



Transport Committee

Oral evidence: passenger transport in isolated communities, HC 853

Monday 3 March 2014

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[Evidence from witnesses](#)

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Members present: Mrs Louise Ellman (Chair), Sarah Champion, Karen Lumley, Chloe Smith, Graham Stringer, Martin Vickers

Questions 119-189

Q119 Chair: Good afternoon and welcome to the Transport Select Committee. Could each of you please give your name and your position in the organisation you are representing?

Nigel Blackler: My name is Nigel Blackler, head of transportation, waste and environment at Cornwall council.

Robert Francis: My name is Robert Francis. I am an independent representative of business on the Isles of Scilly. I am a hotelier, and I am independent.

Tim Guthrie: My name is Tim Guthrie. I am a member of FRIST and I also run a self-catering holiday letting agency on the Isles of Scilly.

Marian Bennett: I am Marian Bennett. I am the local co-ordinator of FRIST—Friends of the Isles of Scilly Transport. I am playing that role this afternoon, but I am also on the Council of the Isles of Scilly serving Bryher, which is an island with 80 people living on it.

Councillor Thomas: I am Councillor Chris Thomas, chairman of transport on the Isles of Scilly Council.

Theo Leijser: My name is Theo Leijser, chief executive of the Council of the Isles of Scilly.

Q120 Chair: You have all written to us and told us about the problems caused by the current air and ferry service from the mainland to the Isles of Scilly. Can you tell us the major problems encountered as far as the residents of the islands are concerned?

Theo Leijser: I think it is well recognised that transport is a serious concern for all residents and visitors to the islands. The council considers the resilience of the transport system as a whole the key issue that needs to be resolved fairly rapidly, so that it is providing a dependable and resilient transport solution for both visitors and residents to the islands.

Q121 Chair: Are fares an issue?

Marian Bennett: We desperately need affordable travel. The level of fares is remarkably high at the moment, and it precludes many visitors from coming. We have seen a 27% decline over the last two years in our visitor numbers. The transport preference survey recently carried out by the local authority identified the cost of fares as a major deterrent for visitors. For local people, it is naturally a very great concern that they cannot travel to their nearest town, or the services that that town represents, at an affordable price. Consequently, they travel fewer times.

Q122 Chair: Are there any specific problems in relation to people with medical needs? Is that a special issue, Mr Guthrie?

Tim Guthrie: Yes, there have been and continue to be. We get a very reduced travel rate for medical use currently because of the problems at our nearest airfield at Land's End. All of the flights are being re-routed to Newquay, which then causes a £40-plus taxi ride to the nearest hospital in Truro for any medical reason, plus the same thing on return. We recently had a situation where a couple went over on a £5 medical fare, with £40-plus for a taxi to hospital. By the time they got back to the airport, the wind direction had changed and nothing flew for the next two days. So, in fact, by the time they had had overnight stays, what to anyone on the mainland would be a very simple trip to see a specialist turned into a £500 nightmare. That is not an uncommon situation, particularly throughout the winter months.

Q123 Chair: What about services when people get to the mainland? Is there any joined-up thinking in terms of transport services? Mr Francis, do you want to come in?

Robert Francis: No, there isn't, unfortunately, at the moment. As Tim Guthrie mentioned, you have to get your own transportation. Normally, the hospitals you have to visit are either in Penzance or in Truro. We had an incident the other day when an islander had an accident, and now cannot get back to the islands until April. If you have certain injuries and cannot sit in a chair, unless you are an emergency and you are flown out by the air ambulance or the SAR, you cannot travel at the moment. The main difficulty is getting back and forward to the hospital when you do get to Newquay. You can find that, when you come to return to the islands, flights are cancelled and you still have the on-costs. Even though you have cheap flights, you have the on-costs of having to stay on the mainland until you can get back.

Q124 Chair: Councillor Thomas, are there any other issues that concern residents?

Councillor Thomas: Yes. On the infrastructure, we need to improve the harbour. We want to lengthen the quay so that a deeper draught vessel is able to go in there, which means that anyone who wants to operate there has a better choice of vessel. The airport runways need resurfacing, and we want to improve our terminal as well.

Q125 Chair: Are there any additional problems people are experiencing as a result of these issues, apart from the ones that have already been mentioned?

Councillor Thomas: Yes. There is a problem because we do not have resilience. Lots of times flights are cancelled because of low visibility. We do not have an EGNOS system at the moment. The ship itself is restricted and can only work in the summer months; it is not viable to run it through the winter, so we are very restricted in the winter, with only flights to move people from the islands.

Q126 Chair: Mr Blackler, how much is Cornwall council concerned about these issues? Are there any things that you think the council could do, particularly on the lack of joined-up services on the mainland? Are any of the items mentioned just now things that you are acting on?

Nigel Blackler: It adds to the challenges that we have as a transport authority in a largely rural area. Nearly 50% of the population of Cornwall are in settlements of less than 3,000, so that represents quite a challenge for the council in providing for their transport needs, particularly given that our budget for subsidising public transport is going down. We also have to bear the cost of the national concessionary fares scheme, which now exceeds the amount we have for subsidised travel.

In particular relation to journeys to and from the isles, it is fair to say that there are connections from Land's End. There is a transfer service to Penzance, but clearly that is not available when Land's End airport is not functioning. Penzance harbour is in close proximity to the national rail line. At Newquay airport there are scheduled bus services, but in a rural area those operate quite a wide network. I would be the first to admit that they are not attractive if your objective is to land and get to Truro for business or health needs. The bus will take you into Newquay, you need to change and then you need another bus journey. You will see plenty of Cornwall, but it is not a practical proposition if you have an appointment to make. Similarly, in accessing the rail main line from Newquay airport, yes, you can get to Bodmin Parkway on the main line, but it will take you some time to do it, and there will be one change involved in doing that. Running direct bus services from Newquay airport to meet these different needs is really not a practical proposition when we are dealing with such small numbers. The throughput of passengers at the airport is 189,000 a year, so they are relatively small numbers. When a plane comes in from the Isles of Scilly carrying, say, 19 passengers, not all of whom have the same onward destination, financially it is just not possible to put in the kind of direct-style public transport that the islanders are looking for, in a conventional sense.

There has been a positive move in that, since the lengthy closure at Land's End, the steamship company has taken the initiative and put on a shuttle bus service to meet flights coming in. That bus takes passengers to the outskirts of Truro to an interchange point where they can make their onward journeys by taxi. The taxi ride is then much shorter, and £4 or £5 gets you into Truro to access either the rail station or the hospital, and you can make the reverse journey. That arrangement has been put in only recently in response to the difficulties that the islanders have been experiencing.

Q127 Chair: When did that start?

Nigel Blackler: I look to colleagues to say exactly when that service commenced.

Marian Bennett: It is not a regular service; it is by request. The taxi journey onwards to Truro can cost £18. I did it the other day. I stood for three quarters of an hour in freezing weather trying to get a bus, which to get you to your nearest town on a day trip is not a happy prospect. The public transport links to Newquay need smartening up. It should be noted that Land's End airport has been closed since 1 November for 54% of flying time, 51 out of 95 days.

Q128 Sarah Champion: My question is to Mr Blackler, but it is relevant to everyone. My constituency is Rotherham, which is urban, but I know young people have a terrible time trying to get themselves around—I am particularly thinking about going to college, apprenticeships or their first job—largely because the transport is not joined up and the times are wrong, but also because of the prohibitive fares. I can only assume that in your area that is exemplified and is a real problem. What are you doing to address it to give these young people their first start, and what are the Government doing to help you on that?

Nigel Blackler: You are right; it is a major challenge in Cornwall. The main location for higher education is Truro College, which meets most of our post-16 needs. It buses people in from right

across the county to what is a very popular destination for higher education. As part of their season ticket, students enjoy free travel on the bus network operated by First Group, which is one of the two major operators in Cornwall, so there is an operator initiative in place there which helps with their public transport costs.

What can we as Cornwall council do? There are no specific initiatives in place. We are finding that the cost of running the concessionary fares scheme, which totals £5.1 million this year, means that, with initiatives like that, we just do not have the funding that enables us to extend initiatives into other areas, particularly to those important groups. With a diminishing public transport budget going forward, I have to be honest and say that I do not think there is the ability in the council to fund a subsidised scheme of the type you refer to.

Theo Leijser: Can I say something on behalf of the Isles of Scilly? Sixth-form students—16 to 19—are provided with an educational grant, so they have an opportunity to travel backwards and forwards to the islands, but also to do their main studies on the mainland, wherever it is appropriate and relevant for the particular pupil. Cornwall and the Isles of Scilly have been classified as a convergence region, as you will be aware, and as a less developed region for future European programmes. We are working very closely with our local enterprise partnership to establish European social fund projects that will enable pupils to travel and do an apprenticeship, and have other learning and development opportunities through those funds. It is not ideal, but it is a way to enable those opportunities.

Tim Guthrie: Can I add to that? It rather sounds as if students are travelling on a daily basis. They do not; they travel on a half-termly basis, and they have to find their own accommodation on the mainland for their post-16 studies. There is a grant for this, but it very rarely covers the costs to parents. We have had some issues in the past, which I do not want to go into here, about safeguarding for students as well. Our 16-year-olds are well away from home, and there is no given boarding facility for them; parents have to find accommodation for their children.

Q129 Sarah Champion: Councillor Thomas, I feel for you. It sounds as though young people have to leave rather than stay in their own communities, at the considerable expense of their parents. Is there a transport solution to this?

Councillor Thomas: A transport solution? We have always been faced with having to go to the mainland for further education. The transport side of it was provided by the council. Before we had a secondary school, we went away to school and the council funded us to go to school. If you passed the 11-plus, you went to a mainland school and had the same opportunities as everybody else in the country, which we were all very thankful for.

Q130 Graham Stringer: Can you describe what happens in the case of a medical emergency on any of the five inhabited islands?

Councillor Thomas: In a medical emergency, Culdrose air sea rescue or the air ambulance are called in. Air sea rescue is usually more robust than an air ambulance because they fly in poorer conditions.

Marian Bennett: The air ambulance does not operate at night and it does not take midwifery cases, but the military helicopter that is used can land on the small islands if it is a matter of air sea rescue. If it is a medical evacuation via the hospital on St Mary's, a different charge is applied and it uses St Mary's airport.

Q131 Graham Stringer: A charge to whom?

Marian Bennett: To the NHS, and it is a heavy charge.

Q132 Graham Stringer: I was on Sark over the summer. They were very proud that they could get people to Guernsey very quickly indeed. How does the speed of transport from the Scilly Isles to a hospital in Cornwall compare with transport from Sark to Guernsey?

Marian Bennett: I would think it is very similar, and when it is put into motion it is very efficient and caring. Many islanders have great reason to be grateful for that military service, and the air ambulance.

Q133 Graham Stringer: On a completely different point, you have lost the helicopter service from Penzance. Can you give the Committee some background as to why that happened, and what representations you made about it?

Tim Guthrie: The helicopter service was set up originally set up in 1964 by British European Airways helicopters as a test bed for offshore operation in the North sea. It was very successful, and it operated originally from Land's End airport. The problems at Land's End were to do with weather—low-cloud base—so it was deemed that the operation would move to Penzance, which it did for the following 40 years. It was subsequently sold to British International Helicopters which, for part of its time, was owned by Robert Maxwell.

Q134 Graham Stringer: The land or the helicopter?

Tim Guthrie: The helicopter and the land—the whole service—and the operation in the North sea. The crux of that helicopter operation was based on North sea oil—that was the core business. We sat on the back of that out on Scilly and, if you will pardon the expression, had a bums-on-seats regular lifeline service, because huge amounts of kit and equipment were available operating under the core business of servicing oil.

Robert Maxwell owned the company for a short while. After his demise, the company went into receivership and was purchased by the Canadian Helicopter Corporation, which ran it for a few years. They then bought another helicopter operation, called Helicopter Services, which was run by Bond. That put them, sadly, under the eyes of the Monopolies Commission, who said they had too big a monopoly on the operation in the North sea and would have to cut some of it off. In 2001, they cut off a group of companies which they sold independently. At that point, it was only a matter of time before the helicopter service stopped. It is not necessarily a viable service to operate without another core business. It is a very profitable bolt-on, but it does not stack up financially on its own, and it was just a matter of time until its demise.

Q135 Graham Stringer: What representations did you make? It closed in 2012.

Tim Guthrie: It closed in 2012. It was a private company, and it was very difficult to make representations. I think it was hell-bent on selling the equipment, and an awful lot of it went over to the States. It has created a huge problem. Not only was it a lifeline service because it flew in very bad weather and with low visibility, but it was operating when fixed-wing aircraft can no longer operate currently. In anything up to 70 knots of wind it could still fly, so in almost hurricane force we still had a service running to and fro. To cut that off has done two things: it has isolated the islands a lot more from an air service, and it has created a downturn in our island core business, which is tourism. Where else in the UK, or even the western hemisphere almost, can you go to your holiday in a helicopter? It was a real draw in its own right.

Q136 Chair: Did you make strong representations, although it was a private company? Did you seek a public subsidy to keep it going, for example?

Tim Guthrie: As individuals we did, but I have to bow to my council to answer.

Q137 Chair: Did the council make representations?

Marian Bennett: I was a councillor at the time, on the management group. We made endless representations to the company and to the Government about it, but in the end it was a commercial company operating a very expensive service; it failed and there was no intervention at all on our behalf.

Theo Leijser: Listening to the evidence, could I go back to the crux of the issue? The crux in my view is around resilience. With the demise of the helicopter, we lost a mode of transport. The helicopter provided one mode; there was the sea link, if you like; and there was another, fixed-wing, mode of transport. If you lose a mode of transport, particularly during the winter period when the sea link is not viable, there is only one mode of transport left, which is fixed wing. That makes the transport solution extremely vulnerable. If any issue occurs, that link goes down.

It is particularly the resident population of the Isles of Scilly who are most affected if the mode of transport is not operational. In my opening statement I said that for me the key issue is around resilience. We need to work very closely with partners to enable different modes of transport to operate in all the different weather and wind conditions, and have the facilities and infrastructure so that those operators can bring passengers and freight from the mainland to the Isles of Scilly. This is important, in that with the right infrastructure any operator can come in and provide dependable and reliant modes of transport and can swap between modes, so that if one mode fails to operate due to weather or other conditions, passengers could be transferred to the other mode. That is why I keep saying that for me the crux is the development of resilience.

Q138 Graham Stringer: Did you get a figure for what subsidy would have been required to keep a helicopter service going, and does the helipad in Penzance still exist?

Marian Bennett: I can answer the last part of your question. The heliport no longer exists, but there is a piece of land adjacent to it which the landowner has made available for a helicopter service, should it come again. We are not totally without a landing base in Penzance. It could easily be resurrected. On the figure for the subsidy, I am afraid I cannot answer. The service had become so costly because the machines were old and the spare parts had to be sent from north America. The part would come plus engineer, so the situation was extraordinarily exacerbated. You were not dealing with a new helicopter which would be running at ordinary cost.

Q139 Chair: Mr Blackler, can you tell us what role the council played in relation to this?

Nigel Blackler: When it became known that the helicopter service was ceasing, Cornwall council raised the issue with the Department for Transport at the time. The Department's view was that the isles would still be served by two other modes, the sea link and the fixed-wing operation, and that therefore any state intervention was not appropriate; and that the market would adapt to the loss of one of the providers and the isles would still be potentially well served with the two remaining modes, which would adapt in time to the loss of the helicopter service, the drop in capacity and the demand that was there. That was the view expressed to us at that time.

Robert Francis: I would endorse the comments from the chief executive of the council. The loss of the helicopter service is absolutely fundamental to us. As has just been stated, there was a hope that the fixed-wing service and the sea service could pick up when the loss of the helicopter hit the islands hard. The facts are that that has not been able to happen, especially in terms of reliability. At the moment the islands are on an economic precipice, and it is absolutely crucial that our visitors understand. We have been talking about our residents and health issues. That is fundamental, but our visitors are not going to visit the islands if they do not know when they can get there and when they can get away. The big drop in visitor numbers at the moment, which

Councillor Bennett mentioned to you, reveals the extent of that problem. Reliability is now our biggest issue. To move forward, we must gain the reliability of service that we once had.

Q140 Chloe Smith: This rather follows on from the discussion we had about helicopters and resilience. Mr Leijser, I see what you are saying and I wonder if you could give us a bit more insight into how freight works on the islands. Our inquiry is into passenger transport, but our debate is moving somewhat into how things can be doubled up where appropriate. Perhaps you can give us a few insights there.

Theo Leijser: At the moment the majority of freight probably comes through Penzance directly to the quay in St Mary's, but freight, like passenger transport, is an open market. There is one main operator providing a freight service through the Gry, which is one of the vessels operating there. Other operators tender and come in to provide freight services to the islands. A number of business cases have been explored on whether the combination of bringing freight and passengers together in one vessel would provide a more robust and resilient solution. The commercial case is not clear-cut, and slightly more work is required. The reason why it is not clear-cut is that the isles will have a requirement for dangerous goods to be transported to the islands. If you transport hazardous goods, there are limitations on the number of passengers you can take to the isles. so how to move forward on the business case is not quite clear-cut. The current operation is a clear separation of passengers and freight, and freight is delivered by a number of different operators.

Q141 Chloe Smith: I am sure others want to say something about that.

Marian Bennett: On the cost of freight and how it impacts on residents and businesses, we did an experimental investigation into comparative costs in Penzance and St Mary's. Very roughly speaking, for food there is a 20% difference in cost; it is 25% for fuel and 41% for bottled gas. On building materials, there is just under 100% difference in costs, so for any project involving building, the added-on cost of freight adds enormously to our cost of living.

Q142 Miss Smith: In that case, may I ask about the smaller end of freight? We probably all immediately assumed it meant gas canisters and crates on ships, but, for example, how do suppliers such as Amazon deliver to small businesses and households?

Marian Bennett: Post.

Theo Leijser: Royal Mail.

Q143 Miss Smith: Are there any alternative providers? Are there any further costs, or any other insights there?

Theo Leijser: At the moment, Royal Mail delivers through the air service and it is very reliable. It is done through a separate contract with a separate operator. The issue raised by Mrs Bennett is quite significant. The cost of building materials is quite high, and that has a major impact on the social fabric of society in terms of providing social housing or affordable housing, for instance. It makes it very hard for the council and partners to build a business case that can be benchmarked against regular mainland benchmarks in terms of value for money and deliverability. In that respect it is a significant issue, and it is worth while exploring whether mechanisms could be put in place to bring down the cost of essentials, like building materials and food.

Q144 Martin Vickers: I confess that until I read the notes for this meeting I did not realise that transport to the isles was as bad as it is. I am amazed to find that, unlike most of the Scottish islands where ferry services are heavily subsidised, your ferry service has no subsidy. Has it ever had one?

Marian Bennett: The only Government intervention that it has received was in 1977 when a new vessel was commissioned. The Government provided a 60% interest-free loan, which in due course was repaid, but that has been the only Government intervention in the vessel and the sea service.

Q145 Martin Vickers: There have never been any alternative structures looked at in terms of a franchise that would receive some sort of public support?

Marian Bennett: We would love it, but no.

Theo Leijser: I think it is to the credit of community. The Isles of Silly as a community is quite robust, and is able and proud to deliver its own solutions. Over the years they have almost created the operator, considering the fact that a majority of the shares of the operator—40%—are owned by the island community. I think that is an example where a community wants to seek a solution and tries to find it through a commercial operator. The current operator is commercially viable and, therefore, there has never been a requirement or need to identify subsidies to make it viable.

Q146 Chair: But you have come here today because you have problems, haven't you? This is what we are looking at.

Theo Leijser: We have a problem with resilience.

Q147 Karen Lumley: Has the age profile of the population changed over the last five years?

Marian Bennett: We are becoming an increasingly aged population, but there is an enormous swell in the number of babies being born, and small children. These things tend to go in cycles, and we are coming out of an aged cycle into a younger cycle, but our school population is, I think, one of two in the country with falling numbers.

Q148 Karen Lumley: Are there many people who never leave the islands because they cannot afford to?

Marian Bennett: Yes, and several businesses have closed in the last couple of years.

Q149 Karen Lumley: Such as?

Marian Bennett: A hotel, a pub, a restaurant.

Theo Leijser: Two restaurants.

Marian Bennett: Two pubs.

Q150 Karen Lumley: How long did it take you to get here, and how did you get here?

Tim Guthrie: I left St Mary's at 20 to five on Saturday evening to get here.

Marian Bennett: I left on Thursday and I travelled by quad, boat, taxi, plane, taxi, bus and train and I finally got here.

Q151 Karen Lumley: When do you think you will get home?

Marian Bennett: I don't know.

Councillor Thomas: Wednesday week.

Theo Leijser: That is quite important, because it is not just the length of travel; it is not dependable. If it is dependable, you can plan.

Karen Lumley: We understand that.

Chair: Thank you very much all of you. I hope you think your journey was necessary and worth it. It has certainly been very important for us to hear from you directly what the situation is, so thank you very much.

Examination of Witnesses

Witnesses: **David Brown**, Chair, Passenger Transport Executive Group, **Rebecca Fuller**, Researcher, Passenger Transport Executive Group, and **Bruce Thompson**, Association of Transport Co-ordinating Officers, gave evidence.

Q152 Chair: Good afternoon and welcome to the Transport Select Committee. Could we have your names and positions, please?

David Brown: I am David Brown, chief executive of Merseytravel, and I am here as chair of the Passenger Transport Executive Group.

Rebecca Fuller: I am Rebecca Fuller, policy and research manager at the Passenger Transport Executive Group.

Bruce Thompson: I am Bruce Thompson, head of the transport co-ordination service at Devon county council, but I am here representing ATCO—the Association of Transport Co-ordinating Officers.

Q153 Chair: Thank you. Is it possible accurately to identify unmet need for passenger transport in isolated communities?

Bruce Thompson: That is a very difficult question to try to answer with evidence. The problem of services in isolated areas is substantially that the commercial market does not think there are commercial opportunities. Therefore, the issue is not that if only the unmet need was met, those services would be commercial; it is more about whether the degree of subsidy can be reduced by growing patronage. There are some parts of the country where there has been growth in rural areas, but I do not think the issue of unmet need—it probably does not quite answer your question—is a significant one. The issue is more the fact that, to make services commercially viable, you need to aggregate enough demand to get enough patronage, and certainly in many rural areas and other isolated areas those demands cannot be aggregated sufficiently to become commercial.

Q154 Chair: What would you say are the main problems caused by inadequate provision in isolated communities? Would you take them in that category, or is it something that you think we should break down into rural communities, urban communities and perhaps others?

David Brown: It is quite a challenge. As part of our evidence, we have identified that isolated communities are not necessarily purely rural or purely urban. In fact, you do not have purely urban and purely rural areas. If you take south Yorkshire, about 40% is designated as rural, so you can have isolation that is geographical but you can also have communities that are isolated by affordability, accessibility or by their very discipline. You were discussing earlier the movement of young people. Those people can be isolated if there is not a reasonable service at an affordable level. It is quite a complex picture, but it is possible to understand what that demand is by using a range of different techniques. As Bruce says, the real challenge is providing the right level of service to satisfy those isolated communities.

Q155 Chair: Do you think that when the Government are working out how much funding to give local authorities to reflect needs, they take into account transport issues, in particular social and economic issues?

David Brown: I will kick off and then Rebecca will tell you all the detailed stuff. On funding, there needs to be greater emphasis on the Departments of central Government that effectively require transport as part of their solution. If you take education or health, those organisations and Departments need good transport systems to get people to and from appointments, apprenticeships or education. It is not purely the responsibility of transport providers, operators and local councils, to provide those services. We think the mainstream suppliers when planning those services need to build in the requirement for good transport to get people to and from those locations.

Rebecca Fuller: In our responses, we have called for a more total transport approach where other sectors recognise and value the contribution that transport makes to meeting their policy goals. It is about safeguarding that contribution by pooling resources and expertise across sectors.

Q156 Chair: Do you think that Government look at that when they are considering the allocation of funding to local authorities in relation to transport? Mr Thompson, what is your view on that?

Bruce Thompson: I do not think Government do, because we are struggling at a local level with more joined-up working with DWP and with the NHS particularly on transport solutions. The common thread is that, while those organisations are very happy to discuss issues at a local level, when it comes possibly to funding transport and there is direct evidence of the benefits of that transport to their budgets, they tend not to go any further than the discussions. What it comes down to is that in the last few years councils have been forced to make decisions on the basis of the cost of supported transport rather than the benefits. One way of looking at whether a service needs subsidy is to look at the cost and the benefit, but only part of the benefit is actually in the equation. The benefit to DWP and the NHS is not in this equation. As a result, as councils we are having to focus on the cost rather than the cross-sector benefits.

Q157 Sarah Champion: You have led beautifully into my area, so thank you so much for that. I am interested in social and financial isolation, which you mentioned, and how transport can alleviate that. I was with the probation service, and one ex-offender had managed to find a job but had to get up at four in the morning because the transport links were not joined up enough. He did it, and eventually he could afford a scooter. Some of the submissions we have had indicate that 77% of jobseekers do not have access to their own transport and so are reliant on this. I know there is an assumption that community transport might cover some of the gaps, but could you speak a little more about how in the long term if the Government were supporting these transport links it would help our economy?

David Brown: Community transport plays a vital role but it is under funding pressure as well, so we have to be careful that that is not the answer to all these things. Often, they can be volunteer-provided. They are providing services on a contract basis to councils, and that core funding is being cut all the time.

We think that the sponsoring department should put part of its funding aside, or ring-fence, to provide transport, be it the probation service or apprenticeships. There is funding available for the creation of apprenticeships, but a fundamental part of whether it is successful or not is whether that young person can reliably get to and from the place of work or apprenticeship on a regular basis. At the moment, there is no core funding as part of the apprenticeship or as part of the probation. Clearly, transport is absolutely essential to continue and, therefore, get the economic benefits.

As Bruce says, the problem is that there is concentration at local level on the cost of that provision, when actually the benefit is wider and goes across both central Government and local government. The benefits are slightly downstream but not purely ring-fenced to transport, and at the moment the focus is on cost reduction without identifying that the benefits will flow through, be it in keeping people in employment, getting people into apprenticeships or even, as we hear today, getting people to hospital appointments on time; if people do not do that because they do not have access to a car, that is a cost.

Q158 Sarah Champion: Picking up the Chair's original point, is any work being done to capture those people so you can evidence that argument?

Rebecca Fuller: We did some research, and found that in our areas—the PTE areas—bus networks generate £1.3 billion in user benefits, from access to jobs, training, shopping and leisure opportunities; and that for every £1 of public money spent you get £3 of benefits from the socially necessary bus services that connect isolated communities and connect people to opportunities. It is measurable; it just needs taking into account a bit more.

Q159 Sarah Champion: Do you have any examples of good practice where local authorities or Government schemes have tried to deal with this problem?

David Brown: There is quite a lot at a micro level. For instance, I know that in south Yorkshire a lot of work was done with Jobcentre Plus. Part of the package of getting people into employment was a travel diary, a ticket and so on. There are quite a lot of micro examples. There is work in Greater Manchester where a range of organisations, predominantly health organisations, have come together to do that. There is very good practice in Holland on a sub-regional basis where all those organisations have come together and created what we call total transport. They have said, "We don't all need to employ drivers and vehicles to do these things." By pooling the budget and responsibility you get better use of resources and a better answer for the travelling public.

Bruce Thompson: The good practice tends to be in small pockets and to rely very much on highly enthusiastic champions, and it is certainly not mainstream. I think that is the danger. Where there is good practice, it is in a small area or on a small issue rather than across everything where there needs to be good practice.

Q160 Chair: Are there differences within the metropolitan areas and outside them? Is community transport more successful, and used more outside the mets?

Bruce Thompson: Community transport is a very broad church. On the one hand, we have Ealing and Hackney community transport, which is obviously urban-based. They are large, and they are picking up large tendered bus service contracts. On the other hand, if I may stray into my neck of the woods, there is a multitude of very small community transport operators doing a vital job and making a real difference to their communities. But they are very small—often one, two or five minibuses only—relying upon declining numbers of volunteers and primarily looking after the needs of the elderly, or the frail elderly, and people going to hospital appointments. To look after the needs of the young and people seeking employment is a very long way from their focus. While we have had those conversations with them, to expect unpaid volunteers to get up at six in the morning to drive people to work, who are going to earn a wage, often does not fit comfortably with some of those models.

Q161 Graham Stringer: I represent probably one of the most urban constituencies in the country, but there are still communities there that are isolated at weekends and in the evenings. One of the reasons is that in a deregulated system bus companies can make a great deal of

profit on the radial routes and then gain the public subsidy system on franchised routes, so those communities still remain isolated because there is never enough money to subsidise them. Is that your experience, and what is the solution to it?

David Brown: There is quite a lot of evidence for that. We did some case studies a couple of years ago in Southampton and Hartlepool, where very urbanised areas had lost their public service, which meant that people were being forced, if they had to make essential trips, to use taxis. They could not afford them and, therefore, they were travelling less and getting to fewer public sector services, and no doubt downstream there would have been health and other issues. We are seeing that, particularly as councils have to reduce their tendering budgets. You are seeing more and more areas becoming isolated either because there are no services or the fares have gone up. One thing we believe could happen is that there could be adjustments to the legislation to allow local authorities to be clear on specifying routes and also affordability levels of fares. That is currently outside the remit of local authorities, because at the moment there is no check and balance on both the fares levels and the services that are operated.

Q162 Graham Stringer: It is not outside the remit of the transport authorities if the system is re-regulated, is it?

David Brown: No. There is a process to go through. The Local Transport Act put in place quality contracts, which can be quite a lengthy process. We are saying that there could be further amendments to the current legislation to give us greater ability to set fare levels in partnerships, but you can proceed with a quality contract if that would be desirable.

Q163 Graham Stringer: You know as well as I do that over the last 20 years there has been a row about whether a regulated system would be more expensive and would deal with both urban and suburban isolated communities. What is your view on that debate at the moment? Where do you think the evidence leads us?

David Brown: I think the evidence leads us to the requirement for a stable network at an affordable level which is accessible to people. The evidence says that, if you put that in place, people will travel more often and make decisions about employment or education based on that system. You can definitely do that under a franchising model, or quality contract model. You could do it if you had willing partners on a partnership model, but the further you go to the right on that issue, the less certainty you have. It is clear that, if people are going to get up at four o'clock in the morning to get to an appointment, they need certainty of service, accessibility and affordability. With a franchise you can definitely deliver that. There are other models, but with less certainty attached to them.

Q164 Graham Stringer: Can you tell us where total transport fits into those different models and ranges, and what you mean by total transport and what your experience of it is?

David Brown: We believe that in total transport there are different Departments outside the Department for Transport that require a good transport system. If they were to earmark and identify part of their overall funding, that could go into delivering a complete transport network, which would get people to college or to work, and it would be a better use of resources. Instead of the Department for Education commissioning transportation services, or the health service using ambulances with paramedics purely to transfer people to and from hospital, those things can be done in a total way with better use of existing funding. It is not a requirement for new money; effectively, it is better use of existing resources.

Q165 Chair: How much success have you had in that?

David Brown: Where we have small examples of that, as Bruce says, it works really well. There are better examples in places like Holland; there are examples where we have done it on a smaller scale, but due to the funding reductions that are occurring we need to get to a point where we are doing it in a bigger geographical area, be that a town, city or sub-region. If we are not careful, the funding pressures will take away quite a lot of the core services, and therefore we will not have the ability to pull anything together in the future.

Q166 Chair: Is that what is happening now?

David Brown: There is a lot of evidence that funding for tendered services is declining year on year and that local authorities are making decisions about community transport funds being cut. We have quite a lot of examples of that in south Yorkshire and the west midlands; and where there are young people's concessionary fares, they have been removed, as they were in Manchester two years ago, or, as in south Yorkshire, they are being gradually removed over the next two years.

Q167 Martin Vickers: Many bus operators are to some extent providing services that are non-commercial; they receive a grant of some description, or a lot of their income comes from senior citizen bus passes, and so on. Has that dulled their commercial flair and entrepreneurship? Are they looking to create new markets?

Bruce Thompson: I feel that bus operators are continuing to be innovative and to look at new markets. The payment for concessionary travel has been commonly reduced over time. On the transport concession, local authorities, in response to the spending review, have looked at cutting reimbursement. It should be on a no better-off, no worse-off basis, and broadly that is happening. We need to be careful not to fall into the trap, dare I say, of thinking that either concessionary travel reimbursement or payment for tendered services is a subsidy to the company. It is paying the company to operate something; it is not subsidising the company. I think that bus operators are still looking very much at commercial opportunities.

David Brown: There are opportunities out there. We know that all political parties are looking to encourage young people into work and apprenticeships. We know that young people are a captive market anyway because they cannot drive, and the cost of driving is now very expensive. I do not quite see operators stepping up to the mark and saying, "We want young people to carry on using the bus, not just now but as they get into employment," and putting in place innovative products. Maybe I am wrong and we will see that come through, but at the moment I do not see them responding as every other industry with a captive market would do.

Q168 Martin Vickers: How is cross-border co-operation? Urban authorities, transport executives or whatever tend to focus on the urban situation. The urban areas are surrounded by very rural areas in many cases, where support would come perhaps through a county council or whatever. Their focus is on rural travel, and urban people tend to close their eyes to the fact that a lot of workers are commuters from rural areas. Are there improvements that could be made to co-operation between the various agencies involved?

Bruce Thompson: The concept of city regions and journey-to-work areas is one where there needs to be more thought on how authorities can co-operate. There are many cases of authorities co-operating across boundaries. We have heard the debate about London and whether it is sucking the life blood out of the country as well. That debate also happens on a regional level. The symbiosis of reliance of urban areas on rural areas, and vice versa, is quite a complex one. The main radial routes into urban areas commonly tend to be operated, if I can over-generalise, by commercial services. It is more on the routes that are not radial routes into large urban areas where the problem lies in terms of the need for subsidy.

Q169 Chair: Mr Brown, I want to go back to total transport. Could you give me an example of where it is working?

David Brown: There is a good example in Manchester where there has been quite a lot of work by different agencies, particularly getting people to and from health establishments, with the NHS and its various components working together with the local transport authorities. There are others in some rural areas, but probably Greater Manchester is the best example of how it is working.

Q170 Chair: What needs to happen to provide more examples of this and make it real?

David Brown: One of the things this Committee could do is recommend that there are pilot areas where this is done, not on a micro level but at a much bigger level, so that by using existing funding it can be better deployed, whereas at the moment there is not huge momentum for this to happen on a wider scale. Choosing some city region or city-based pilot schemes where the authorities are brought together to use existing funding would be a good step forward.

Q171 Chair: Ms Fuller, do you want to add anything?

Rebecca Fuller: We held an event on total transport for practitioners so that they could share good and bad experiences of running these total transport-type approaches, so we have lots of examples from that event that we could pass on to you. It is worth pointing out that it is not necessarily the solution to everything. It is quite difficult to implement, but there are lots of examples out there that people can learn from.

Q172 Chair: Is there any scope for improved rail services to make access to isolated communities better?

David Brown: I am sure there is scope. Whether there is the funding to do it, I do not know. One of the things we are quite interested in is providing the total package, using integrated bus, taxi or rail systems to get people to and from central locations, because the current ability to put on additional rail services seems quite constrained by the funding position.

Bruce Thompson: The cost of additional rail services can often be very high, but there has been a lot of success with community rail partnerships right across the country, where the community sector has worked to improve patronage on lines by finding out what people really want, introducing better clockface-type timetables perhaps, better ticket offices and that kind of thing. There is a challenge in rural areas. You might have good rail services coming through, but the concept of rail-heading, having buses feeding only on to the train at different stations, seems like a very good idea in theory, but there are quite strong bus flows in many rural areas in parallel to, or obliquely across, rail services, where it is not just a question of saying that if only those buses went to the rail head you would not have to run as many buses. It is often not as simple as that.

Q173 Chair: You do not think the link-up of rail and buses is a problem.

Bruce Thompson: I think there needs to be better integration, and increasingly in the country people are working hard to achieve bus and rail integration and the door-to-door journey concept. There are station access issues, and there is a lot more that needs to be done. Some of that stuff can be done in a relatively low-cost way, but, as David touched on earlier, to get to fare offers across modes or across operators requires willingness by all operators, and local authorities do not have the power to wheel them in.

Chair: Thank you very much to all of you for answering our questions.

Examination of Witnesses

Witnesses: **Baroness Kramer**, Minister of State, Department for Transport, and **Anthony Ferguson**, Head of Buses and Taxis Division, Department for Transport, gave evidence.

Q174 Chair: Good afternoon, Baroness Kramer. Welcome to the Transport Select Committee. This is your first visit to us, and I hope it will be the first of a number. I am pleased to see you here. For our records, could you and your companion tell us who you are?

Baroness Kramer: I am Susan Kramer. I have to say it is a very intimidating thing from this side of the desk, but it is a great pleasure to be before the Transport Select Committee. I am Minister of State in the Department for Transport. I have with me Anthony Ferguson, who heads up our bus department. What is your official title, Anthony?

Anthony Ferguson: I am head of buses and taxis division.

Q175 Chair: Thank you very much. Could you tell us how the Government include an assessment of social and economic factors when considering the allocation of funding to local government for transport purposes?

Baroness Kramer: Did you want me to make any opening remarks, or would you prefer me to skip them?

Chair: If you wish to; whatever you would like to do. If you want to make any opening remarks, please do so.

Baroness Kramer: Would you mind if, for the record, I make some opening remarks? They may help set the context, if I can do that without upsetting the time that you planned. They are quite brief.

The Government recognise that passenger transport plays a vital role in local communities, and the bus is the predominant mode in rural areas. There were over 2.2 million journeys made on local buses in England outside London in 2012 and 2013. For many isolated communities, the bus can be a lifeline. Forty-two per cent of bus operator income is from public funding; for example, we are protecting the national bus travel concession, used by about 10 million people, and will spend nearly £900 million on it this year. Local authorities also spend over £340 million in direct subsidy to bus operators in England. But improvements can and must be made. In March 2012, our “Green Light for Better Buses” set out our plans. The proposals include reforming bus subsidy; improving competition; incentivising partnership working; revised guidance on tendering; multi-operator ticketing; and making access to bus information and ticketing easier for all.

The bus service operator’s grant paid to bus operators was provided in a fairly blunt and untargeted way that related to fuel consumption. Some local authorities told us that they can better target this subsidy, and from the start of 2014 we changed the arrangements to pay the grant related to supported services directly to the local authority concerned. We also ring-fenced it until the end of 2016-17.

The Government recognise that where commercial services are not feasible local authorities have a vital role in supporting them. Indeed, around 28% of bus mileage in predominantly rural authorities is operated under contract to them. Where the local authority funding is from their core funds or other sources, such as my Department’s local sustainable transport fund, it is local authorities themselves that are best placed to decide what support to provide, in response to local views and need, and in the light of their overall funding priorities.

The community transport sector is also a very significant provider in rural and isolated communities, often working with local authorities. Community transport takes various forms, from the familiar minibus through to volunteer drivers providing lifts and to car-sharing schemes. Between

2011 and 2012, we provided £20 million to local authorities in rural areas to help community transport initiatives. We are also working with the Department for Environment, Food and Rural Affairs in response to recommendations from the Youth Select Committee about improving transport in rural areas for young people.

Passenger transport in isolated communities is not just about road-based operations. Other modes have important roles, including ferry services and air travel, and localism is important, which is why support for them, such as those to the Scottish highlands and islands and other parts of the UK outside England, is largely a devolved matter. We also support the designation of community rail lines, many of which serve isolated communities.

In summary, the Government are committed to passenger transport for isolated communities within the current financial constraints. Local partnership working between the commercial and community transport sectors is key, working with local authorities through their powers to support services that local people need. Thank you for letting me make that statement. Can I ask you to repeat your first question?

Q176 Chair: Could you tell us how the Government assess social and economic factors when allocating funding for transport purposes to local authorities?

Baroness Kramer: As you will know, Mrs Ellman, the Transport Act 1985 lays a duty on local authorities to provide transport services to meet local need where it is not provided commercially. The Department has provided our subsidy, essentially the BSOG subsidy, essentially on a demand-led basis; I think I mentioned in my opening comments that it has been very fuel-led. We are looking at that and reviewing it to consider whether we should be doing it in a different way, though it is important that we do not disrupt local bus services in the process of looking towards other possible ways of doing that. We want to strengthen, not disrupt, the local bus market.

The primary source of funding for local authorities is money they receive through their block grant from DCLG. DCLG uses a needs-based formula. I do not have the precise details of the formula with me. I am sure DCLG would be delighted to provide that if you wanted to look at it in more detail. It is needs-based, but it goes in an unring-fenced format to local authorities as part of their block grant. We think it is very important that local authorities decide on local priorities and how to spend that money, because they know their community in a way that we in Whitehall never can, so we do not override their decisions in the sense that you might have implied.

Q177 Chair: We understand that the Government do not override local decisions. Nevertheless, Government funding is a very vital part of the framework within which local authorities can make their decisions, so when the Government are looking at funding that relates to local transport and giving it to local authorities, either directly as part of a block grant or in specific funds, which the Government have done, do you take into account issues such as the need for people to get to work, the problems young people might be facing, and people's need to have access to social facilities? Is that sort of issue taken into account by the Government? I add to that the need to have access to health facilities. Are those issues part of the Government's thinking, or are they things you just think are not for you, and are for local government alone?

Baroness Kramer: As I said, the DCLG uses a formula. I will turn to Anthony in case he has more detail on the formula than I have.

Anthony Ferguson: Probably the key principle is Treasury guidance, which is the guidance that we would follow in terms of making any investment or appraisal of the costs and benefits of different choices. That is prescribed by Treasury guidance. In relation to specific funds, in one bus area fund I was involved in, for example, specific criteria were attached to it, but that was a challenge fund. It was less about allocating and more about scoring different bids for funding under a specific one-off challenge fund.

Baroness Kramer: If you look across the broad range of our programmes, issues like accessibility have tended to drive some of them, and achieving a potentially low-carbon bus fleet has very much tended to drive them in DFT. When we look at the funding we have made through BSOG, which most people look at as the primary contribution the DFT makes to bus services, it has been based on fuel mileage, and there is a real question about whether or not that is an appropriate way to do it going forward.

Q178 Chair: You say that it is being looked at again.

Baroness Kramer: We are in the process of doing an internal review.

Q179 Chair: The message I am getting from what you are saying is that the Department for Transport does not seem very involved in the factors I mentioned: issues such as whether people can get to work, to health facilities or educational facilities. From the way you are explaining the position, it sounds to me as if the Department itself is not very concerned with these matters. Am I misunderstanding it?

Baroness Kramer: The Department takes the view that the people who can best make those judgments are local authorities, because the situation is so different within each community. For us to try to prescribe some sort of formula from the centre as to how you weight those various factors would be incredibly blunt and artificial, and not very effective. That is why most of the funding via DCLG comes in block grant form. The way the whole block grant is put together engages various formulas. The transport element of that thinking is very much needs-based, but to try to prescribe from the centre much of what you have discussed might sound good as we sit and talk around a table, but would be very difficult to use in any effective way locally. We make various competitions available—for example, for accessible funding. You will know about those kinds of programmes, but in terms of a specific grant to get to work—

Chair: No, no, Minister, I am not talking about a specific grant; I am talking about the factors that influence the allocation of funding. It is clear to me that you do not seem to be very associated with that.

Q180 Chloe Smith: I can offer a local example from Norfolk of the number of buses you might need to take to get to the nearest hospital or a hospital of choice, depending on the treatment you are having, and perhaps the local university, if you believe universities are local—the University of East Anglia certainly does serve a great regional audience—and further education of choice as well. The number of buses would be three to four to make it from, for example, Ormesby in east Norfolk to those institutions, which are clustered in the south of Norwich. We can all see why in a practical way that is problematic, and, crucially, the panel members from the Isles of Scilly earlier also talked about dependability. You can make three connections if you really have to but dependability is absolutely key within that. Following on from the Chair's questions, do you think there might be scope for a rural version of the city deals that put together the funding streams, the owners of which all have an interest in people being able to get from a village to university, village to hospital and, crucially, village to employment? Do you think there might be scope for a rural deal that puts the right people round the table and knocks their heads together?

Baroness Kramer: The underlying issue you are raising is a very interesting one with a great deal of potential. Total transport in your own neck of the woods is taking on that kind of issue. We issued guidance in October of last year to local authorities on how to achieve the results they want—efficiency and so on—through the tendering process. I think it is important, because it is being done well in various parts of the country, that we can pull it all together so that everyone can

think through how they can apply it in their areas. We very much encourage the kind of integrated thinking that you were talking about. You have local authorities and others providing services for schools and hospitals and for a whole variety of reasons. Rather than thinking in silos, in pulling that together one could potentially come up with a different integrated profile. Norfolk is moving ahead in that way. I think Anthony spent some time looking at the Norfolk example.

Anthony Ferguson: Yes. The good news is that there were very few barriers to making it happen. There are several examples of partnerships of this kind. There is another one based around St Albans which follows a similar model. The people involved are not just the traditional public transport local government officers and bus operators; it is also the local university, which is actually running a service. Those partnerships have endless possibility, and there is very little stopping them happening, other than that people are too busy, have too many other things to do and have difficult choices to make about priorities or whatever, but we are very much in favour. As the Minister said, our guidance was stressing not only the transport benefits of this sort of integration but also the financial benefits, because of the ability to secure financial efficiencies in the way transport services are provided, which we think is the big goal.

Baroness Kramer: That said, this is not the easiest thing to do when you have a lot of different entities to bring together. We recognise that it is difficult, and it is part of the reason why Anthony's group is carrying on, to look at what the barriers would be to that happening effectively. That is a report we will come out with later in the year, but we think the underlying framework you are discussing has a great deal of potential.

Q181 Chloe Smith: Where do you see it done poorly? I think you were just giving Norfolk and St Albans as an example of where it is done well. Clearly, I need to learn more about this in Norfolk. I am not sure it is done at all well there, but where do you think it is being done poorly and well?

Baroness Kramer: I hate to do finger-pointing, because when you get to local communities they often have some unique issues. I would rather focus on trying to create a good example. I have already asked Anthony to set up a programme where I go out to places across the country and get a look at not just the good and the model, but also the indifferent and the poor. I am not sure that we are ready to do a name and shame, because so often for those communities it is difficult, and pulling them together and giving them the encouragement and support they need, which the Department is trying to do, is a way we can see this change. Norfolk is a good example of somewhere that is leading the way. To see it being done somewhere effectively and well and having those conversations between officers is almost the best incentive. It does mean that sometimes communities have to say, "In order to do this we may have to put in some extra staff resource, but it is going to be worth it because we can see that we end up with lower costs. We can look at the initial resource to develop such a scheme as an investment, because we can see a benefit at the end of it."

Q182 Chloe Smith: Where in central Government do any heads need to be banged together to enable that? I am a localist as much as you are. To be able to pull up good local examples is excellent, and I am really pleased to hear Norfolk being debated in these terms, but does Treasury guidance get in your way?

Baroness Kramer: I do not think Treasury guidance is a particular problem around this set of issues. Central Government can lead the way by working more closely together. You are seeing that much more. In my opening remarks, I mentioned that we had been looking at how we can improve transport access for young people in rural areas. We are doing that working together with DEFRA. We are seeing a lot more cross-institutional working. It is absolutely critical to bringing down the barriers, but if local authorities come back to us and say, "We work very closely with our

local health trust, but we have a problem with the Department of Health on this issue,” or whatever else, I am very glad to weigh in on that and try to provide the leverage they want. That is what we intend to do, but we have a lot more to do. There is a good example in Lincoln. Devon is another example. They have used either community transport or a hybrid taxi-bus, and have often been doing that for many years, but there are lots of areas where it is relatively new to start taking this so seriously.

Q183 Martin Vickers: Minister, you said that the transport element of the block grant was not ring-fenced. Does the Department have any information either across the country as a whole or from individual authorities as to what percentage of it is actually used to support transport?

Baroness Kramer: I do not think we have any single numbers. In conversations with various local authorities we might get feedback, but I do not think we really know. I am looking again to Anthony who has a much closer view of the figures.

Anthony Ferguson: One thing that perhaps we could have mentioned as a contextual point is that, in terms of helping the sector, as well as providing guidance, we collect reams of statistics. We have a lot of statistical evidence that is published and available for other people to use. We collect information about spending on local buses by local authority area, because it is reported to DCLG as part of their wider responsibilities for reporting expenditure. We know how much is spent on buses at local authority level. Is that what you are asking about?

Q184 Martin Vickers: Across the country the transport element of the grant will come to many millions of pounds. The Department considers that that should be spent on transport issues, and it would seem remiss of the Department if, for example, only 70% was being spent on transport issues. It might be more or less than that. It would seem remiss that you are not following it through.

Baroness Kramer: We are recognising the importance of devolution. DCLG is doing that on a needs base. It is then for the local authority to decide how they can most efficiently manage the budget they have. We recognise tough times; it is austerity, so they will often have to make difficult choices and decisions, but we want to encourage them as much as possible to get the best value for money for every penny they spend on transport, so that they can find more effective ways of delivering transport, rather than getting fixated: “This is the actual amount, this number here. So I’ll just spend that and then I’ve done my job.” The goal is much more to encourage local authorities to look at transport need, which is their responsibility under the Act, and work out how best to deliver it.

I think we have moved away from the attempt absolutely to match spending. You will see it again when I come back before the Committee to talk about the local growth fund, where the Departments, and the Department for Transport has been key, put money in. It is transport money; we want to see good transport outcomes, but we are not looking to track every penny that routed its way, in that particular instance, through the Department so that it ends up being spent on transport. We want the best outcomes for the local area. In that case, it is very economy-driven; in this case, it has a much more complex profile.

Q185 Martin Vickers: I understand the argument about not wanting to micro-manage what happens throughout the country, but I come back to the fact that it seems remiss that, having determined that x amount should be spent on transport, you do not insist that it is spent on transport.

Baroness Kramer: I think it is somewhat different. DCLG is basically saying that, based on a needs analysis, this is the number, thinking through transport issues, that forms part of the block grant, but it is not necessarily saying that is the output spend.

Anthony Ferguson: The key point about CLG funding—the block grant—is that it is unhypothecated. It is not ring-fenced money. There are no tensions and discussion to be had about whether local authorities feel that they have had more or less money given to them year on year. Strictly speaking, they are unhypothecated block grants so there is not a transport element; there isn't a budget against which someone can spend 70%. There is an amount of money for local authorities to spend on all their services, of which a large part is the concessionary pass and another large part is the other services and concessions provided locally, some to significant hundreds of millions of pounds.

DFT money is different. BSOG is demand-led but it is a budget DFT has, so we know year on year what our budget is. We do track very closely what happens to that, and we track the challenge funds and the projects we fund through things like the local sustainable transport fund, bus area funding and so on. We track those.

Q186 Chair: Does the Department see itself having any role at all in what happens to local transport services, or do you see it entirely as a matter for local government?

Baroness Kramer: We see it as important that we provide guidance in areas where we have goals, for example, to move to low carbon, and we want to see a good use of money. We either provide guidance or various competitive funds. For example, accessibility is very important to the Department. We have had competitions available to obtain funds, whether it is bus, train or station accessibility, so there have been some specific targets.

Q187 Chair: But not in relation to cutbacks. For example, I understand that at the moment Worcester county council is consulting on eliminating all their subsidies for public transport. Would you see yourselves having any role in that situation, or is it entirely a matter for the local authority?

Baroness Kramer: It would seem to me that every council still has the same set of responsibilities to deliver against social need. That does not change. It still obtains a level of funding decided by a complex formula, an element of which is transport needs-based, and that does not change. I would hope very much that, as we work with local councils—and we work closely with them—if they are looking at something other than tendered bus services and saying, “This might not be right,” what they are putting forward is an option that delivers better and more. The guidance is absolutely crucial, as is our engagement with the various local authorities, to try to provide support for that. But if you are asking who ultimately makes the decision, it has to be the local authority; that is part of the devolution. But we are very engaged in that process, and I think we are effective in that process. Would you characterise it in that way, Anthony?

Anthony Ferguson: Yes. From a policy point of view, we are interested in accessibility—the ability for people to make journeys. One test of that is what happens to tendered bus services, but that is only one measure of it, because in many local authorities, they are replacing tendered bus services with other forms of transport. If you track the statistics at a national level, while it is obvious that tendered services mileage has dropped, and dropped quite significantly, total mileage has not. Therefore, you can surmise from that that commercial mileage has increased to some extent to fill the gap at national level. At local level, there will be variation around that. We are very interested in the outputs and outcomes that local authorities achieve.

Q188 Chair: Minister, when you are looking at how quality partnerships or contracts, which are Government policies, are working and whether or not they are effective, do you take into account what is actually happening on the ground in local authorities, and whether they believe they are indeed able to make the best use of public money, given the existing structures? Would you be interested in what is happening on the ground in that context?

Baroness Kramer: We are very interested and engaged. I have just tried to say who makes the final call. As we look at our policies, we are as engaged as other Departments, for example with rural-proofing. We look at our policies to see what the impact is going to be on rural areas.

Q189 Chair: I understand that, but I am asking you about this point. I understand what you are saying.

Finally, we had some evidence this afternoon from the Scilly Isles, from people who are very concerned about transport problems there. They say they are being treated differently from other isolated communities. There does seem to be a market failure in adequate transport links between the Scilly Isles and the mainland. Is that something the Government should get involved in?

Baroness Kramer: I have met many of the people who came before you today in my office, and I have met others down in the south-west, so I am aware of the range of issues you are discussing. I have really two sets of answers to that, if I may. We very much encouraged all those people to go back and talk together, because no coherent plan is coming to the Department. The various interested stakeholders have a lot of internal discussion to do, to decide what they think is the strategic way forward, and we would be very interested to engage. But before I over-promise, or create the wrong impression, at the moment we have commercial services providing both the ferry and the fixed-wing services to the Scillies. If we were asked to provide a specific subsidy to create a helicopter service, there would be issues around competition. Obviously, its goal would be to take passengers away, particularly from the fixed-wing and the ferry services, so we have a set of competition issues where we have two viable commercial providers.

There is a resilience issue, which I think was raised by the chief executive who came before you in the earlier hearing. We are looking at overall resilience. Before this year, we took a look to see what the difference would be if we had a helicopter service in addition to fixed wing. It was only on four days a year on average that the helicopter could fly and the fixed wing could not. We may want to look at all of that again as we start to go into depth on some of these issues, but I want you to be aware of the issue around subsidising one commercial provider who is in direct competition with two existing commercial providers. There are a lot of issues and a lot complexity, but we are very engaged.

Chair: Thank you very much, Minister.