House of Commons

Transport Committee

Oral evidence: Bus Services Bill, HC 611

Monday 12 September 2016

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Watch the meeting

Members present: Mrs Louise Ellman (Chair); Robert Flello; Mary Glindon; Karl McCartney; Mark Menzies; Huw Merriman; Will Quince; Iain Stewart; Graham Stringer; Martin Vickers

Questions 1 - 96

Witnesses

I: Claire Walters, Chief Executive, Bus Users UK, James White, Senior Campaigns Manager, Guide Dogs, Jacqueline Juden, Community Fundraiser, Guide Dogs, and David Williams, Partner, KPMG.

II: Giles Fearnley, Chair, Bus Policy Committee, Confederation of Passenger Transport, Martin Dean, Managing Director, Bus Development, The Go-Ahead Group plc, Dr John Disney, Director, Dales & Bowland CIC, Robert Montgomery, Managing Director, Stagecoach UK Bus, and Dai Powell, Chief Executive, HCT Group.

III: Frank Rogers, Lead Board Member for Buses, Urban Transport Group, Nigel Blackler OBE, Head of Strategy, Economy, Enterprise and Environment, Cornwall Council, Andy Gibbons, Head of Public Transport, Nottingham City Council, and Dr Jon Lamonte, Chief Executive, Transport for Greater Manchester.

Written evidence from witnesses:

- Bus Users UK
- Guide Dogs
- Confederation of Passenger Transport
- The Go-Ahead Group plc
- Dales & Bowland CIC
- Stagecoach UK Bus
- HCT Group
- Urban Transport Group

– Cornwall Council

– Transport for Greater Manchester

HOUSE OF COMMONS

Examination of witnesses

Claire Walters, James White, Jacqueline Juden and David Williams.

Q1 **Chair:** Good afternoon and welcome to the Transport Select Committee. I am going to ask the witnesses individually to say who they are and which organisations they represent. I will start with Ms Juden at the end.

Jacqueline Juden: My name is Jacqueline Juden. I am from Guide Dogs for the Blind Association.

James White: I am James White. I am the senior public affairs manager at the Guide Dogs for the Blind Association. Thank you for inviting us along.

David Williams: I am Dave Williams. I am a partner at KPMG. I look after our bus market and transport advisory team. I have worked in buses for the last 16 years.

Claire Walters: I am Claire Walters from Bus Users UK.

Q2 **Chair:** Mr Williams, could you tell us why you think the number of bus journeys in London has increased in a big way at the same time as the number of bus journeys outside London overall has decreased very significantly? What is the reason for that?

David Williams: I guess this refers to the report we did recently for the DFT. We did a market study into the bus market in England outside London. One of the things we looked at was market trends and where the market is. In particular we looked at bus journeys and patronage. You are right that bus journeys outside London have progressively declined since regulation, albeit the number has stabilised somewhat in the last couple of years. London's patronage, very much on the contrary, has gone up. We discussed it at length with a number of stakeholders as part of our work. We spoke to local authorities, councils, operators and associations. There was a clear theme, in that London has a number of characteristics that you would not ordinarily expect outside. Its economic growth is significant, as is congestion. There are other integrated policy levers that London has as well and which make it a perfect model for the bus.

Patronage in London, certainly in the early 2000s, rose reasonably significantly, but investment in the bus market also rose. Buses in London were roughly break-even in the early 2000s, but by 2007-08 the subsidy had risen to between £700 and £800 million. The investment in London is clearly a contributory factor to the patronage. There is evidence to suggest that if you invest, you get more journeys.

Q3 **Chair:** How much of that is about investment in the bus service—you are saying £700 million or £800 million—and how much about the franchising system that operates?

David Williams: There is no doubt that investment helps. That certainly came through in the stakeholder feedback. It could be investment through infrastructure, priority bus lanes and facilities that surround buses, or investment on the bus itself. That could be staff training or the vehicle itself. Investment would be the key driver.

In terms of the franchising model, London works because it gets part of its value from the attractiveness of the market. It gets good competition for contracts. It is a big market. It has just over 600 contracts and each contract is typically competed for. In London, that part of the model works well, but it is not a new model. It has been in place for a while now. It has certainly gone through its teething.

Q4 **Chair:** The Bus Services Bill is primarily about changing the regulatory system. Do you think that is the right way to go, or should other factors have been considered? Do any other witnesses want to comment on that?

David Williams: Certainly the regulatory structure, and in particular the interaction between operators and local authority bodies, was a key theme that came out. There was evidence that, where the two bodies worked well together, the passenger benefited. It was as much about interaction and people working together, and that drove better results for the passenger.

James White: In terms of the Bill, if the avowed aim is to increase patronage, one of the most obvious ways for us to do that, and to increase accessibility for people like Jacqueline, would be the introduction of audiovisual announcements. As David was saying, some of the investment in London during the past decade, particularly in the past five or six years, in audiovisual announcements has made a huge difference for passengers with disabilities and for tourists as well. If the Bill is intended to increase patronage, audiovisual would be one way to help achieve that.

Q5 **Chair:** Ms Juden, do you have a view on how far that point is important—things like introducing audiovisual announcements and similar sorts of systems? Is that a very important factor, rather than looking at regulatory systems?

Jacqueline Juden: Yes, absolutely. I have been visually impaired all my life, and as a guide dog owner I have struggled with accessing buses due to them not having technology that allows me to know where I am. Coming to London and using buses with audiovisual announcements has been such an incredible experience. I have confidence being able to travel round London that I have never had anywhere else and it is quite powerful. It is difficult to explain to people who have not experienced it the stress, worry, panic and everything else that goes with getting on a bus and not having a clue where you are.

Q6 **Chair:** How important is having audiovisual or similar systems to encourage people with other disabilities—non-visual disabilities—to use buses? Is it a very big factor?

Jacqueline Juden: Yes. It is just as important to other disability groups to have that familiarisation of where you are.

James White: We are very grateful to be here today, but the Committee will have seen from our written evidence that there are about 30 other organisations backing our campaign. There are organisations representing people with hearing loss. This is a big thing for those groups as well. There are people with learning difficulties, where the audio announcements can provide additional reassurance. I also touched on groups of people who do not have disabilities, such as tourists, business travellers and infrequent bus users. Of course, it will make a massive difference to Guide Dogs, but it would go far beyond that.

Q7 **Chair:** How important have partnerships been under the current system in securing improvements in bus services and encouraging more people to use buses? Ms Walters, do you have any view on that?

Claire Walters: I think it has made a difference, especially where that partnership has included passengers in some shape or form. Clearly any market needs to understand the people who use its services, if it is going to do a good job for them. I would also like to support the fact that the AV stuff is good for everybody. There are some people who moan about the stops going on when they are very familiar with the route, but they are a tiny minority. Young people, older people and people who are not that confident need to know where they are. If I am in a place I do not know, I want that there for me too.

The partnership issue can be a curate's egg. It is good in some places but not so good in others. It depends on how willing everybody is to come to the table and how equitable the partnership is. Sometimes you get local authorities that just want to make life easy for themselves by dealing with a couple of large operators and leaving out some of the smaller operators. That can sometimes lead to an overbalanced service, where there are just big routes and all the little feeder routes disappear, which messes up everybody in the end. Partnership can be a fantastic thing but it has to be done right for the area it is in.

Q8 **Chair:** Overall, would you say that the partnerships currently operating are successful?

Claire Walters: They are mostly better than what preceded them in the particular area. They tend to listen more.

Q9 **Chair:** You sound a little guarded.

Claire Walters: I am guarded because there are some that have been dramatically pathetic, but generally speaking they have been better than whatever was in existence in the area before the partnerships, and in some areas they have been phenomenal.

Q10 **Huw Merriman:** I want to go back to the point Mr Williams made about the success of London perhaps being down to economic growth, congestion control and subsidy increases. If we were to take Manchester, for example, I am sure that economic growth is very much on the agenda, but congestion control has been rejected, as I understand it, and subsidies may not have been what they actually should have been. Do you see any real purpose in changing things on that basis?

David Williams: We did not look at any specific areas as part of the work, so Manchester was not looked at specifically. The conclusion of the report comes down to what the local objectives are in any one area. From my understanding of Manchester, it is to increase influence and therefore to have more integration and the ability to do more things in the manner that London does. Within that, you need to look at your other policy objectives and work out whether the evidence supports them. It will come down to things like affordability, whether the market is attractive and how you structure it. There are a number of ways in which you could structure a franchising market. London has one way, but there are others. It really comes down to all that detail in order to come up with a conclusion.

Q11 **Huw Merriman:** Do you think that a move towards franchising—again using Manchester as an example—is likely to increase competition or just see one provider? In the rail industry it is arguable as to whether there is enough choice out there.

David Williams: It is difficult to comment on Manchester until they actually come up with a scheme that is specific about what they are offering. With franchising, your competition is clearly for the market. You have the opportunity every time the tender comes to market. If it is London, it would be a five or seven-year cycle. It is really important that you capture value during that period. We must make sure that barriers to entry are addressed. Depot location has been a factor in London. The size of market is also clearly important. If you are looking to invest in a market, you want to be able to access a similarly large market. Where risk sits is also important. Risk and reward will be another factor. Where revenue risk sits, for example, will be a consideration.

Q12 **Huw Merriman:** If the risk and reward is retained by the local authority, I question where the incentive is for the bus operator operating the franchise to market itself and be more commercial. Perhaps there is still some incentive embedded in the system, but that is certainly what we have seen with the rail system. The other part where I would be interested in your comments is that if, as I understand it from the Clerk—credit or apologies—it is possible to apply to run a competing service under the present arrangement with 56 days' notice, and if you have a seven-year franchise agreement and no competition, that does not feel as if it is going to benefit the passenger as much.

David Williams: There are a number of points. With rail, it is a net contract, so operators have an incentive to grow revenue. It is typically part of their bid, whereas London is a gross contract so there is no incentive for operators to grow revenue. Revenue gets collected centrally in London.

Q13 **Huw Merriman:** The Southern rail franchise is—

David Williams: It is a DFT contract. That is slightly different. It is a management contract, given the short period of time. If it were a London bus market, you would potentially be looking at a gross model, so revenue growth would not necessarily be one of your incentives. London has introduced a QICs scheme around headway and performance. There are ways you can actually monitor service quality. They also considered QICs 2, a ranking scheme that looked at customer experience, cleanliness and stuff like that. There are a number of ways you can do it through service quality, again if you are willing to invest.

Q14 **Graham Stringer:** Isn't the salient factor, the difference with a franchising scheme, whether there is competition once every five years or once every seven years? According to the written evidence we have had, at the moment it is only on 1% of bus routes in urban areas that there is competition between different bus companies. You are going to move from 1% competition over a period of time to 100% competition over a five or seven-year period. Franchising is much more competitive than the system we have at the moment, isn't it?

David Williams: We did not look specifically at competition. The commission had issued a report previously. The operators would argue that there is competition in the market and there is freedom for new entrants to enter. The stats may indicate that there is a dominant market provider and not much change, but there are also other non-bus factors that came through from the people we spoke to. For example, the car is deemed to be a reasonably significant competitor, certainly if you look at what is happening in car at the moment around some of the technology, such as on demand; there is car sharing where manufacturers are beginning to provide vehicles; and there is driverless—all those factors together. There are small operators and new entrants who say that the barriers make it difficult to enter.

Q15 **Chair:** Ms Walters, do you want to comment?

Claire Walters: On the congestion side of things, clearly if they are not going to have any kind of congestion control, buses will end up stuck in traffic unless they have some kind of priority. There will be no appeal for anybody to sit in traffic with a load of other people rather than sitting in their own little bubble. That is going to lead to people wanting to drive themselves if they can.

On franchising leading to no competition, one of the things that nobody ever seems to take into account with franchising is that there is absolutely no incentive to be nice to your passengers; generally, London bus drivers are not. It is a fact. I am sure that most of you have come across it. You can say "Hello" until you are blue in the face but a vast number of bus drivers will just say nothing. Where the two meet on an urban/rural crossover route, at the edge of TfL and, say, Surrey, where we have an office, people wait for an Abellio service rather than catching the TfL one, even though TfL is more frequent and faster. That is because the driver is nicer, helps them, gets them on and off and does not take off as soon as they get on. There are a number of other factors, and passenger input has to be there much more than is envisaged.

Q16 **Chair:** Ms Juden, do you have any knowledge of a difference of that nature—that people perceive that different operators treat them in a different way and therefore they go for one operator rather than another in terms of choice? I had not heard it said before that people let one bus go because it is an operator they do not like and they wait for the next one. Have you come across that in your work?

Jacqueline Juden: Yes. Certainly there are some bus operators who seem to have had better training, for example. The drivers might be more willing to speak to a disabled person when they are getting on to the bus. There are things to do with how they take your bus pass from you and expect you to be able to see when they hand it back. All those sorts of things are involved in training. Some bus operators seem to have covered that better than others. I do not know how often drivers stick to a particular bus route, but I know of people who have said they prefer not to use a route because generally the drivers on it are not as helpful as on others. There are certainly differences in how training is provided.

Q17 **Chair:** Mr White, in the work you have done, have you come across cases where people have exercised choice as to which bus they get on because of differences in the way that drivers are trained or the way they deal with people? I know that there are great differences, but in your experience do people actually exercise choice at the point of getting on a bus?

James White: The evidence that we have collected is from the same place, where we found that seven out of 10 passengers with sight loss had missed their stop in a six-month period. I would not want to say that there were particular operators that were great or not so great. I know there are witnesses coming up later who may be able to answer about their own training methods. I am struck by operators who give their drivers disability and equality training before they get behind the wheel. That is an interesting approach and one that we would welcome.

I am also struck by the bus driver who said, when responding to one of our surveys, that audiovisual announcements would make a huge difference to him in his professional work. Obviously it is a really stressful job—I would not want to drive a double-decker bus round town—so if you can take one element away, so that people do not have to remember to tell a customer where to get off, they can devote more time to other aspects of customer service. For example, as Jacqueline said, there is the simple act of saying "Hello" and waiting for a passenger to sit down before they pull away. Those are some of the other issues that people with sight loss face. It would be of real benefit if the training can cover issues like that.

Q18 **Chair:** There is certainly a great difference in the way bus passengers are treated, but do people going on buses actually exercise choice on that basis? In practice, don't they just get the first bus that comes?

James White: I would probably be inclined to agree with what you have just said. I do not have evidence to suggest that people are avoiding buses. There are issues with frequency of the bus service. If people are trying to get to work or to a job interview, they are more inclined to take the first bus.

Q19 **Chair:** The municipal authorities seem very popular. Nottingham had a public satisfaction rating of 97% in the last Passenger Focus survey. Why do you think that is? Who would like to comment on that, if you have any views? Is it because they are municipal, or is some other factor connected to it?

Claire Walters: It is partly because they are very tied to their community. They are tied to their passengers. They talk to people a lot. They know what people are asking for. They then try to provide it in a way that is going to work for them. Is it because they are municipal? I do not know, but it certainly seems that some of the municipals have got it very, very right. I do not run a bus company, but I can certainly see that awards are given fairly relentlessly to Reading Buses and Nottingham City. An awful lot of the municipals seem to be very successful in terms of their passengers.

Q20 **Will Quince:** I have a very quick question on the AV point. I entirely get that if you go into any major cities they tend to have audiovisual on their buses because they are new. TfL is one where a lot of the buses have them. Out in the regions where we have fewer bus users, we get the old buses that nobody else wants. I still have buses in my town that have 53 and 54 plates, and that technology was not installed. Some colleagues may consider those are new. I remember that our operator said, "Oh, we are getting a new fleet of buses," and when they came they were 56 plates. By my reckoning that is the second half of 2006, which is not new in my view. Nevertheless, I am conscious that it will take some time for the technology already in buses to trickle down to the regions.

I would be interested to know what your views are on the cost of retrofitting that equipment into the bus. I am also aware, through speaking with RNIB and other organisations, that there are other devices you can use such as apps on smartphones or devices you can purchase. How are they comparable? Are they useful as a stopgap until the technology comes through? How urgent is it that we get that retrofit into the buses that we have across the country?

James White: The point about major cities is interesting, because there can sometimes be a bit of a misconception. The most recent figures, from 2012, which we quote in our written evidence, suggest that about 19% of buses have that AV equipment across the piece and 97% of those are in London. I have come down from Manchester this morning, where none of the buses are equipped with audiovisual, with the exception of a busway just coming on stream. In the major cities that you allude to, it is not the case, and that is a problem for guide dog owners who want to get from one part of the country to another. There is an issue.

Our policy ask has been consistent for a while. We are talking about new buses being fitted with technology, because we do not want to impose costs on smaller operators. The hope is that there will be trickle-down. Obviously we would like it to happen quicker. For example, when there were other requirements to fit things like wheelchair accessibility features, some operators took that on a bit quicker than they were obliged to do, and we hope that something similar will happen.

Since I have been campaigning about retrofitting, I have had people come and speak to me who can provide retrofitting solutions. The cost of the kit is no different; the cost is taking the bus apart. Obviously there are examples in London where that was done, so it is feasible.

I am taking the points in order. I hope I have not missed any. I am sure Jacqueline will have views on apps. They provide some of the answers for some of the people we work with. However, there is a point of principle: should somebody have to have a piece of kit on them when they want to board a bus? Our argument would probably be that that is not the route we want to go down. You are then into the issue that there are 2 million people in this country with some form of sight loss. That will probably go up to 4 million in the coming decades. How are we going to equip those people with suitable bits of equipment? There are also issues around battery life. I do not know if you are like me; when I left Manchester this morning my battery was at 100%, but I am not so sure when I leave here that I will have the battery life I might need to get me home using an app.

Finally, before I hand over to Jacqueline, apps are not a new solution. They have been around and on smartphones for many years. For them to be used as a bit of an excuse for "Coming soon" is not really acceptable. We know that audiovisual and talking buses work, so we would just encourage operators to get on with it. We think the Bill offers the opportunity to make that happen.

Q21 **Chair:** Ms Juden, what is your view? Should buses have to be fitted with the newest technology? Are apps a substitute? What should be done to take the most advantage of the new Bill that is coming forward?

Jacqueline Juden: The best solution would be for buses to be fitted with AV. There are other problems with using apps. James mentioned battery life. You are also expecting that every single visually impaired person will be able to use a smartphone and an application. This could be something that is very confusing for a lot of people, particularly elderly people who do not sit there with a smartphone with an app available. There are a number of problems with using apps.

I come from Yorkshire, where there were no AV announcements on buses. I moved down to London to university a few years ago and I could not believe how confident I suddenly felt when boarding a bus. The fact that I was actually even able to do so without anybody or without worrying about an application on a phone or anything like that was really incredible. People cannot believe that I feel more confident travelling around London than I do in any other place in the UK. It is all down to the AV on buses.

I have been on the phone to people when I am not quite sure where I am. I have just said, "Hang on a minute. I will wait for the announcement and then I'll let you know." There are so many things that the AV can do that other technology cannot. As James mentioned, we know this works, so it would be silly to look at other options when there is something that works perfectly well and just needs rolling out around the rest of the country.

One thing I do at the moment when I have to get a bus somewhere, even though, believe me, I try to avoid that at all costs if I am not in London, is to think about the route I am taking. I practise a route several times with somebody before I am willing to do it on my own. Even then I have a system set up where I have to count how many right turns and left turns until the point when I know I need to press the bell to get off the bus. That can be extremely stressful. It can take a lot of concentration, and if I miss it I am completely lost. I have been in situations when a driver has forgotten to tell me where I am and I have missed a stop. I missed an important hospital appointment because of that. I have been unable to take jobs because I have not been able to get there, as I felt that I could not use the bus. That was before I knew about the Government Access to Work scheme, which pays for taxis for people who cannot get to work by any other method. If buses were fitted with that technology, money could be saved in other places, because people would not need to claim taxi fares. Suddenly buses would be accessible.

Q22 **Chair:** Mr Williams, how much would all this cost?

David Williams: It is a good question. We have not looked into it; we have not looked at the retrospective cost for buses or at apps.

Q23 **Huw Merriman:** I take on board all your points. Take it for granted that I completely agree with you that it would be a very sensible step to ensure that all new buses have the technology, but we are still talking of perhaps a decade before those buses get to many of the towns or areas we represent. GPS devices are very cheap. Do any of the bus operators have free on-loan devices that they give regular bus users with disabilities who they know would benefit from those devices?

James White: Not to the best of our knowledge. We talk to operators and we have a healthy relationship with a number of them. I know that some things are in prototype form. Jacqueline put it nicely. There is something there that works; the talking buses solution is more than able to do what we need it to do.

Q24 **Huw Merriman:** But it is going to take a long time to get out of the cities into the regions.

James White: We would hope, if it were to come in, that it would happen sooner and there would be a domino effect, and the buses would be equipped sooner than the 10-year period you are talking about.

Jacqueline Juden: Knowing that people were actively working towards it happening would be enough. However slowly it happened, seeing it start to happen would mean a great deal. Eventually more and more places would become accessible.

Q25 **Chair:** You are saying that you want a commitment to do it, even if it was not done at once and was phased in. How important is it that there is an actual commitment to make it happen?

Jacqueline Juden: Very important, because it shows that the bus companies actually care about their disabled travellers. It shows that there is understanding of the difficulties that we face, and that people are trying to do something to improve things for us.

Q26 **Robert Flello:** I want to blend a couple of questions that have already been asked by the Chair and Mr Quince, but I want to press the panel on this. I am not a technician, but to my mind, essentially the talking bus system is a GPS-related set of pre-recorded messages. That strikes me as being something that could be relatively easily plugged into an existing bus. It just needs a power source and the GPS. As I say, it has those pre-recorded messages. Yes, there are issues around where the speakers are and how you convey that information throughout the bus, but the principle of it strikes me as being quite simple. I want to press you—whoever wants to answer the question—on the issue of cost. Is there any sense or feeling of how much these units cost per bus? If the sense is that they are expensive, why?

James White: The evidence we have was done by a consultancy called the TAS Partnership a few years ago. Their findings, having spoken to the manufacturers, were that it would be in the region of about 1% of the overall cost of a double-decker bus. I am talking about new buses at this point.

Q27 **Robert Flello:** That strikes me as quite a high figure.

James White: It was a few years ago. If you had the commitment by virtue of the Bill, I anticipate that the cost would fall somewhat. Unfortunately we are seeing too many isolated instances, but in places like Reading and Nottingham the operators are bringing in the systems of their own volition. That suggests to us at least that there is commercial sense in doing that. Your point about its being a simple add-on to something already in the buses is something that your later witnesses will be able to answer. My understanding is that, yes, a lot of buses are fitted with tracking devices so that the operator knows where they are. It would not, therefore, be a massive leap to equip them with audiovisual. I am sure that others more technically minded than I am will be able to answer that for you.

Q28 **Huw Merriman:** This is probably a question for Ms Walters. I represent a rural constituency. We have lost 50% of our bus services over the last few years. Given that the reorganisational aspect of the Bill in terms of franchising will not be available to any area outside directly elected mayors, do you think anything could be put into the Bill to protect rural bus services that has not already been suggested?

Claire Walters: Rural services are being dropped left, right and centre. They need to be seen to be paying their way. Subsidies have been going down and down, and they seem to be hit by local authority cuts before anything else. We have seen that all over England. We have seen it elsewhere too. It is proving extremely difficult to get local authorities to look at it as a statutory duty, even though section 63 of the Transport Act 1985, which I am sure you are all able to quote, talks about socially necessary transport. It quite often just gets considered but not acted on. Along with CBT, we are trying to produce some amendments for section 63 to make it a statutory duty to address the needs that have been seen. That would tend to have an impact on a lot of rural areas.

Quite often it is fairly easy with a red pen to knock out a budget by taking out weekend and evening services, which are the very services that carry fairly low-paid workers to work. They are the ones that carry carers, nurses and so on to their places of employment and older isolated people to relatives and social activities. Although it is currently not within the scope of the Bill, we have suggested, with a number of Lords, some amendments that might help it become a requirement of partnerships in the franchising areas that they act on the assessments that they are required to do. If we do not protect rural area bus services, we will end up with far more congestion, which is already a problem, particularly in a lot of agricultural areas, and a lot of market towns will die.

Q29 **Chair:** What about areas that might not be defined as rural areas but are still losing bus services? It could be urban areas or parts of urban areas, particular estates or particular areas that feel cut off. Is this Bill going to help any of those?

Claire Walters: Again, it depends on the operators and the local authorities who are working in those areas and what their level of commitment is. I come back to the idea of commitment. At the moment, it seems that it is a luxury to provide bus services where they are not commercially viable. If you do not have the subsidy to keep them viable, a lot of other things fall by the wayside. That can hit suburban areas and small towns. It hits a lot of market towns; we have seen that quite a lot in Lancashire. In Cumbria, of course, they just dispensed with all their subsidies without so much as a by-your-leave. They did not bother with the niceties of consulting. The various options in the buses Bill need to include really quite firm rules on consultation, on meeting the needs of the various minorities, on access and on all the other points. I do not think people should be able any longer to get away with saying, "Yes, we will do an assessment later but we have already registered the services." We have come across that in several places.

Q30 **Karl McCartney:** This moves on from that question but throws it open to the rest of the panel. London is an example on its own and it has done very well, even though it suffers from an awful lot of congestion. You have talked about congestion and we have been told that congestion can harm bus usage. Obviously, in London, it is the complete opposite of that. There is a lot more congestion in London than anywhere else in the country, but bus usage has been going through the roof. What lessons can we learn from the London example in order to improve bus usage in the rest of the country, whether urban or rural areas?

Claire Walters: We should not forget the impact that the congestion charging scheme had in stopping people bothering to drive into London unless they absolutely had to. It does not mean that we don't still have too much traffic ploughing around London. The bus routes worked quite well until various authorities allowed people to park skips in most of them for most days of most years, and roadworks and all the rest of it, without any kind of priority for buses to get around.

It made a huge difference to people choosing to try to come by public transport. Let us not forget that twice as many people go to work in London by bus as by train or any other form of public transport. We can learn something. I am not suggesting that congestion charging would work everywhere, but some form of bus priority will make it much more appealing. If you are going to get there twice as fast on a bus, why would you sit in your car, if you haven't got to deliver stuff that is in the back?

David Williams: Another factor for London is the price of car parking. Again, it is a barrier to using the car. It is reasonably prohibitive to use the car in London. Certain authorities outside London have looked to increase car parking charges to encourage bus use, where they have had the ability; I think Brighton did it.

Going back to the rural point, when we spoke to a number of people, a few people commented that actually it is not just about looking at it through the bus lens; it hits education and hits health, so could something be done more holistically? The Bill is purely about buses, but it is about joining up some of those dots.

Q31 **Robert Flello:** I would like to follow up on that. One of the things I am picking up from what you have collectively said is that it sounds almost as though you are commenting on the disincentive for the motorist—

punish the motorist and force them on to the buses—rather than making bus travel so wonderful that why would you want to use your car? The reality is completely the wrong way round, which is, "Let's try and force the motorist not to come into London." Of course, it does not recognise the other end of things in places like Stoke-on-Trent, where you might not be able to get the bus to get the train down to London, to get the bus into London. I would be interested in your views as to why we have to punish the motorist and force them on to buses rather than making buses so wonderful that you would not do anything else.

Claire Walters: It has to be a mixed picture. I do not think it makes sense. Milton Keynes has parking spaces everywhere—somebody looks as if they must be from Milton Keynes—but if you try to go from the bus stop to the main library you have to take two buses, or one bus and walk all the way through the town centre. The planning people need to be able to work across the board, across health, education and all the rest of it, to see what people need to do and then work out the best way of doing it. If you want the money from car parking to fund something else, fine, but if you make it so easy and very cheap for people to drive into Milton Keynes—to pick on it again—clearly there will be an incentive for people who can afford to park to take their car. It is a balancing act. If you want people to leave their car at home, you should have a good bus service, fund it properly and make it run regularly. Quite often, to go back to the rural thing, if your bus service does not go apart from every two or three hours and you miss one bus out of that, suddenly half the day is gone. It is just going to push people into their cars. I am not saying that you should be out there throwing paint over cars—

Robert Flello: Delighted to hear it.

Claire Walters: But clearly you should have a service that is worth while.

Q32 **Chair:** Ms Juden, is there anything else you would like to say about making buses more attractive and available to people?

Jacqueline Juden: I would just reiterate my own experiences. Bus travel would be a lot more appealing to me if I felt I could access it. Currently I do not feel that I can almost everywhere outside London.

Q33 **Chair:** Is there anything any of the witnesses would like to add to the Bill or change in it? If you could have one change, is there anything specific you would like to put in it that you think would help? It is a big question, I know.

James White: Unsurprisingly, but in the spirit of increasing patronage, if there was a requirement for buses to be fitted with audiovisual announcements, it would make a huge difference. That is the one change we would like to see.

David Williams: It is a national framework that is purposely written to give flexibility locally, but there is a question as to whether there could be more prescription around certain areas. In particular, the transition from existing operators to a franchise model appears to be one of the more contentious areas, especially around compensation or what that arrangement looks like, and similarly the evaluation. This will all be proven in reality. It would be something more about clarity, maybe.

Q34 **Chair:** Ms Walters, you have mentioned one or two things. Is there anything you would like to add?

Claire Walters: I am sure you will not be surprised to know that I think passengers need to be involved right at the beginning in terms of what the plan is and in terms of evaluation and monitoring whether operators live up to the promise of whatever scheme has been signed up to.

Q35 **Chair:** Ms Juden, have we covered all the points you wanted to raise in terms of the Bill?

Jacqueline Juden: I think so. The only other thing I would add is that obviously there would be a cost to fitting AV on buses, but the flip side of that is for people to think about whether you can put a cost on people's freedom and accessibility.

Chair: Thank you all very much.

Examination of witnesses

Giles Fearnley, Martin Dean, Dr John Disney, Robert Montgomery and Dai Powell.

Q36 **Chair:** Good afternoon and welcome to the Transport Select Committee. Would you give your name and organisation, please?

Martin Dean: I am Martin Dean, managing director of bus development for the Go-Ahead Group.

Robert Montgomery: I am Bob Montgomery, managing director of Stagecoach UK Bus.

Giles Fearnley: I am Giles Fearnley. I am here today as chairman of the Confederation of Passenger Transport's policy committee.

Dai Powell: I am Dai Powell, the chief executive of HCT Group, a social enterprise bus provider.

Dr Disney: I am Dr John Disney, director of the Dales & Bowland Community Interest Company and also an academic from Nottingham Business School specialising in rural transport issues.

Q37 **Chair:** What can franchising do that effective partnerships cannot deliver?

Dr Disney: Franchising gives the opportunity for local authorities to consider their whole network area, which hopefully means that we can overcome some of the urban versus rural divide we currently have with bus services in the UK, and that we can actually plan services effectively. Passengers will get stability and know that they are going to have a service for five or seven years rather than at the present time, when they do not know what bus service they will actually have in 56 days' time.

It will also give them the opportunity to have integrated ticketing. In the previous panel there was a lot of talk about the differences between London and the rest of the country. Nobody mentioned that in London, if you want to travel, all you need is an Oyster card or a contactless bank card. I live in a semi-rural area in Derbyshire. For my local travel needs, if I want to use services that are available at different times of the day and on different days of the week, I need three different multi-journey tickets to access those services. However, at the present time one of those services is on its third different timetable in this calendar year and the likelihood is that it will change again before the end of the current year. There is a lot of instability in a lot of areas of Britain. That is one of the clear reasons why passenger numbers outside London have at best plateaued, and in many areas, outside wonderful areas such Reading, Oxford, Nottingham and Edinburgh, they are dropping.

Q38 **Chair:** Does anybody else want to add to any of those attributes that franchising could bring?

Giles Fearnley: We seriously question what franchising can offer that serious partnership between authorities and operators cannot deliver. To look at an example, last November in Sheffield a revised new partnership was implemented between operators, the Passenger Transport Executive and the City Council. It has created a network that, in the combined authority's words, is close to what they would have prescribed under a franchise. Operators have given significant commitment to operating that, and the authority has been heavily involved in designing the network. We have a network that is meeting the needs of customers. It provides the capacity to meet demand but ensures that we are not unnecessarily using capacity and are spreading the capacity we provide across a comprehensive network around the city. It is delivering growth and integrated ticketing, called TravelMaster, in Sheffield. It saw reduced prices for that integrated ticketing come in at the point the partnership was launched last November and it is delivering all the facets that Dr Disney has just suggested can only be delivered through a franchise arrangement.

Q39 **Chair:** You said that franchising cannot deliver something that successful partnerships can't, but how many successful partnerships are there that would actually meet that bill? Is it very unusual to have partnerships that are working so effectively that franchising cannot improve on them?

Giles Fearnley: There are a very significant number of partnerships across England, as we know. They vary in depth and quality, but the majority are delivering for the passenger and providing a better experience. Through the partnership they are providing improved journey times. Through priorities and other measures that an authority would be introducing, the authorities are delivering their commitment to service levels and service quality. We see a range of areas where passenger volumes are increasing.

Even in areas of the country—Stoke-on-Trent was mentioned earlier—that are economically challenged at the moment, where it is very difficult for the economy, and that translates into the numbers of people using buses, you find pockets of the area and specific routes where growth is being maintained. Operators, through a partnership and in deregulated environments, have the incentive to look for, smell out and serve areas where there is growth potential to support the network. Right across the country, there are pockets where growth is continuing even if the overall picture is a little bit bleaker.

Dai Powell: Where partnerships are working well, I do not think franchising would be a threat. If the partnership is very successful, why would an authority change it? In the Bill I do not think there is a logic to say that, if the franchise is good and it is all working great, an authority is not going to franchise.

We have tried recently to work with an authority on a partnership, but because the dominant operator does not want to be part of the partnership there cannot be a partnership. That does not seem right. We have to be careful that we do not have legalised cartels—a small group of operators in an area, or one large operator and two small ones, where we make that the partnership and then put a legal wrapper around it so that no one else can get in. We should be very wary of partnerships and how they will work. Are we not actually going to reduce competition? If they are working currently, an authority will not suddenly say, "Oh, that is working fantastically, so we will change it for a franchise." They should have both powers.

Q40 **Chair:** Do you think the Bill as it is drafted at the moment would make the cartel problem worse?

Dai Powell: It does not solve it at all.

Q41 **Mary Glindon:** In relation to franchising, what lessons can be learned from the Tyne and Wear QCS process about the regulatory tests that LTAs should be subject to before franchising?

Robert Montgomery: I can answer that as I was involved in Tyne and Wear. The proposal that Tyne and Wear produced about four years ago looked very good on the surface, because bus fares would only rise with RPI; every single service would stay unchanged for 10 years; and all sorts of wonderful things would be delivered by that franchise. We looked at it and thought, "That looks too good to be true." When we examined it in some detail, together with the authority, we established that it was too good to be true.

Basically what it misunderstood was what happens to commercial trading risk. Running bus services is very dependent on levels of demand and on managing pricing, managing customers and managing the business. The Nexus proposal just did not feel right to us as an operator. We could not see how they could afford to do the things they were setting out to do. Fortunately, under the 2008 Act, there was a very robust process for examining the numbers and the assumptions and whether it would or would not work. Nexus had convinced themselves that they could afford it. By the time we got to the QCS hearing process, Nexus's finance director and the combined authorities' finance director accepted that there was a 33% chance they would not have enough money. They also accepted that after 10 years there was a 100% chance they would not have enough money, and therefore at best they had a two-in-three chance of doing what they said they would do for a period of time, but they would inevitably run out of money. When we asked them what they would do if they ran out of money, they said they would cut services and put fares up.

Franchising is a sort of magical thing. What do you get when you franchise? You get huge trading risk imported into the public sector. You get higher costs. In actual fact, you can do in a partnership everything that a franchising proposal is designed to do. The issues you really have to understand are the other things: can you afford it; how do you fund it; how do you pay for it; how do you deal with traffic congestion? London is always pointed to as having patronage growth because it is regulated. Interestingly, patronage is currently falling in London, because of rising congestion and the fact that the whole mobility market outside is now much wider than buses and cars. It is buses, cars, taxis and so on, and you cannot regulate everything. What would happen is that you would give a local authority monopoly pricing power in an age of austerity to deal with a very risky market, and that is likely to lead to instability in services and increases in fares. If, as a model, it actually worked, it would be worth looking at. The important lesson from Tyne and Wear was that the operators, the local authority and everyone had to have a very close look at what the proposal said and did. After that rigorous assessment, they established that it simply would not work.

Martin Dean: To supplement what Mr Montgomery said, the lesson from the QCS process was the absolute need for proper independent scrutiny. We are certainly concerned that that is not there at the moment. There is allowance for audit of schemes that come forward from a transport authority, but that audit does not equate to proper independent scrutiny. All the things that Mr Montgomery mentioned came out in a quasi-public inquiry, where we were allowed to scrutinise. We were given access to information. If we had not had access to that information, we believe that council tax payers in the north-east would have been given a poor scheme that would not have given them value for money. It is very important that there is proper independent scrutiny of these proposals.

There is one more thing. Mr Powell mentioned cartels and partnerships. It is very important again to get across to the Committee the point that partnership schemes, including enhanced partnership schemes, would not be exempt from competition law. If any operators ran a partnership scheme under a cartel arrangement, they would be subject to competition scrutiny. That has not changed before and it does not change now.

Q42 **Chair:** Are you referring to enhanced partnership schemes under the Bill? Could you clarify that?

Martin Dean: My point is that Mr Powell was expressing concern that partnerships would not necessarily help in a cartel situation. Cartels are illegal in the bus industry, as we know. Partnerships do not give any exemption at all from cartel behaviour. The point I am making is that partnerships are caught by competition legislation, which requires us to act in a proper manner.

Giles Fearnley: Any operator seeking to come into an area that is governed by a partnership would merely have to meet the service standards laid down by that partnership, which has to be in the customers' interest.

Q43 **Robert Flello:** In Stoke-on-Trent, the city I help represent, we have an economic cartel in the sense that there is one large bus company and a couple of very small ones, and they struggle to find any profit margins anyway, so anybody who wanted to come along—whether it was within a partnership, an enhanced partnership or a franchise or enhanced franchise—would struggle to squeeze anything out. What we are seeing is a situation where existing operators are scaling back, other than at peak times. My question to whoever wants to pick it up is, would any of the proposals, whether franchising or anything, find a way through the economic cartel that exists at the moment?

Robert Montgomery: The issue that raises brings us back to congestion, and so on. There are some very fundamental dynamics that impact on whether you can or cannot get people to use buses. Congestion is the biggest enemy of bus operation. That is not about punishing car users or saying that you should not be allowed to use a car. In any city—Stoke-on-Trent is no different—there is only a limited amount of road space. It is the one thing we do not ration in any way. We do not price it or charge for it; it is just a free-for-all and whoever gets there first gets in the traffic jam first. In the long run, it is in everybody's interests to create mobility in cities. That is about using road space rationally—public transport is part of using it rationally—and finding a way in which you can do that. What the Bill does not address is congestion. It is the biggest issue, but it is not mentioned.

In the evidence we gave you, we suggested that an authority should have to deal with, address and sort out traffic congestion before it even thinks about changing the model for delivery. You might very well find that you fix the congestion problem, and the bus market commercially will work very well. Changing the model itself will not solve the problem. Interestingly, the current situation as at today outside in London is that congestion has increased. It has increased as a result of some of the cycling schemes and various other things, such as the London economy. That increasing congestion has led to bus patronage in London beginning to fall.

Q44 **Graham Stringer:** Would anybody describe the current free market in buses, the deregulated system, as stable?

Robert Montgomery: In terms of stability, certainly we as an operator have seen passenger growth in 13 of the last 15 years. Would it be any more or any less stable if it were franchised or unfranchised? The point I made about the Tyne and Wear proposal was that it would not have brought stability. It could just have brought chaos when the money ran out. The issue is about how you manage mobility. If you create an environment in which operators can deliver good services freely with access to road space, bus use across the country would grow in the same way as it grew in London.

Q45 **Graham Stringer:** The reason I ask is that Stagecoach or First Group in their written submission—I cannot remember which; I don't have it before me—said that the advantage of a deregulated system over a franchise system was stability. I found that odd when you look at somewhere like Hartlepool, which has essentially lost its bus service, bus fares have gone up faster than the rate of inflation and there has been no benefit from the drop in fuel. I find it odd when route mileage has reduced over a period of time, whatever individual bus companies there are. Different communities have been cut off. Would you really justify calling that stable?

Robert Montgomery: As the majority operator in Hartlepool, perhaps I should answer that question. Hartlepool has not lost its buses.

Q46 **Graham Stringer:** I am going on the written evidence—I do not know Hartlepool very well at all—which says that significant communities in Hartlepool have been cut off and left without bus services, particularly in the evenings and at weekends.

Robert Montgomery: The only change in Hartlepool's bus services was a decision by the local authority to reduce support for bus services because it was not a priority for them. Therefore, they withdrew the services that they paid for. That has nothing to do with the stability of the bus market; it is a decision by a local authority, because it is under financial pressure, to spend its money in different ways. Most of the instability in bus services over the last few years has been a direct result of public sector expenditure cuts, which is why it is puzzling that the solution is to transfer the risk into the public sector when a lot of the instability we have seen in the last few years has been a direct result of a squeeze on public sector funding.

Q47 **Chair:** But isn't it the case that the commercial sector has withdrawn services from those areas?

Robert Montgomery: Not from Hartlepool.

Q48 **Graham Stringer:** In an area I know, where both Stagecoach and First Group operate, which is north and south Manchester, a lot of commercial services have been withdrawn and then there were either very high tenders for the subsidised routes or no tenders put in at all—very high numbers. Going back to the written evidence, in Greater Manchester, commercial bus routes supporting both a college and a supermarket were withdrawn and the bus operator said, "Well, go to another supermarket and go to another college." That is not a stable or socially useful system, is it?

Robert Montgomery: Can I revisit the Hartlepool point? I am thinking through what was happening in Hartlepool in recent years. We actually reintroduced services commercially which the local authority had withdrawn because they wanted to save money. I think we ran one of them for about a year or 18 months to establish whether there was demand for it. We subsequently withdrew it because the demand was very low. If anything, the private sector approach to Hartlepool has been to try to breathe life into it rather than cut services.

Q49 **Graham Stringer:** I also mentioned whether there was a passenger benefit from a drop in fuel prices of 60%, which I am sure you have hedged into the future. If you were looking for stability, you could really guarantee lower fares in the future. Where is the passenger benefit there?

Giles Fearnley: There are a significant number of examples, including in Manchester, where fares over the last two to three years have been reduced. Clearly, groups like those represented here and others have those forward hedges and will, I am sure, reflect future lower prices in their fares. If I may go back to your previous point, congestion continues to play a part in some of the challenges you are putting. My day job is running First Group's bus business. In Manchester itself, we are currently running over 30 additional bus services on the main corridor simply to try to maintain our timetable frequencies because of slower journey times through increased congestion. In a number of major cities in which we operate, we are having to take very hard decisions as to how we redeploy the assets we have to serve the majority of passengers. Manchester is a case in point, and Bristol is another one, where the congestion issues are so serious that we have had to redeploy vehicles to maintain frequencies on the core corridors that carry the majority of passengers.

Q50 **Graham Stringer:** Do you accept the written evidence that we have received from the Competition Commission that there is competition on only 1% of major routes?

Giles Fearnley: No.

Graham Stringer: What would your figure be?

Giles Fearnley: I do not recognise that 1% number. If one looks at a very specific route end to end it might well be 1%, but right across the UK where we operate we have competition on a very significant proportion of corridors, particularly the main corridors in town and city centres. It may be that at the far end of the route we are the sole operator, but for the majority on major corridors, we would find ourselves one of two or more operators. My guess is that we have significant competition—I use the word "significant" loosely—where the frequency of the other operator is close to or matches our own, if not in excess of it, in 30% or 40% of our business.

Q51 **Graham Stringer:** You are sitting next to the managing director of Stagecoach. Your buses do not compete with Stagecoach on many of the routes in Greater Manchester. You have a semi-monopoly in north Manchester and Stagecoach dominates the market in south Manchester. You charge higher fares in north Manchester than Stagecoach does in south Manchester. Why don't you compete?

Robert Montgomery: I think you might find that that picture is out of date, Mr Stringer. If you were to look at Manchester now, which I am sure you do—

Graham Stringer: I do. I use both your buses.

Robert Montgomery: We and First compete very extensively, both on price and frequency on the south side of Manchester and on the north side of Manchester. A lot of that dynamic has changed even in the last 12 or 18 months. Pricing is very competitive. The cost of travelling in Manchester as a consumer, if you need to use more than one operator's bus, has dropped dramatically in the last few years as a result of work the operators did together to create good value smart-based multi-operator ticketing. Maybe that has also helped to increase the level of competition, but there is significant competition between ourselves and First in the south of Manchester. There is significant competition between Manchester and Salford. There is significant competition on the Rochdale Road through Middleton. We have extensive operations in north Manchester competing directly with First. First have extensive operations in south Manchester competing directly with us. That is only the two of us. There are other dynamics there.

Giles Fearnley: Indeed. First purchased depot premises in south Manchester about three years ago to enable us to access south Manchester markets and give connections through the city. I know that Stagecoach have purchased premises in the north of Manchester similarly to give them that operational ability.

Q52 **Huw Merriman:** I was going to ask the same questions as Mr Stringer, but perhaps I can elaborate. I want to come back to the competition aspect. What proportion of your passengers—take Manchester, as that is an easy example—would be able to do the same journey via one of your competitors? You said it is a high number, but can you give us figures?

Robert Montgomery: It varies everywhere you look. What may be useful is to reprise some of the stuff that came out of the Competition Commission's market study. There are three kinds of competition on the buses. The biggest competition we face as a bus operator is car use. That is by far the biggest area. That is the area where, if we lose business, we lose it to cars. We do not necessarily lose it to another bus operator, although it does happen. We live in a very competitive environment in that sense, and that drives what we charge. It drives what frequencies we run. To go back to the issue of fuel, for example, when fuel prices fall it is really bad news for us. The impact of fuel prices falling is that car use becomes more attractive. Fuel is only 14% of our costs, so we do not make huge savings. Our costs are predominantly labour, and they do not fall very easily. When fuel prices fall, the incentive to drive a car grows and that is a competitive issue for us.

Q53 **Huw Merriman:** I completely understand that, but I am looking at buses. Could you limit your answer to buses?

Robert Montgomery: I will answer your direct question. We have direct on-the-road competition between bus operators, but we also have the constant threat of competition if we do not deliver good services with good frequency and at a good price. You mentioned earlier today that you could apply to operate a route at 56 days' notice. You don't apply; you just tell the Traffic Commissioner that you are going to do it. We do not need authority. We do not need any kind of approval. If we have an operator's licence and we give 56 days' notice, we can operate any service we choose to operate across England, and we do it.

To take the First and Stagecoach dynamic, for example, a few years ago most of the buses in Northampton were operated by First. Now most of them are operated by ourselves, and that was as a direct result of competition. In north Devon, about 10 years ago the buses in Barnstaple and Bideford were operated by First. They are now operated by Stagecoach.

Q54 **Huw Merriman:** That is the key for me. Rather than being in addition, it is now being operated by somebody else. Perhaps it comes back to Dr Disney's point. If it was the case that franchising was going to render the competition down to one, perhaps I would have concerns. If it turns out that there is not much competition at all, perhaps there is an upside in having more local authority control and prescriptive measures, with the stability, to come back to Mr Stringer's point, of a period when you know a company will be there rather than a service being withdrawn. That may be a point that Dr Disney wants to pick up.

Robert Montgomery: Just to be clear, on busy routes with high demand there will be more than one operator. On quieter routes where there is not sufficient demand, as we had in Stoke-on-Trent, there will not necessarily be two operators competing head to head. Any operator in that environment who pushes up prices will find that competition appears. The issue with franchising is that you are giving a local authority monopoly pricing power in an age of austerity, and fares can only go one way—and that is up.

Q55 **Chair:** Dr Disney and Mr Powell, do you recognise the competitive situation that has just been described to us? Is that what you see in the work you have done?

Dr Disney: There is a competitive situation on some of the most lucrative urban routes. In actual fact, in many cases—Manchester is a particular example of which I am sure Mr Stringer will be aware—it leads to a gross over-bussing of vehicles on some of the corridors. If you look at the Wilmslow Road, you just get one long procession of buses going along it, but if you try to go somewhere three or four miles away you might be down to one bus an hour.

There are two things that we have not yet mentioned this afternoon. One is that in recent months we have had the collapse of several medium-sized bus companies. GHA was serving large parts of north-east Wales and north-west England. Silcox was serving a large part of Pembrokeshire. WebberBus was serving a large part of Somerset. Only this weekend, Spirit Buses, which was heralded as one of the new leading lights of bus operation in Northumberland, issued a statement saying that it cannot guarantee being able to continue services beyond 5 November. Many bus operators are really struggling. Many of the smaller ones are just vanishing. They literally vanish on the actual day. There were instances with both GHA and WebberBus when buses were taken off the road in the middle of the day. People were literally left standing there wondering how they were going to get home.

Nobody has yet mentioned the concessionary fares scheme. This is a major funding element—I now purposely put my small rural operator's hat on—and it is something that is really crippling many of the rural bus services. Some bus operators are trying to operate commercial services where the local authority has actually cut funding, but they are faced with a declining reimbursement rate for concessionary fares that they have to accept. A telling statistic from our own operation is that in 2014-15, which is the last financial year for which we have the full stats, 68% of our passengers carried were concessionary fareholders, but the other 32% of passengers contributed 49% of our revenue. In other words, our fare-paying passengers, many of whom are young people trying to access work—in the Dales, particularly, a lot of employment opportunities for them are in tourism industries that need them to work at weekends when most of our services operate—have to contribute more. We have had to raise our fares for this current year by an average of well over 10% just to try to keep going. Many other rural operators face a similar situation, and even some of the larger operators. I travelled by one of the larger operating companies on what I would call an inter-urban route; a five-mile single journey was £5.70. If there were two of you, it would certainly have been cheaper to hail a taxi.

Q56 **Chair:** Do you think that the Bill, as drafted, will give more opportunities to small and medium-sized operators?

Dr Disney: If there is an opportunity to franchise by routes rather than by large areas, yes, because the smaller operators can come in, and many of them may be better suited to operate some of the more rural bus services.

Q57 **Chair:** But it depends on franchising by route.

Dr Disney: Yes.

Q58 **Chair:** Mr Powell, what is your view of the picture that has been put forward of a lot of competition?

Dai Powell: As everyone knows, 1% is a small figure in anyone's book. Rural areas or semi-rural areas are more important for small operators than large urban areas, or at least equally important, as far as franchising is concerned. As we heard in the previous session, there is quite often not much choice, and quite often there is a long time between services. People in semi-urban and rural areas need a level of stability.

We operate a franchise in Jersey that we have operated for three years. The population is only 100,000 people. We took it over from another company three years ago. We have saved the States—the local authority there—over £1 million by doing it. We have increased passenger numbers by 30% in three years and given back a profit share to the States so that they can put in pro-bus measures. They can take out car parking spaces. You can do that in a rural area. It is not expensive to do.

Transport for London in Jersey is a guy called Craig and that is it. That is all you need if you set it up properly. You should be able to do that in virtually any rural or semi-urban area. It is a myth that it is complicated. If you want a public interest test on whether you should franchise or not, the best one is the ballot box. If an authority makes a complete mess of it, it is so important to local people that they will vote that authority out. If they want to go there, franchising should be made much easier for them, but it is the ballot box.

In a lot of ways, they should be saying, "Oh no, we're not going down the franchising route; we're going for partnerships," and explaining to the public why they are going for partnerships, or why they are doing nothing. The public should have the right to know whether they want franchising, partnership or to keep the status quo. The public will decide. Running buses is not rocket science.

All local authorities in England spend £1.4 billion a year on home-to-school transport, because the bus service does not provide it. You end up with a shadow network. There is a commercial network and a social network. Below that, you have a community transport network. Surely, if you could work holistically, an authority could make much better use of the £1.4 billion.

I agree with John Disney that if a franchise is set up, it needs to be set up in such a way that small operators, very large operators like my colleagues here and medium operators can have a go at the market. You will get stability and competition. Our opinion is that you will actually increase passenger ridership as well.

Q59 **Chair:** What has to be done to enable that to happen?

Dai Powell: Franchising needs to be simpler. It needs to be very clear and there need to be clear guidelines. No authority will go for franchising if everything else is working well; there is no point. Why change it? If an authority can put in place a policy assessment—doing nothing, doing partnerships and doing franchising—it can decide what it wants to do and do it. Franchising needs to be easier, and the public interest test should be the ballot box.

Q60 **Chair:** Mr Dean, do you agree that franchising should be made easier?

Martin Dean: No, I do not, for the reasons we talked about before. The quality contract process was quite tortuous and it was difficult for those of us in the industry. We were involved in the north-eastern process and it was difficult. It showed that the need for independent scrutiny, as I mentioned before, served the customer and the council tax payer well because it exposed a scheme that was just not workable. Franchising needs to be independently scrutinised. It needs the ability of professional organisations and interested bodies such as bus operators to scrutinise the proposals and then to advocate our position in front of an independent panel. That is what happened in the quality contract process. If the quality contract process is not seen to be the right way forward, it is very important that the Bus Services Bill has something that is a reliable proxy in its place. We are very concerned that that is not there yet.

Q61 **Chair:** What would you like to see?

Martin Dean: It is important that operators have the ability to access the information that transport authorities have put together to develop a scheme. If we can look at the information that has been drawn together, although I totally concede that it is a partial view, it means that we can scrutinise and have a look at a scheme and put our point of view forward. That is exactly what we did in the QCS process; I am repeating myself, but that showed that it was a poor scheme, which delivered no extra benefits to the customer or the council tax payer beyond what was provided by the deregulated market.

Q62 **Chair:** What changes, if any, would you like to see to the current system? You are clearly very dissatisfied with the Bill. Is there any change that you would like to see—anything that is in the Bill or that has been left out?

Martin Dean: I would not say that we were very dissatisfied with the Bill. We have had good dialogue with the Department for Transport. The

Bill was largely driven by the previous Administration's desire to see more devolution in the regions. We are very supportive of that. We think it is good that there is a Bill for buses. There are a lot of issues, but, as Robert Montgomery said, we see it as a bit of a missed opportunity to address the congestion issue. For example, in enhanced partnerships we would like to see local authorities putting forward proposals for congestion reduction on which we can work together. That is the key issue. If you ask a customer what the most important issue is in terms of buses, it is not the regulatory regime; it is buses turning up on time and being reliable. There are things that we can do to make sure that happens. We can make sure that the bus turns up, does not break down and that there is a driver to drive it, but congestion is something we need assistance from the highway authorities to address. It is the biggest issue.

Professor David Begg, who is a well-known transport academic, has just done a big study on congestion. He called it a cancer that is affecting the industry. He used a strong word, but his view was that the bus industry had done well to preserve the patronage that it had in the face of the congestion that we are addressing and that is increasing year by year. A Bill for buses is a really good thing, but we would like it to address the key point for customers, which is congestion.

Q63 **Chair:** I want to ask everyone else to say, as briefly as you can, if there are any changes you would like to see in the Bill or if you would like the whole thing to go away, or whether on reflection you think it is a good thing.

Robert Montgomery: I echo what Martin has just said about the tests against franchising. The point we all need to be reminded of is that buses in this country have customer satisfaction levels, independently measured, in the upper 80% and lower 90% range. People are happy with their bus services when they are independently asked what they feel about them and what they like.

If any authority franchises, it is not something you can just do, play with and then go back. There is no going back. You destroy 30 years of work in creating that successful commercial proposition. You cannot just put it back, because at that point those businesses will no longer exist. The businesses that currently deliver bus services will be destroyed by the decision to transfer that business to the local authority. If the local authority, following an election, says, "Let's just put it all back the way it was," you are back to 1985 and all the transitional issues that go with that. You have a huge transition to get to franchising and a huge transition to get out of it, because we will not have addressed the core issue, which is congestion, and we will not build on the high level of customer satisfaction and success that we currently have. We change the model for no good reason.

Giles Fearnley: I share the comments of my colleagues, and I will not repeat them. Obviously we have spent the majority of the time this afternoon talking about franchising and the consequences, but what really excite us in the Bill are the enhanced partnership opportunities. There is so much more that can be done working with local authorities and the enhanced partnership framework. It is modelled on what has happened in Sheffield, which I described a bit earlier. That gives a real opportunity for closer, positive working, which will benefit the customers and communities we serve. What I really want to see in the enhanced partnership piece of the Bill is a requirement for there to be targets for journey speed reductions and for passenger growth, which we jointly as authorities and operators would sign up to. It is important that we have a target and are accountable to meet those targets.

The third aspect of the Bill, which we have not touched on at all today, is around open data. All I would say there is that the industry warmly welcomes the provisions on open data. It is so important to our customers that they have access to information about services, and increasingly in real time.

Q64 **Chair:** Mr Powell, you have made a number of positive points about what you would like to see. Is there anything else you would like to add?

Dai Powell: Two very quick points. First, businesses will not go away if you franchise. Between them, Stagecoach and Go-Ahead operate 40% of London, and that is a franchise market, so that is a red herring. Franchising need not be expensive. It should be available in rural and semi-rural areas as well as in elected areas to make the most of it.

Dr Disney: I would just like to see recognition of the difference between the rural and urban situations. We need to look closely at more funding for rural services, particularly making sure that councils fulfil their obligations under the 1985 Act to fill in gaps in the commercial network. To help commercial operators who want to try to run rural services, there should be a guaranteed minimum of at least 65% reimbursement rate for the concessionary passes. That would go a long way to securing many currently marginal services.

Chair: Thank you all very much.

Examination of witnesses

Frank Rogers, Nigel Blackler OBE, Andy Gibbons and Dr Jon Lamonte.

Q65 **Chair:** Good afternoon and welcome to the Transport Select Committee Could we have your name and organisation, please?

Nigel Blackler: Good afternoon and thank you for the opportunity to speak to you. My name is Nigel Blackler from Cornwall Council.

Frank Rogers: My name is Frank Rogers. I am interim chief executive of Merseytravel. I am also lead member for bus on the Urban Transport Group.

Dr Lamonte: I am Dr Jon Lamonte, chief executive of Transport for Greater Manchester.

Andy Gibbons: I am Andy Gibbons. I am head of public transport at Nottingham City Council.

Q66 **Chair:** What successes have you achieved through partnerships? What could franchising do that has not happened up to now?

Dr Lamonte: There has been quite a lot achieved through partnership. We have tried various forms of partnership over the years. Some of those things have worked very well. Our main concern is the passenger and what they need. There is no denying the decreasing patronage from the mid-1980s of 355 million journeys a year down to about 210 million, which has been pretty static for the last 10 years, so the public has a right to question whether they are getting the right sort of return for the fairly big investment they are making.

For us, franchising does two things that partnerships cannot do. One is to integrate the network among all the other modes. We have a very complicated transport picture now and we need, as we grow Greater Manchester, to be able to deliver a transport network to support it. The other thing is to simplify the ticketing system. Right now, in Greater Manchester we totted up that between adult, child and group fares there are about 60-odd different types of daily ticket, 50 different types of weekly ticket and 29 different types of monthly ticket. The average customer might be allowed to be a bit confused by some of that offering. There is a new opportunity to do something about that.

Q67 **Chair:** Could you do that through the advanced partnership suggested, or does it have to be franchising?

Dr Lamonte: If you want integration in a mandated way and properly integrated with all the other forms of transport, franchising is the best way to do it. There are certainly things you can do through partnerships, as we have heard, but to get that extra step and deliver something that is right for the economic needs of Greater Manchester—I certainly would not pretend that it is going to be right for everywhere—we think is where we need to go.

Q68 **Chair:** Mr Rogers, what are your views on partnerships, advanced partnerships and franchising?

Frank Rogers: We heard from the earlier panels that there is no one size fits all in this regard. UTG's position is that we welcome the current version of the Bus Services Bill as a piece of legislation that gives local areas the ability to determine which is the right solution for them, in consideration of the particular evidence relative to that local area. It puts that decision making into the hands of the democratically elected representatives of the local area. We are not committed to any of the options in the Bill. We want the facility for the Bill to enable local areas to best determine what suits their residents. Critically, an issue that perhaps has not been covered adequately so far today are the needs of the customer. That is what this is about; 80% of public transport journeys are made on the bus. This is a very significant piece of legislation, and the two earlier attempts to address the issues, in the 2000 and 2008 Acts, have not yet been able to facilitate a solution to the problem. The current Bus Services Bill moves us into a place where we have the potential to determine the right solutions in individual areas.

Q69 **Chair:** What do the provisions of this Bill enable you to do that you cannot do under the current scheme?

Frank Rogers: The provisions of the Bill enable us to progress to a position that does not give the facility of veto, should an individual organisation not be comfortable with a partnership. Partnership is what partnership says; it is an agreement between bodies—a partnership between bodies. The Bill will give the facility to implement an approach that has a non-vetoable arrangement in it. That is the benefit the Bus Services Bill brings. I reiterate that it is about enabling options for individual areas.

Q70 **Chair:** Mr Blackler, how important is this Bill to Cornwall?

Nigel Blackler: It is very important to Cornwall. In July 2015, Cornwall Council signed a devolution deal with the Government, included in which was a commitment from the Government—subject to the Bill coming into force—that Cornwall would be given the opportunity to take up franchising powers in order to deliver one public transport system for Cornwall. Since the Bill has started coming forward in its draft form, we have been very encouraged that not only is the Bill bringing forward the ability for Cornwall to do that but it also represents an opportunity to work with bus operators on an enhanced partnership basis. We are greatly encouraged by the additional elements that will come forward in enhanced partnerships.

At the moment, the council’s position is that we are pursuing both options. We are working closely with the bus operators in Cornwall at the present time, and we have had a very good response since the devolution deal was signed. We have agreed a bus strategy with the operators and we are now going forward to implement that. The operators’ commitment, which we have seen since the deal was signed, in terms of new vehicles coming into Cornwall for the first time and working on ticketing initiatives and real-time information, shows a very positive response from the industry. We are greatly encouraged. If we continue in that way, we believe that enhanced partnerships may well be the best solution for Cornwall.

However, we have the opportunity of bringing in franchising if we do not feel that we are achieving our objective, which is one public transport system for Cornwall—one network, one timetable, one ticket, one standard and one brand. We very much take the London transport example and want to apply that in a rural setting so that we provide one public transport system. Those objectives are what my members are using to assess the progress that we are making towards it. Our committed public position at the moment is that we will pursue both in the hope that enhanced partnerships, when they become available to us, will be the mechanism that we use, but we have the ability to go to franchising if necessary.

Q71 **Chair:** Does that mean that you are going to go down the path of advanced partnerships first to see if they work, or are you just assessing which you think will deliver for you?

Nigel Blackler: We are working with the operators at this time—not waiting for the Bill to come into force—to take forward measures in an enhanced partnership approach in the hope that that will get us to the position in Cornwall where we want to be, bringing together a single public transport network of bus, rail and ferry. There will come a point when we need to assess that. We are working with the operators to establish when that point will be and how that assessment will be made, so that my members can be in a position to take a view as to whether enhanced partnerships are the most appropriate way forward, or whether indeed we need to go the next step and request franchising powers from the Secretary of State.

Q72 **Chair:** Mr Gibbons, how can Nottingham benefit from this Bill?

Andy Gibbons: Quite a lot of it has already been said. The differences in Nottingham are that we have a very successful bus network, not just municipal but with private operators such as Trentbarton, which is a successful bus company. So far, we have got a lot from partnership working. The enhanced partnership scheme details in the Bill will help some of that, because at the moment we have to tie it to facility improvements. It is much wider under the Bill, so that may enable us to get more out of enhanced partnership working.

We have to make sure that we plan ahead and are ahead of the game. We are a very pro-public-transport authority. We have only got there by planning ahead and predicting how things will shape up. Our two issues are really to do with integration of our bus and our emerging tram and rail networks. Ostensibly, we cannot do that under enhanced partnership schemes, because they are based purely on buses. We cannot make sense of ticketing, in terms either of the simplification of fares or to get common smartcard and smart platforms. Doing that under a partnership system is incredibly challenging. It is much easier under a franchising system.

The tools in the Bill should enable us to get more out of enhanced partnership schemes, but in the background it will enable us to have franchising powers if we cannot stretch the partnership side of things so that we can integrate and simplify on the ticketing side.

Q73 **Graham Stringer:** I have two or three questions, the first to Dr

Lamonte. I did not recognise the description of a stable bus system in Greater Manchester that Stagecoach and First Group gave us. Do you have figures with you, or could you provide the Committee with figures, for the number of routes that have been deregistered over the last three to five years?

Dr Lamonte: I could provide you with more detail. Certainly over the last five years we have lost 5 million miles of commercial services. I can give you more detail if you want.

Q74 **Graham Stringer:** That would be very helpful. You would not describe that withdrawal of services as a stable situation, would you?

Dr Lamonte: No, I would not.

Q75 **Graham Stringer:** I thought that might be the case. This Bill has been brought about by George Osborne and the Greater Manchester authorities, looking to improve bus services. Can you tell the Committee what the Greater Manchester transport authority's approach to franchising is? I am trying to get at whether you will put out one large franchise and break it into 10 or three different routes. Do you know yet how you will approach it?

Dr Lamonte: I should preface all of this by saying that of course franchising is a choice for the elected mayor, once the elected mayor comes in. It will also be something that is subject to public consultation, and I would not necessarily want to prejudge what that might come up with; nevertheless one could envisage that packages of routes would be let. We are very concerned to make sure that competition is strengthened, and that there is an opportunity to do more of that. We would not necessarily recommend at the moment route by route; a number of packages around the area is the way we would probably approach it.

Q76 **Graham Stringer:** Are we talking three, five, 10 or 20? I am not going to hold you to it, but do you have a rough idea?

Dr Lamonte: No. If we looked at the number of depots around at the moment—there are about 14 large depots—it would make sense to look at a pattern of franchising that was somewhere around the number of depots.

Q77 **Graham Stringer:** I want to turn to the issue of congestion. I think the bus companies have tried to camouflage their own failures by blaming them on congestion. Mr Fearnley brought up the issue on Rochdale Road. We have recently had new bus lanes on Rochdale Road and across the city to the densely bussed routes of south Manchester. Congestion has increased over the period since there have been bus lanes there. Is that the fault of the bus lanes? Is there something else happening? Why has that happened? A lot of space has been given over to the bus companies, yet both buses and cars have got slower.

Dr Lamonte: There are a number of factors. The first thing is that we know that congestion is a contributory factor to people not necessarily wanting to use the bus. We know that where we have bus measures they certainly advantage the bus and make it a more attractive proposition, which is what we are trying to do. We know that some of the congestion caused recently in the city centre has been because we have been doing work, perversely, to introduce cross-city buses and put bus prioritisation on key routes throughout the city centre and, as you are aware, particularly on the Oxford Road.

It is also fair to say that there are areas where we have looked at bus lanes in other parts of the conurbation where we might review whether either their timing or their length is entirely appropriate. We are absolutely open to doing that. If we want to make bus something that people want to do, we have to provide the facilities to make sure that buses work. Bus prioritisation—I include bus lanes as part of that, but it is not the only part—is a significant factor in that success.

Q78 **Graham Stringer:** Mr Rogers, could I ask you similar questions? Assuming the new man for Merseyside wants to go for a franchising system, are you in a preparatory stage of looking at whether you package that for the whole of Merseyside or break it into five, seven or whatever?

Frank Rogers: I will speak from a Merseyside perspective rather than from a UTG perspective, given the question. We are going down an alliance route in the first instance. We are on the verge of signing off a voluntary partnership agreement. Similarly to what Nigel explained, we are exploring the benefits that we can get through a partnership approach. We will then see, through an evidence business case, what the right solution is for the Liverpool city region. We have no determined views yet. If, through the development of our alliance and our partnership, we see significant benefits arising, it may be that we do not go down the franchise route, but that will be a political decision. It will be based on evidence local to the area.

Q79 **Graham Stringer:** Could you send us similar figures to Dr Lamonte on withdrawn routes?

Frank Rogers: Yes.

Graham Stringer: Thank you.

Q80 **Huw Merriman:** I would like to focus on franchising. This Committee has opened an inquiry on franchising in the rail industry, and we heard last week that there seems to be less appetite for companies to bid for it. In certain instances, it will be similar to franchising on the buses and the risk and reward will be retained by the state. In this instance, you would be transferring it back from a private company to the state. It is fiendishly complex. The agreements that I have been through are enormous. Doesn't it seem as if you would be moving to yesterday's model? Do you have the resources to ensure that you are not disadvantaged when it comes to competitive negotiations with such large companies?

Dr Lamonte: I will answer the second bit first. In terms of the resource, of course we have been commercially contracting for the largest capital programme outside London. We already effectively contract 20% of bus services anyway and we have the very successful Metrolink, which is, in essence, a franchised tram service, and it is growing massively in patronage. We have a certain amount of expertise and track record on this. You are right to say that we have brought in additional people, interestingly from First and Stagecoach, to support us in the way we deal with it. As you say, it is a complex business.

Are we confident that we can do it in a simple way? An earlier panel said we should try to make it as simple as possible. Yes, we think we can. There are complex issues, but we need to work with elected members on how we do that and take them through it. It is then for the elected mayor to make the choice.

Q81 **Huw Merriman:** Would you recommend that you allow for competition on routes, or are you likely to segregate them and just create a bit of a monopoly?

Dr Lamonte: At the moment, with commercial services in Greater Manchester, 92% are run by three operators. Interestingly, on the subsidised tendered services, 36% are run by small and medium-sized enterprises. The reason for that is that we want both to try to get competition on the main commercial routes and to make sure in subsidised services that we preserve the role of small and medium-sized enterprises. We want to have that competition round. How we design it and the precise way we do it will of course come through in the business case that we will publish. It will be open to scrutiny and we will take it forward for consultation.

Q82 **Huw Merriman:** London has been used as a poster child, but as we have already talked about, London has congestion charging as well as enjoying very good subsidies. Is there a danger that when you do not have that, you do not necessarily have revenue control and effectively it nationalises all the risk and the reward, if it works? That is quite a big undertaking at quite a perilous time.

Dr Lamonte: Which is why I said earlier that this is not necessarily for everyone. Having worked in London, I am well aware of the situation there. I do not think we are a duplicate of London in any sense. Franchising is extremely common around Europe; in fact, it is the norm. Deregulation is the outlier. Places like Singapore and Perth are introducing franchising because they see the benefits of this approach. We have an enormous amount of international experience to draw on, and indeed many of the groups who operate buses actually operate in those spheres as well. People are used to operating it in London. They are operating it abroad as well.

Q83 **Huw Merriman:** Are you confident that the operators you use will still have a commercial department? Will they still have the need to market and be a success? Will you try to gear the contract towards them growing the network, or will they just be content to pick up their fee?

Dr Lamonte: That is an issue for the design of the franchise. Where you have gain-share arrangements, it incentivises the operator to put in investment and bring in innovation. That can be designed into the contract. We have examples of doing that in other spheres as well. I am pretty confident that we can do it again.

Q84 **Chair:** Is everyone confident that the new systems proposed will bring more competition and more opportunities for small and medium-sized operators? That has been a great concern expressed by a number of people. Mr Gibbons, what is the position from where you stand? Would there be more opportunities for small and medium-sized operations?

Andy Gibbons: Unless we go the franchising route under the alliance—the enhanced partnership scheme—I am not sure that changes the dynamic too much over the current situation, particularly at a time when we have restricted budgets as a local council. Most of our small and medium-sized companies are already propped up by contracted work, and that is diminishing, as it is in most areas.

Q85 **Chair:** Mr Blackler, what is your view on that in relation to Cornwall? Are there opportunities for small and medium-sized operators and would those increase or be reduced under a new system?

Nigel Blackler: We are working with the bus operators in Cornwall to make sure that we go forward with a model that recognises the important role that small and medium-sized operators play. About 80% of the services in Cornwall are operated by First Group and a further 10% by Plymouth Citybus. Those are the two national operators. Then we have 18 companies of small or medium size. They are a really important part of the public transport system in Cornwall and a very important part of school transport. We need to go forward with a model that recognises that, to make sure that they are not pushed out and we are not just left with one or possibly two large, dominant operators. That is uppermost in our thinking.

We also accept that to maintain a viable role for all operators in Cornwall the local authority itself has to invest in the public transport system going forward. Therefore, we have sought through various grant funding opportunities to get funds into Cornwall, where we can invest in infrastructure. It is not just bus infrastructure in terms of bus gates or real-time passenger information systems but also vehicles. The local authority would purchase vehicles and then make them available to operators to use, recognising that not all operators will be in a position to afford to bring their vehicles up to the standard that we need for a single public transport system in Cornwall. Who gets the right to run those will be part of the competitive tender process, but we recognise that the local authority needs to invest in some of those costs and that they should not all sit with the bus industry. That is not realistic if we are to see the improvements in quality that we are looking for and the standardisation across Cornwall in terms of the service that the public receives.

Q86 **Chair:** Mr Rogers, how would you address concerns about competition?

Frank Rogers: If we look at the existing arrangements that we have, 90% of the network in the Liverpool city region is operated by two operators, so there is a competition issue at the moment. I do not think the Bill will create greater problems than already exist in respect of competition and opportunities for SMEs, but it is critical that in the approach we adopt to this we all consider how to maximise the potential benefits and opportunities for the small and medium enterprises.

Q87 **Chair:** Problems in securing integrated ticketing and smart ticketing have been major issues for a long time. Will the provisions in this Bill enable them to be addressed in a better way?

Andy Gibbons: I don't think the enhanced partnership side of things will assist greatly because you still need majority buy-in from all the operators. Although it probably gives a local authority easier powers than they have at the moment to set up ticketing schemes, the conditions, the pricing, the premium for interchange and the equipment that is used will all depend on the voting structure within the partnership scheme, and that will depend on the market share of each of the operators within it. That will not change the dynamic. On integrated ticketing, uniformity, simplification and one simple smart system would only be solved through the franchising side.

Q88 **Chair:** Does anyone else want to comment on ticketing? Mr Rogers, how could it be improved under these proposals?

Frank Rogers: The Bill has a crucial role to play in respect of ticketing and ensuring that ticketing products are simple and integrated. The Bill gives an enhanced facility for that to be achieved.

Q89 **Chair:** We have been told by other witnesses today that the real problem is not to do with structures and regulation; it is about funding—money. What is your view on that and how could it change with this Bill?

Andy Gibbons: What has not been said so far is that the conditions for bus travel in any one area are dependent on the buoyancy of the market and key things such as whether you have a lot of students and whether car ownership is low. The funding side is important, but there are also some key roles that local authorities can play in terms of their planning regulations and the way they do their urban planning, and design city centres and their parking policies, in order to encourage the right conditions for bus travel under whatever regime is used.

Our view on the funding side of things is that we recognise there is not much funding around, but we feel that the one area missed out of the Bill is that under an enhanced partnership scheme it should be attached to the devolved bus service operators' grant. If the operators meet the enhanced partnership agreed standards within the partnership, they get the full, devolved bus service operators' grant, so that there is a financial incentive for them to keep meeting those standards. We feel that can only be done through devolving the bus service operators' grant and ring-fencing it within an enhanced partnership scheme.

Nigel Blackler: In Cornwall, since 2000, we have invested £36 million of Cornwall Council's funding in the rail network and we have seen passenger numbers grow by 140%. They continue to grow on average at 5% per year, and that is something we are keen to build on. We now have a further package of investment that will see quite a significant increase in the number of services on the main line operating between Penzance and Plymouth. There will be nine extra services a day and it will turn the main line into two trains per hour, which in our area is high frequency rail. That will create the public transport spine. Going forward, we want our bus services to integrate with that. If you look at the bus pattern in Cornwall at the moment, we are losing 4% of passengers per year. We recognise that we need to invest in the bus-based public transport system to integrate it and build on the success we have had with rail to provide one integrated public transport system.

Coming back to your point, just changing the framework under which we are delivering bus services and keeping all the finances the same would not work on its own, in our view. That framework is extremely helpful in realising our ambition, but we also have to bring some of our funding into the bus system in Cornwall, as we have done on rail, to bring it up to a comparable standard and bring the two together. We believe that if we can do that, we can significantly increase the number of passengers using public transport in Cornwall; and if we can do that, we will get more money back through the fare box and more of the network will become financially sustainable going forward. If you just consider that, on a daily travel-to-work basis in Cornwall, 78% of people travel by car and only 3% by bus, there is a huge market. If we can get the product right, we can go into that market and increase the number of people who use bus, with further increases in rail, which will increase the revenue coming in and support the public transport system going forward.

We think that is a far better way forward than presiding over a situation where you do not make those major changes and are constantly under pressure in terms of the reducing amount of money you have to support bus services going forward. Therefore, you are on a gradual decline in terms of the level of services you have and the number of people who can use them, with more and more people becoming excluded due to less availability of good public transport in order to meet their daily needs.

Q90 **Chair:** Is congestion a problem?

Nigel Blackler: Congestion is not as big a problem as for some of my colleagues in the major urban areas. We are finding in Cornwall that there are certain areas where congestion is becoming a problem. We are starting to introduce bus measures such as bus gates and, in certain circumstances, bus lanes. There is always competition for road space, as in the urban areas, and we have to make the case in each instance why it is appropriate to change the balance between the space available to the car and bus-based public transport.

One of the key things for us is that we need to increase the frequency of bus services to better make the case for giving more of that capacity across to public transport. As we found in one particular example, if you do not get that right, you get a tremendous amount of adverse reaction if the car driver is too disadvantaged. There is a balance to be struck, but the bus gates that we have put in so far have been well received. We are introducing a system where all our buses in Cornwall will have tags, so that we have a real-time information system. One of the benefits of that is that it will provide us with data to see where buses are consistently held up. That is hugely beneficial to the operators and to the local authority. It allows us to sit down with the operators and say, "Okay, where are the problems most prevalent? Where is it a consistent problem? Going forward, what can we do about it to improve reliability?" Reliability of service is really important for public transport users.

Q91 **Chair:** Mr Rogers, what else needs to be done apart from changes in regulation?

Frank Rogers: In terms of the Bill itself, I am relatively comfortable with the current status of the Bill and the proposals in it. The key for us is the statutory guidance. That needs to follow very quickly after the commencement of the Bill. It needs to be readily available to be able to implement the facilities in the Bill in an effective and appropriate manner.

Q92 **Chair:** What else should be done by the local transport authority, apart from using new regulatory powers if they come to pass?

Frank Rogers: I think it is exploring all the options that are available to it. As I mentioned earlier, there is not one answer that will suit all. It will be dependent on specific local circumstances. For some, the status quo may be the solution. For others, franchising might be the solution. It is about doing evidence-based analysis to determine the optimum solution for an individual local area.

Q93 **Chair:** Does it need more public sector money to go into the bus system?

Frank Rogers: Not necessarily, no. There are mechanisms whereby growth can be generated on the network and revenue generated as a consequence of that growth. We can look at alternative mechanisms. There is no need for the overall funding pot to have to grow.

Q94 **Chair:** Dr Lamonte, what is your view?

Dr Lamonte: To echo Mr Rogers, we know that where we make targeted investments we can increase patronage, as we have just done in a guided busway from Leigh into Manchester. We are already running at about 80% over the expected patronage for the first year, to the extent that we are now buying extra buses because of the extra demand. If we make good investments, we can increase patronage.

Equally, if we make investments in good infrastructure, whether that be bus interchanges or anything else, we can make this work. As Mr Rogers said, we should not start from the presumption that franchising should cost any more. Where we have evidence from the tendered services, we have actually been driving efficiency for the public purse through them, and there are opportunities to do that through contracting. Exactly as my colleagues say, if we get a good product of a high-quality standard, we can reverse the trend and get more people on to bus.

Q95 **Chair:** Is congestion a big problem?

Dr Lamonte: Congestion is a problem but it is not the only problem. That is how I would put it. Yes, we need to take measures to relieve congestion, but things around ticketing and actually having a bus there to get on matter.

Q96 **Graham Stringer:** In terms of financial viability, the big operators made quite a case that the council tax payer will suffer at the end of this. Do you have comparative figures for the return that big bus companies are making on capital in the deregulated system compared with what they make in the London system? RMT claim in their written evidence to us that the big bus companies are making 14% outside London. Have you looked at those figures?

Dr Lamonte: Yes, we have, but it is quite hard, from the bus companies' accounts, to determine precisely what the measure is, because of some of the accounting treatments that have been made. Our sense is that it is more outside London than in, but one of the nice things about the Bill is that it requires operators to provide information on ticketing, sales, revenues and all the rest of it. That will much inform the business case, so that we have an accurate view of what it is really costing and where we should be pitching our own business case.

Chair: Thank you very much, everyone.