidence where the opposite may be true. No bus company over time has an interest in driving away its customer or running such a poor service that they do not show up.

Q131 Mr Davidson: I can understand how this might be true at the margin, but surely bus companies will be constantly faced with dilemmas about what reserves, for example, buses are to have in case of a breakdown. When I think of most of my constituents, if they were unhappy with the bus service, they would not be in a position to order the chauffeur to bring them by Bentley, it is the bus service or nothing for them. I would have thought the vast majority of people have no leverage over the operator. Would you accept that is fair?

Mr Rowlands: I think at the individual level you are probably right. That is why the Department, working with the Bus Partnership Forum, has set a target to try to get in place, in terms of reliability, does the bus turn up or not, and 99.5% is the ambitious target. Bus reliability at the moment has not quite got there but it is high. Passenger satisfaction and reliability in the last survey was at its highest number ever. We are not there yet but we are making progress.

Q132 Mr Davidson: Reliability being at its highest level ever depends on where it starts from. I want to pick up the question of the role of the Traffic Commissioners. If the Traffic Commissioners—in paragraph 3.37 it tells us—"... do not routinely receive management information on bus service reliability ...", who is collecting this data?

Mr Rowlands: We are back to what I said earlier. We cannot turn over the information which my Department gets about reliability, which goes into the National Statistics, to anybody else because of the 1947 Act. It is why we need to use the new Local Transport Plans to get a handle on punctuality, for example, through the local authorities in a different way. We need to think

about, as I said earlier, how we try to get that sort of information available locally and I guess that includes the Traffic Commissioners.

Q133 Mr Davidson: Is there any reason why the Traffic Commissioners should not have it?

Mr Rowlands: The existing information?

Q134 Mr Davidson: Yes.

Mr Rowlands: My understanding is that the information we get from the bus companies on reliability is gathered under the 1947 Act, and I am afraid the Act does not allow us to give it to third parties and that includes the Traffic Commissioners.

Q135 Mr Davidson: Is there anything in the Act that stops the bus companies giving it to Traffic Commissioners?

Mr Rowlands: There is nothing to stop the bus companies voluntarily giving information to the Traffic Commissioners.

Q136 Mr Davidson: Why do you think they do not do that then?

Mr Rowlands: I suspect, and indeed some of them I think have said, since the Traffic Commissioners have an enforcement role they do not wish to give that information to them voluntarily.

Q137 Mr Davidson: As I understand it, the Traffic Commissioners have got 10 inspectors across the whole of England to investigate breakdowns of communication or delays in timetables and so on. Do you think that is adequate?

Mr Rowlands: I think it is adequate in terms of what we ask the Traffic Commissioners to do. Essentially they are there to deal with instances where there has been a serious failure by an operator to deliver against their registered timetable.

Q138 Mr Davidson: How would they know that?

Mr Rowlands: On the basis of either a complaint from the public or from a local authority or from another operator for that matter.

Q139 Mr Davidson: Let us deal with those. In terms of a customer, how many customers do you think know of the existence of the Traffic Commissioners and know that is the route to complain?

Mr Rowlands: Very few I should think.

Q140 Mr Davidson: Do we assume then that does not work?

Mr Rowlands: I think the local authority ought to know.

Q141 Mr Davidson: No, I was discussing in terms of passengers. Do we assume that the right of passengers to complain, activate the Traffic Commissioners, take action and such, that that route does not work?

Mr Rowlands: I think it is unlikely to work for many people.

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Q142 Mr Davidson: The second one was the local authority. I get the impression from all of this that the local authorities are in relationship to the operators more a supplement than anything else, because unless the local authorities are willing to fund bus routes, they are dependent entirely on the goodwill of the operators because the operators do things as and when they see fit. There is mention in the Report on several occasions about wishing to maintain a good relationship. Do you think that is a reasonable assessment?

Mr Rowlands: If you are asking should local authorities seek to build a productive partnership with the local operators, that must be right. I do not think that precludes a local authority putting a formal complaint to the Traffic Commissioners where they have an operator whose performance seriously departs from the registered timetable.

Q143 Mr Davidson: How often does that happen?

Mr Rowlands: From memory in the last couple of years the Commissioners have had 38 public inquiries into bus companies.

Q144 Mr Davidson: How many of those came from local authority complaints?

Mr Rowlands: That I do not know, I would have to write to the Committee with that.⁶

Q145 Mr Davidson: You do not know whether or not any local authority has ever complained, do you?

Mr Rowlands: I cannot honestly answer.

Q146 Mr Davidson: That route would not seem to be feasible either?

Mr Linnard: I cannot answer that direct question, but one of the things we are asking local authorities to do over the next five years of the second local transport planning period is to set targets for, among other things, bus punctuality, and then to monitor and report to us on the achievement against targets. They will be doing their own monitoring of punctuality of local bus services, or a sample of them, and that will give them the information if they want to pursue complaints.

Q147 Mr Davidson: We have got nothing on that at the moment?

Mr Rowlands: Sorry, to go back to what I said earlier, that is what I think we need to explore in terms of getting more information.

Q148 Mr Davidson: The third route of complaint was the other operators. How many other operators have complained about poor punctuality by a particular company?

Mr Rowlands: As I could not answer your first question I cannot answer that.

Q149 Mr Davidson: Of the three routes for complaints none of them would seem to be effective at all?

Mr Rowlands: There were nevertheless 38 public inquiries, so they must be getting complaints.

Q150 Mr Davidson: Do you think that is a good figure? How many buses do you think are running at any one time or how many routes are there in England?

Mr Linnard: I cannot answer that off the top of my head.⁷

Q151 Mr Davidson: To the nearest million, how many routes? Give us to the nearest 1,000, 100,000?

Mr Rowlands: Heaven knows; I have no idea. There are four billion journeys a year.

Q152 Mr Davidson: Do you think 38 is a reasonable figure?

Mr Rowlands: That requires you to know in detail down at route level and by region, bus punctuality performance. That is the information we are going to get the local authorities helpfully to put together in the context of the new Local Transport Plans.

Q153 Mr Davidson: You do not seem to know very much about this in terms of you controlling the bus companies, do you?

Mr Rowlands: Mr Davidson, we are not trying to control the bus companies. This is a private sector industry. 80% of bus services are provided commercially.

Q154 Mr Davidson: That is right, but you do have some degree of responsibility for them, do you not?

Mr Rowlands: I am not denying that either.

Q155 Mr Davidson: That is right. You can only exercise your responsibility if you know what is going on. There is quite a noticeable contrast, is there not, between what happens in the regulation of buses and the regulation of rail operators where there is a whole structure of measurement and targets and production on detail and so on? Why do you think that has developed in this discrepancy?

Mr Rowlands: Because it reflects the different natures of the two industries. As I have said, 80% of bus services are provided commercially on a non-franchised basis. The railway industries are all franchises, and most of them are receiving subsidy directly from the Government. It is a completely different structure. Franchises reflect franchise obligations in terms of the contract and they are therefore monitored. 80% of bus services are provided commercially, in just the same way that the airlines provide services commercially.

Q156 Helen Goodman: Earlier on you were at pains to point out to me that you did not have control over the relative subsidies because the decisions were taken largely at local level, but in answer to

⁶ *Note by witness:* Traffic Area Offices received a total of 470 complaints about bus services in 2004/5. Some of the complaints covered a number of aspects but complaints were predominantly about service reliability. We do not have a detailed breakdown of the number of complaints submitted by different categories of complainant.

⁷ Ev 17

 Department for Transport

Mr Clark you revealed that there is, in fact, something called the Transport Innovation Fund. Am I right in thinking also that the Department sets the level of the rural bus subsidy grant and the rural bus challenge fund?

Mr Rowlands: I think the rural bus challenge fund is being wound up but, yes, we do provide a rural bus service grant.

Q157 Helen Goodman: Have you done any assessment of the effectiveness of that?

Mr Linnard: We have done an assessment of how many services have been supported through it. We can let you have the details of that.

Mr Rowlands: It is something over 2,000 services are supported through the rural bus subsidy grant.

Q158 Helen Goodman: It would be possible in theory to make a comparison between the effectiveness of that and the effectiveness of what is being done at a local level, would it not?

Mr Rowlands: I guess we can in terms of that particular grant and those services. The rural bus subsidy grant runs at about £50 million a year which is a relatively small part of whatever it is, the £1 billion a year, that goes into bus subsidy one way or another.

Helen Goodman: It certainly is and I am wondering if it would be economic to increase it, but I would not want to draw you into policy matters so I will not.

Q159 Mr Mitchell: Since it is now in large parts of the country an oligopoly, two big companies dominating the service and operating nationally together, would it not be useful to have the figures which Mr Davidson was talking about in terms of delays, consumer dissatisfaction, breakdown and age of the rolling stock on a national basis so you can see which companies are performing best through what degree of subsidy and which are performing badly?

Mr Rowlands: What we are going to get out of the new Local Transport Plans is each local authority setting targets for reliability, satisfaction and then monitoring it. That is coming back through the Department, so, yes, you can then begin to build a picture together. As I say, there are some interesting questions as to how you get that information out at a public and a local level.

Q160 Mr Mitchell: Do we not need that from a national point of view as well rather than just a local authority?

Mr Rowlands: I am not sure why we need it at a national level.

Q161 Mr Mitchell: To know which companies are giving value for money and which are performing well. An Office of Fair Trading inquiry would have to collect that kind of information, why should you not have it?

Mr Rowlands: I guess we will. I am not sure what we could quite do with it since we are not directly disbursing the subsidy which is going in through that local authority route, but when we have got it we will certainly be able to think through, as I say, how we use that information both locally and perhaps nationally.

Mr Mitchell: Also, you could beat them around the head with it.

Q162 Chairman: Let me try and sum up. You are famed for the reverse of 40 years of declining bus use in almost every part of the country, Mr Rowlands. The national increase in bus passenger numbers is almost entirely down to extremely strong growth in London, which accounts for nearly half of all English bus travel. That is due to a combination of increased central investment and Transport for London's commitment to improve the bus services, and I congratulated Ken Livingstone on this. Outside London the unregulated market is not delivering growth. The local authorities cannot directly influence most commercial operators. You have got extremely limited tools in your hand. The very fact that we had a discussion about the Transport Innovation Fund, which initially is a relatively small amount of money involved, shows that. You have obviously got to take more concerted action if you are going to get people out of their cars and on to buses. Local authorities outside London need to learn from the Capital's success. There is also scope for local authorities to save money and improve efficiency by working better together. The bus operators should provide the bus service that people want.

Mr Rowlands: Yes.

Chairman: Thank you very much, Mr Rowlands.

Supplementary memorandum submitted by the Department for Transport

Question 29 (Jon Trickett): *Bus operators in PTE areas*

According to industry figures, in 2004–05 85% of bus passenger journeys in the six PTE areas were undertaken on buses belonging to the big five operators (Stagecoach, Arriva, National Express, Go Ahead and First). The table below shows the major bus operator share (by patronage) in PTE areas.

MAJOR BUS OPERATORS SHARE OF PATRONAGE IN PTE AREAS IN 2004–05

	<i>GMPTE</i>	<i>MERSEY</i>	<i>SYPTe</i>	<i>WYPTE</i>	<i>TYNE & WEAR</i>	<i>CENTRO</i>
STAGECOACH	39%	15%	—	—	44%	—
FIRST	35%	5%	70%	66%	—	—
ARRIVA	7%	73%	1%	20%	13%	—
NATIONAL EXPRESS	—	—	—	—	—	93%
GO AHEAD	—	—	—	—	42%	—

Question 39 (Jon Trickett): *Average of PTE buses*

It is not possible to disaggregate the national data collected by the industry to give a figure for the average age of the buses providing services only in PTE areas. Information on the average fleet age for particular areas will become available this autumn as a result of inclusion of a question on this in the Department's Public Service Vehicle Survey. Generally the average age of the bus fleet has been falling since 1994 and is now 7.9 years (the lowest since 1990). Figures for the last four years (2001–02 to 2004–05) on lost scheduled bus mileage due to mechanical reliability are attached. This is not available separately for PTE areas.

MECHANICAL RELIABILITY—PERCENTAGE OF LOST SCHEDULED MILEAGE

	<i>London</i>	<i>England excluding London</i>
2000–01	0.3	0.6
2001–02	0.3	0.5
2002–03	0.3	0.5
2003–04	0.4	0.5
2004–05	0.4	0.5

Question 150 (Mr Ian Davidson): *Registered bus routes in England*

Although the number of registered bus routes changes very regularly, as of 31 March 2005, there were 18,472 “live” local bus service registrations in England.

Rural bus grant assessment

Following consideration in the bus subsidy review, the 2004 Transport White Paper announced the continuation of Rural Bus Subsidy Grant (RBSG) beyond March 2006. Annual monitoring returns show that patronage on RBSG supported services has now reached over 31 million passenger journeys per year with about 2,000 services being supported. In 2004 local authorities were given greater flexibility in the use made of the grant; it can now for instance be used to fund flexibly routed and demand responsive services as well as services following a fixed route and timetable.

A copy of research completed in 2003 by Steer Davies Gleave on the impact of the introduction of RBSG can be found on the Department's website at: http://www.dft.gov.uk/stellent/groups/dft_localtrans/documents/divisionhomepage/032419.hcsp.