TravelWatch
NORTHWEST

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***promoting quality public transport**..........*

Richard Yates
Buses and Taxis Division
Department for Transport
Zone 2/14
Great Minster House
33 Horseferry Road
London SW1P 4DR

12th November 2012

Dear Richard,

Consultation on Bus Subsidy Reform

1. Introduction

1.1 TravelWatch NorthWest is an independent Community Interest Company representing users of all forms of public transport in NW England. There follows our response to this consultation paper.

1.2 From its inception in 1964 as rural bus subsidy, fuel duty rebate (FDR now Bus Service Operator Grant - BSOG) has become an established crutch of Bus Operating Companies (BOCs). Yet it is poorly targeted, so we can understand the perceived need to replace it with a better value for money grant which is delinked from fuel consumption. However we would caution against making any hasty changes before all stakeholders, including ourselves, can be persuaded of their fairness.

2. Devolution of BSOG

2.1 A strong theme in this consultation, no doubt prompted by the government's localism agenda, is the suggestion that BSOG should be paid to Local Transport Authorities (LTAs and including ITAs in Metropolitan Areas).

2.2 We have reservations about this approach. Our chief concern is about the need for ring fencing (see below). We also disagree with the non democratic status of Local Enterprise Boards (LEPs) being able to influence LTA/ITA policy decisions about which bus services should be supported in the best interests of the local community.

2.3 We give our answers to the questions below from a viewpoint of safeguarding bus passengers services if the proposal to pay BSOG to LTAs for tendered services goes ahead.

3. Consultation Questions

Question 1 - Do you agree with how we propose to calculate the amounts to be devolved? If not, what alternative arrangements would you suggest should be used?

3.1 This proposal based on historic data is a very blunt instrument. So too, however are other suggestions. Rural transport services, for example, would be rewarded if paid on a mileage basis and penalised if paid according to patronage. There are analogies here with concessionary travel makeup. A major concern also is that the transfer of BSOG to LTAs **must** include an additional element for its administration, otherwise the DfT is just adding to the LTAs costs thereby effectively reducing the amount of BSOG available for tendered bus services.

Question 2 – Do you think that an additional amount should be devolved where a commercial service is replaced by a tendered one?

3.2 Yes - this **must** be provided for. Commercial services are always prone to become uneconomic and withdrawal but a replacement service may be regarded as socially necessary by the LTA. .

Question 3 - Do you agree that it would be better for all the relevant funding to be devolved on a single date? Or, are transitional arrangements needed and, if so, what is the best way of doing this?

3.3 Devolution on a single date would be less complex than on an end of subsidy basis, even though contracts would need to be renegotiated. The regulations need to place a statutory duty on the LTA to pay the same level of BSOG to the operator until the end of any current tendered contract

Question 4 - Do you agree that funding for incentives should not be devolved to local authorities until the further review of BSOG in 2014?

3.4 Yes, LTAs would otherwise have to pass these on to relevant BOCs

Question 5 - Do you agree that local transport authorities in areas with a Quality Contract Scheme should automatically receive the equivalent to BSOG funding?

3.5 Yes. We are concerned that there is a mismatch between the House of Commons Transport Committee's recommendation for an even handed approach to designating BBAs in areas covered by Quality Contracts and Quality Partnerships and the DfTs statement that the former areas will not qualify (4.43), despite the useful modification to that statement at (4.58)

Question 6 - Do you believe that there is a need to ringfence funding for an interim period? If so, what form do you think this ringfencing should take, and, in particular, how much flexibility should local authorities be given as to how to spend the devolved grant?

3.6 Yes, and not only for an interim period. There is a real danger otherwise of such monies being used for other LTA priorities and there would probably be further reductions long term in socially supported services as a direct result of no ring fencing. Long term ring fencing would ensure the money always goes to support bus services, even if the control of the Local Authority changes from one political party to another. The proposed guidelines of spending on measures directly related to bus or community transport services strikes the right balance. We cannot follow the argument (4.21) that longer contracts will delink BSOG from fuel consumption, although it might well do so.

Question 7 - Should BSOG for both live and dead mileage be devolved?

3.7 Yes, this was the rule for FDR and is well understood by BOCs, - it also encourages competitive tenders from a wider area. Withdrawing funding for dead mileage will put lightly loaded shoulder journeys at risk because of the resulting cost increase on those journeys.

Question 8 – Should BSOG for part services within a BBA be devolved?

3.8 Yes, the alternative would be very complex, and probably only produce a marginally different result.

Question 9 – Is the proposed method of calculating the BSOG in a BBA suitable?

3.9 No. It appears more complex than the concessionary fares reimbursement formula, and the use in the calculation of kms/litre of fuel does nothing to delink BSOG from fuel consumption,

Question 10 - Do you agree that the approach proposed to partnership within a BBA strikes the right balance between local transport authorities and bus operators?

3.10 Yes. Since the Transport Act 2008 provides for both statutory and voluntary partnerships the proposed approach can only apply to the latter.

Question 11 – Do you agree that any authority both developing a QCS and seeking BBA status should need to demonstrate the same standard of partnership working and support from local bus operators for the BBA bid as any other bidding authority?

3.11 Yes, although in this case the Authority will have more powers.

Question 12 - Is this transitional period for phasing out BSOG sufficient?

3.12 Six months is an ambitiously short time, but given that this will be a trial in a successful BBA it may be achievable if given the support of the BOCs

Question 13 - Do you agree that each of the services listed in section 4.66 should not be eligible for BSOG in future? If you do not agree, please explain why.

3.13 We would not exclude (i) services 50% available to the public, which embrace many hybrid school/public transport contracts, or (iv) rail replacement services. Also free services should not be excluded - for example the free Metroshuttle in Manchester subsidised by TFGM which is a valuable service within the city centre for public transport users.

Question 14 - Are there any other categories of service which are eligible for BSOG at present which you believe should not be eligible in future, and if so which are they?

3.14. No – we are pleased to see Park and Ride services are to remain protected. However we were concerned about the loss of the coach fuel rebate on routes in the NW where coaches acted as local services.

Question 15 - Alternatively, are there any categories of service which are not eligible at present but which you think should be in future?

3.15 Yes, as mentioned above, free Town/ City Centre shuttles on the basis that through their provision under a subsidy contract they are provided “at separate fares”. The test should be that any free service is always freely available for public use over the whole route without a requirement that a passenger has to go to/from a specific point.

Question 16 – Should buses operating under a Section 19 permit in BBAs and London continue to receive BSOG where they are not run in house by the local authority?

3.16 Yes, despite the anomaly of their exclusion from the definition of Public Transport in the Transport Act 1985 s10.

4. Other issues and Conclusion

4.1 There are a number of issues on which the **consultation is silent**. We would like to see these addressed.

- How do you make changes to an existing long term contract when/if the changes to BSOG are implemented?
- What happens to de-minimus arrangements? (These being payments for minor alterations to commercial services at the request of the Local Transport Authority)
- What is proposed for school buses that run as a registered service?
- What happens to the enhanced levels of BSOG currently paid for having smart ticketing, automatic vehicle location and hybrid vehicles? (Q4 only partially covers this point).

4.2 ***As intimated earlier our overriding concern on behalf of passengers is to ensure that the proposal does not result in increased costs, higher fares or a further reduction in bus service levels.***

Thank you for the opportunity to respond

Yours faithfully

John A Moorhouse

John Moorhouse
Company Secretary

Response prepared by Paul Fawcett MPhil FCILT