

THE DEREGULATION OF LOCAL BUS SERVICES IN SCOTLAND

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One of the pieces of legislation which generated considerable debate in 1985 was the new Transport Act which introduced the deregulation of local bus services (sometimes described as stage carriage services). This article is being written in June and the new act is not expected to reach the statute books until October or November, so it is possible although unlikely that some significant amendments could be made before then. Since the bill has already been through its committee stage in the House of Commons, where some amendments were agreed, it is not expected that the House of Lords will change significantly the proposals described below.

The Transport Act 1985 will take effect from the autumn of 1986. It removes the regulatory and licensing controls on local bus services which have existed since 1930. This follows on from the deregulation of long distance (express) services in 1980, which it is claimed has led to a great improvement in such services.

Following this introduction, this article looks briefly at the bus industry in Scotland. There is then a detailed assessment of the proposals in the White Paper and the Transport Bill, followed by a discussion of the Scottish reaction. The concluding section sets out the main implications for the Scottish bus industry, with some comments on the political aspects of the debate.

Most of the research on which this paper is based was undertaken for the Scottish Consumer Council as part of a study to help them determine their response to the Government's proposals. I am very grateful to the Council for permission to use this material.

The Scottish Bus Industry

The industry is dominated by the public sector in the form of the Scottish Bus Group (part of the Scottish Transport Group) and the four municipal operations in Strathclyde, Edinburgh, Dundee and Aberdeen. The Scottish Bus Group (SBG) operates through seven subsidiaries – W Alexander and Sons (Fife), W Alexander and Sons (Northern), W Alexander and Sons (Midland), Central SMT, Highland Omnibuses,

Scottish Omnibuses and Western SMT. Together their gross revenue in 1983 was £140.7 million, some 85% of the Scottish Transport Group's turnover. At the end of 1983 the Bus Group owned 3,117 vehicles and had 9,273 employees.⁽¹⁾

Comparable statistics are not available for the other public operations nor the private sector but at the end of 1982 the vehicle stock in Scotland was 8,635, of which the SBG accounted for 3,274, local authorities 1,946 and the private sector 3,415. Passenger journeys in 1983 totalled 750.2 million, of which SBG accounted for 42%, the local authorities 49% and private operators 9%. A better breakdown is probably given by vehicle kilometres, which totalled 412.1 million in 1982, of which SBG's share was 49%, the local authorities' 22% and the private sector 29%. Similarly, passenger receipts totalled £254.6 million in 1982, of which 50% went to the Bus Group, 32% to the local authorities and 18% to private operators.⁽²⁾

The breakdown in 1982 (the latest year for which detailed statistics are currently available) by the type of journey was:

	journeys	percentages kilometres	receipts
stages (local)	92.6	69.8	79.2
express	0.3	5.4	3.7
excursions/tours	0.2	1.6	1.4
contract/private hire	7.0	23.2	15.8

It is clear, therefore, that local services (stage carriage) account for most journeys in Scotland, although the breakdown by vehicle kilometre indicates that the average journey length is less than for the other categories. This is understandable since many local trips are to and from work, shopping or such like. In contrast, express services – which were deregulated in 1980 – account for only a small proportion of bus travel in Scotland. It seems reasonable to expect therefore that the deregulation of local services could have a major impact on the bus industry.

In this context “privatization” is not an appropriate description because the private sector is already well established in the industry. Although that is particularly true of the excursions and contract hire parts of the industry, it applies also to local services in some areas of the country. The West of Scotland is probably the best example with well established private firms such as Graham's of Paisley, Dodds of Troon, A1 and AA in Ayrshire. The private sector also has a large share of the express market through firms such as Cotter's, Newtons and Stagecoach. Nevertheless, in

the four cities and certain other parts of the country, the public sector dominates and the effect of the new legislation will be to open up such services to competition.

The White Paper and the Transport Bill

The White Paper on Buses (Cmnd 9300) was issued by the Government in July 1984. After a period for discussion and representations, the proposals appeared in the Transport Bill presented by the Secretary of State for Transport (Mr Nicholas Ridley) to the House of Commons in January 1985. With a few (relatively minor) amendments this is expected to become the Transport Act 1985 in October or November.

The main proposals in the White Paper were:

- (i) Bus services will be freed from restriction on competition by abolishing road service licensing throughout Great Britain (except for the framework of controls in London which will be retained for the time being).
- (ii) Supervision of the quality and safety standards of public service vehicles and operators will be maintained and tightened. Further resources will be provided for this.
- (iii) Many essential bus routes are not and never will be viable and local authorities will be able to continue to subsidise services that would cease in the free market. But they will be required to seek competitive tenders for contracts to run bus services which they wish to subsidise.
- (iv) Concessionary fare schemes will continue and all operators will be enabled to participate in them on an equitable basis.
- (v) The Government is determined to foster public transport in rural areas. Additional resources will be made available to help with problems in these areas. There will be a special innovation grant and a transitional grant for rural services. Wider use of services run by education health and social services authorities, the Post Office and others will be explored.
- (vi) The structure of the bus industry must be allowed to change to meet market needs. The National Bus Company will be reorganised into smaller free-standing parts which will then be

transferred to the private sector. The Government will welcome bids from the employees. Passenger Transport Executives (PTEs) will be required to break down their operations into smaller units, which will become independent companies. Municipal bus operations will be incorporated into companies still owned by their district councils. After a suitable transitional period, both PTE and municipal companies will stand on their own feet. They will compete with other operators for passengers and for contracts to run subsidised services.

- (vii) Taxis and licensed hire cars will be allowed to carry passengers at separate fares in certain circumstances. It is also intended to begin a gradual relaxation of the restrictions on numbers of taxis which apply in some areas.
- (viii) In Scotland, as elsewhere, quantity restrictions will be scrapped and quality controls strengthened. Special measures will be taken to improve services in rural areas. Subsidy will be subject to open tender and the structure of municipal and PTE operations will be changes to improve efficiency and reduce costs.

A separate chapter (7) of the White Paper dealt with Scotland. Most of the proposals are identical with those for England and Wales but an exception is made for the Scottish Bus Group which, unlike its counterparts south of the border, will not be privatized nor split into smaller units. Also, as indicated above, there will be special measures to cope with the special problems of rural areas in Scotland.

The Government's objectives are clearly set out in Chapter 1 of the White Paper. The basic thinking is (para 1.4):

“For 50 years from 1930 to 1980 local bus services were subject to a highly restrictive licensing system. Within this system the belief grew up that the way to provide comprehensive public transport is to protect the existing operators so that their profits from popular routes can cross-subsidise services for which there is less demand. The result of these worthy intentions has been to maintain a pattern of services developed for a different age and to neglect the best parts of the market. There has been too little incentive to develop markets, to woo the customer. Operators have been hampered by a philosophy that is defensive and inward-looking. For too long they have been placed in the highly discouraging position of having to argue with the traffic commissioners about every new service which

might affect some part of the existing network. In 1980 Parliament began to remove the barriers to competition by making it easier for operators to run new services. The last four years have shown that the industry has able and energetic managers who are ready to take advantage of new opportunities and that there is life in the bus market where operators have been prepared to try new ventures. It is now time to go further.”

Further (para 1.5),

“There is good evidence that services could be improved and costs reduced if we went about it in a different way. Without the dead hand of restrictive regulation fares could be reduced now on many bus routes and the operator would still make a good profit. New and better services would be provided. More people would travel. This is not idle speculation. In 1980 the Government removed regulation from the long-distance coach services. As a result fares have come down, new services have been provided, the number of people travelling has gone up, new vehicles with greater comfort provided for custom. Competition has done all this – and the customer is the beneficiary.”

The consumer interest is identified specifically. For example (Annex 2, para 5),

“The general case against regulation is that of consumer sovereignty. In principle, consumers should be free to choose what they will buy and existing producers should not be protected from competition from those who believe they can offer services that give better value for money to consumers. With control over entry, existing high cost operators are protected from challenge by cheaper operators and innovation is discouraged. Critics of regulation argue that the results of this have proved especially damaging in the period of the declining market that has characterised the bus industry for over two decades.”

“Against this, defenders of the present system argue that the disadvantages are outweighed by the support the system gives to the provision of a network of services and, in particular, to the ability to sustain many unremunerative services through cross-subsidy.” However, “regulatory systems cost money and resources to run. Apart from the direct costs of public administration, they impose costs and delays on operators, which have eventually to be paid by users through subsidy. There should therefore be a general

presumption that it is up to the defenders of regulation to show that its benefits exceed its costs and the evidence indicates that the disbenefits of regulation are so substantial that they far outweigh any risks and transitional costs associated with implementing the change.”

The text of the White Paper is fairly short – only 25 pages. Little supporting evidence is presented in the text but the interested reader is directed to three annexes on:

- (1) the bus industry : facts and figures;
- (2) regulation, subsidy and cross subsidy – a critique;
- (3) the effects of the Transport Act 1980 on local bus services.

Seven supporting consultation papers have also been issued, asking for comments on specific issues:

- (1) minibuses
- (2) tendering for local authority subsidized services
- (3) the sharing of taxis and private hire cars
- (4) services in the metropolitan counties
- (5) registration and control of bus operations
- (6) concessionary fares for the elderly and disabled
- (7) transitional rural bus grant

These papers deal more with the mechanics of implementation rather than policy issues but, where relevant, they are considered below.

In terms of evidence to support the various proposals, the main information is given in Annex 2 of the White Paper. This examines three main subject areas:

- the scope for greater efficiency in bus operations
- the potential for greater innovation in a competitive environment

- the implications of the loss of cross-subsidy

Annex 3 of the White Paper, on the effects of the Transport Act 1980, is essentially a summary of a report from the Transport and Road Research Laboratory⁽³⁾ which is discussed below.

On the whole, the evidence presented in Annex 2 is disappointing. Some of it is misleading and some of it irrelevant. That in itself does not mean that the White Paper proposals are based on unacceptable evidence but it is easy to understand why there has been so much criticism, particularly from the bus industry which is in a position to point out readily the inadequacies of much of the evidence presented in support.

Taking the three subject areas in turn, the evidence on costs and efficiency is the most convincing. Briefly, the argument is:

- (a) private sector costs are much lower than public sector costs – by 30% and more;
- (b) costs within the public sector show considerable variations, in particular NBC costs are much lower than most PTEs and municipals;
- (c) the possibilities for economy relate to direct operating costs and to costs of service, repairs and maintenance as well as to general overheads;
- (d) it would be possible to reduce the cost of service provision through a more efficient structuring of services to meet the pattern of demand

The evidence presented suggests that bus costs outwith London increased by up to 30% above the rate of inflation between 1972 and 1982, whereas over the same period motoring costs rose in real terms by only 3% and taxi fares by 10%. The implication is that the bus cost increases, and consequently fare increases, have discouraged bus travel and encouraged people to switch to other modes of transport. Much is made of the differences between costs in the public and private sectors, although the main data relate to Australia rather than the UK. Public sector fares have risen despite the substantial increase in subsidy payments (e.g. from 1.3p to 20.5p per vehicle kilometre between 1972 and 1982) and it is concluded that these subsidy payments ‘leak’ into costs and discourage efficiency. The Passenger Transport Executives (PTEs) are identified as the worst culprits and within Scotland Strathclyde is described as “a prime example of a high

subsidy/high fare authority”.

Regarding cost reduction, the main targets are clearly labour costs and the removal of restrictive practices. It is said that there is also scope for major reductions in service, repairs and maintenance costs, and for the better utilization of buses by adjusting the pattern of services to the pattern of demand. Cost comparisons are very difficult to make, as the White Paper recognizes, but the strong conclusion is that there is plenty of evidence to support the Government’s proposals. It should be remembered that these comparisons take little or no account of the quality of bus services, including frequency, off-peak services and the standards of operation.

Regarding the potential for greater innovation, the main argument is that this is discouraged by both regulation and the subsidy system. It is believed that deregulation will encourage the greater use of smaller vehicles such as minibuses and taxis. There is scope for selective fare differentiation, reflecting the costs of provision. It is expected that free entry to the industry will also enable new sources of capital and entrepreneurial skill to be tapped.

The third subject area considered is the issue of cross-subsidy, which has generated a great deal of debate. This is an integral part of the present local bus system and the available evidence (in particular the report on *Cross-subsidy in urban bus operations* by the National Bus Company and the Institute for Transport Studies, University of Leeds)⁽⁴⁾ suggests that cross-subsidy can be three to four times as important as direct subsidy as a source of support for unprofitable routes.

The White Paper recognizes the concerns about the abandonment of cross-subsidy under deregulation. There is the fear that it will be impossible to sustain a comprehensive range of services. Some local authorities have also felt that the promotion of common fare scales was part of their duties. The main fears concern the likely effects on the unprofitable services since many authorities regard cross-subsidy as an essential way of augmenting their limited resources for direct subsidy.

Two main arguments are put forward against cross-subsidy. The first is that people using profitable services are being made to pay higher fares than would otherwise be the case. Certain groups of passengers pay higher fares and receive lower levels of service in order to maintain services for other groups. In particular, it seems clear that rural passengers benefit, as a whole, at the expense of urban and inter-urban passengers. Those travelling during peak periods probably benefit at the expense of those

using buses at other times.

The Government is not opposed to subsidies for loss-making but socially desirable services. However, it believes that the current system allocates assistance in an arbitrary and disguised manner. There is no guarantee that those passengers or services deserving of subsidy receive it and, indeed, there is some evidence from Glasgow that the poorer areas of the city are subsidizing services for the more prosperous, commuter areas.

The second argument against cross-subsidy is that it means that operators decide which services should receive assistance. The White Paper states that these decisions should be taken by elected representatives (councillors) after proper testing that they are good value for public money and within the resources available to them.

Turning to actual evidence to support these views, the Transport and Road Research Laboratory (TRRL) has produced a series of reports in recent years on stage carriage (i.e. local) services, particularly in urban areas. Their latest report on the *Deregulation of bus services in the trial areas* (by R D Fairhead and R J Balcombe) is the most relevant to the current discussion.

The Transport Act 1980 introduced three changes of particular importance in the present context:

- (i) the deregulation of express services (see below);
- (ii) new criteria for the granting of road service licences for local services, placing on the Traffic Commissioners a duty to grant a licence unless to do so would be against the public interest;
- (iii) the provision for local authorities to set up ‘trial areas’ in which road service licensing would be abolished.

Three English counties – Devon, Hereford and Worcester, and Norfolk – took the opportunity to establish trial areas within their boundaries. Unfortunately, no Scottish authority did likewise so there is no direct evidence available from Scotland.

The White Paper comments on the results from the trial areas are very enthusiastic. For example, (para 1.9),

“in each of the areas the county has been able to obtain better value

for subsidy payments and in none has deregulation brought the loss of services which some predicted. The pattern has changed and services are now more in line with travellers' real needs(1.10) This shows that with imagination it is possible to obtain better value for money for services in rural areas."

The picture presented by the TRRL report is somewhat different, partly because it identifies certain problems which arose. The main conclusions are:

"All three areas were mainly rural, Hereford being the largest town in any of them. Hereford and Worcester County Council adopted a new revenue support policy, awarding contracts for subsidised bus services by competitive tender. This resulted in a transfer of services between operators, with a substantial saving in total revenue support, but little overall change in the rural bus network. There was considerable competition between unsubsidised services, mainly in Hereford but also on some inter-urban routes with dramatic fare reductions, frequency increases and continual service changes. In the other counties revenue support policies were unaltered, and councils looked to operators to take initiatives in developing new services. The resulting changes in Norfolk and Devon were on a very small scale, and insufficient to prevent a slow overall rate of decline in rural bus services."

Further,

"In itself, deregulation of bus services appears to have had little effect in rural areas, but it has led to lower fares and more frequent services in the town of Hereford and on some inter-urban routes. This competition appears to be unstable, and it is not yet clear what its long-term effects may be."

There is the recurring problem of separating the effects of deregulation from more general trends in the industry, notably falling passengers and rising costs. Also, some of the improvements could have taken place under the current system. This applies particularly to the invitation of tenders for unprofitable services, a practice which some Scottish local authorities already adopt.

Norfolk was the first trial area to be designated and it (a relatively sparsely populated area in the north west of the country) came into being in April 1981. The local council took a neutral approach in that it continued its

revenue support policies unaltered and took no positive action to stimulate new or competitive services. Services have continued to be provided by the National Bus Company subsidiary, Eastern Counties. Over the period covered by the TRRL report, services were reduced and fares increased but that was the case throughout the county. The private sector appears to have remained indifferent to the experiment. A few services were discontinued because of poor demand, others were rerouted in a few cases (providing marginal competition) and a few non-competitive services were introduced.

The Hereford trial area has attracted by far the greatest attention. Its designation was strongly opposed, both by the local NBC subsidiary Midland Red and most of the independent operators. The introduction of a tendering system seems to have saved the county council considerable sums of money – an estimated 38% of subsidy payments in 1981 and 46% in 1983. These savings are attributable to some previously subsidized services now being provided without subsidy, the payment of some lower subsidies to new operators and some service withdrawals. The general impression gained is that there has been no major change in the level of provision in the trial area as far as the unprofitable routes are concerned.

There has been considerable competition on other routes particularly in the town of Hereford. The TRRL report describes the fares battles between Midland Red and various independents, which at one point resulted in the introduction of free buses just in front of competitors' buses. Fares on many routes fell below the concessionary fare level, which created complications for the council.

The report concludes (page 6) that "demand for bus travel has increased as a result of this competition, but apparently not enough to support all the additional buses, especially at the current low level of fares the present situation appears unstable and the final outcome is uncertain it is hard to believe that the small operators will survive the competition by Midland Red indefinitely."

It also points out some of the problems which have arisen, including town centre congestion and concern about road safety. There have been many operator and timetable changes, which have confused passengers. The council have tried to help in this regard by the regular preparation and distribution of revised timetable leaflets showing details of all operators' services. Although the council had the additional burden of administering the tendering system, the report states that the existing staff proved adequate and the only additional cost was for a small amount of overtime.

Finally, the Devon trial area came into being in October 1982. As with Norfolk, the changes appear small and largely attributable to other factors. Fares have increased and there have been service closures but these changes would probably have occurred in any case. There has been very little interest by the private sector in providing services competing with those of the NBC subsidiary Devon General. The report attributes this to a reluctance to "put at risk the goodwill of Devon General who sub-contract work to the private sector and who operate the bus station in Exeter, providing facilities there for some of the independents." They also doubted that it would be profitable to provide additional services on competing routes. Two such services were tried but failed.

One other aspect is of interest in the present context. The designation of the trial area was postponed initially because NBC persuaded the council that, in the light of a recently completed market analysis project, revenue support could be reduced substantially without any significant loss of service. In the event these forecasts of savings proved optimistic and the council eventually went ahead with its proposals for the trial area.

Turning to other evidence, there has been a lot of material written on urban bus services, both by academics and the TRRL, and some of it is referred to in the Annexes to the White Paper. However, little of it is directly relevant to the present study although two other reports from TRRL are of interest:

- G A Cole and R L Jackson : *Developments in stage carriage bus fares before and after the Transport Act 1980*
- R D Fairhead and others : *Developments in long distance commuter coaching following the Transport Act 1980*

The main findings of the first report are:

- (i) It appeared that neither the frequency nor the magnitude of bus fare increases had risen in the wake of the Transport Act 1980 in any of the sectors of the bus industry that were considered (NBC, municipal and private). Indeed, it appeared that the rate of increase had declined. This was probably attributable to the combined effects of a falling rate of inflation, heavy patronage losses arising from economic recession, the outcome of local government elections held in May 1981 and a belief that high fare rises could stimulate outbreaks of competition.

- (ii) Some moves away from uniform prices had followed the Act within the sample of NBC subsidiaries studied. These had taken various forms, and none appeared to have been a direct result of the emergence of competition. Nevertheless by January 1983 some form of overall fare scale still dictated the level of most fares. Significant changes had not been noted in the municipal bus sector, where pricing policy fell more directly under the control of local politicians who might have wished to maintain uniformity on the grounds of equity.
- (iii) Overall it seems fair to conclude that there were relatively few significant changes in fare levels or policies between October 1980 and January 1983 that were directly attributable to the Transport Act. Perhaps because of the limited emergence of new competition other factors appear to have been more important in determining the course of events. Notable among these was the economic recession which, combined with the positive response to competition from existing large stage carriage operators, may have served to inhibit new entrepreneurial activity.

There has been some detailed analysis of the elasticity of demand for urban bus services, i.e. the extent to which fare increases reduce the volume of passengers. Unfortunately there has been little work on the obverse, i.e. what happens when fare levels fall, but it suggests that there would normally be a fall in total revenue for the operator.

It is unfortunate that so little research has been done on the industry in Scotland. There have been some good studies of rural transport but they offer little evidence on the subject of the likely impact of deregulation. However, some impressionistic evidence relates to the effects of deregulating express bus and air services in Scotland.

Regarding the former, the TRRL report mentioned above indicates that London has attracted most initiatives, with steady growth following the Act in both private and public sectors. By January 1983 roughly 185 commuter coaches served London daily carrying about 7,500 passengers each way. Of these about 6,800 were regular commuters who represented 5-6% of the total long-distance commuting market, although a rather higher proportion from certain localities. Further potential for increased activity may exist. Most coach users previously travelled by rail, lower fares being the major reason for change. The trade-off between lower fares and slower journey speeds suggests services have their greatest potential over

distances of roughly 20-40 miles. Patronage developed only slowly in many areas with operators running at a loss for some months initially before reaching financial viability. In the area of commuter coaching the Act thus succeeded in generating new services and in giving the public more choice, with gains to both users and coach operators, although at the expense of revenue loss on other modes of travel (notably rail and underground services).

As far as Scotland is concerned, the impressionistic evidence suggests that there has been a significant improvement in express services between the main towns and cities (including those south of the Border). Fares have come down substantially. The main sufferer has been British Rail although it appears that new traffic has also been generated. However, some people in the industry believe that the present position is unstable because the fares are too low to support replacement investment when the current coaches need replacing.

Regarding air services, the Scottish Consumer Council has been very active in promoting greater competition on the trunk routes (i.e. to and from London) and also encouraging new operators elsewhere in Scotland. Passengers on the London services would probably agree that the competition between British Airways, British Caledonian and British Midland and (for Aberdeen) Dan Air, has led to better services. Elsewhere, the emergence or growth of smaller airlines such as Air Ecosse and Brymon also appears to have been beneficial – to the passenger at least.

The Scottish Reaction

In the course of the study for the Scottish Consumer Council, interviews were held with 20 companies or organizations involved in the bus industry. These fell into four groups:

- (1) the public sector operators
- (2) the private sector or independent operators
- (3) local authorities
- (4) other interested parties.

Briefly, there was widespread opposition in Scotland to the White Paper proposals. Of the 20 people interviewed, only two could be described as strongly in support. Four others gave qualified approval but the great majority are opposed to the proposed changes. To the extent that there are divergent views with local authorities, it seems fair to conclude that many officials believed that the changes would become law, because of the

Government's substantial majority in Parliament, and that consequently the best approach was to comment constructively in the hope that the Government will modify some of the proposals. The politicians, on the other hand, were unanimous in their total opposition. It might be concluded that the officials have a better grasp of the political realities in Scotland and the UK!

Taking the public sector operators first, these comprise the Scottish Bus Group and the four municipal operators – the Strathclyde Passenger Transport Executive (PTE), Grampian Lothian and Tayside. The public sector operators will be substantially affected by the proposed changes. In the four cities – Glasgow, Edinburgh, Dundee and Aberdeen – they are monopoly operators (or virtual monopolies). These operators will have to become public limited companies, independent of subsidy (except through the tendering system), and will be open to competition. The Scottish Bus Group is by far the biggest provider of stage carriage services in the country and is to a large extent protected from competition under the present system. It too will be affected by the subsidy changes and will be open to more competition, although it will also be able to compete in the four cities.

Without breaking the confidential nature of the discussions, the public sector operators' responses are to some extent exemplified by Lothian Region. In his report to the Transport Committee the Director of Transport's main recommendations were to:

- support the aims of the White Paper to give value for money;
- support the principle of tendering for loss making but socially desirable services;
- support the stricter quality controls;
- reject the proposals to deregulate totally all services;
- reject the proposals to remove from councils the responsibilities for transport planning.

There is a common view that deregulation is incompatible with tendering. For example, what would happen if a local authority put a service out to tender because there was no initial interest from operators but subsequently an operator started running a service in competition with the subsidized service? The tender system operator must have some guarantees that such events would not occur during the period of the tender contract. Similarly, what if there is a profitable service but two or more operators compete on it and it becomes loss-making for all of them. Is this then an unprofitable service which the council should put out to tender?

The four public sector operators interviewed all rejected the basic criticisms in the White Paper of existing services – e.g. the maintenance of “a pattern of services developed for a different age”. That might be expected. However, from my own experience of bus services in both Aberdeen and Edinburgh, I believe that the great majority of bus passengers and ratepayers believe that the services there are efficient and good value-for-money. It seems generally recognized that as far as Scotland is concerned the White Paper is directed at Strathclyde and, to a lesser extent, Dundee. The Strathclyde PTE view is that many of the criticisms are unfair and take insufficient account of the problems of providing good public transport in the Glasgow area, particularly since the dispersion of much of the population from the city centre to outlying estates and areas.

In particular, the public bus operators reject the criticisms that they have been unresponsive to changing demands. The Scottish Bus Group is close to full implementation of the results of the Scotmap exercises, which the Group believes has resulted in a much better and efficient service throughout the country. From the consumer viewpoint I have reservations but Scotmap has certainly involved extensive discussions with the travelling public. The other three operators interviewed have also been regularly involved in similar market research, in addition to the direct observations they receive from passengers, their own staff and councillors.

Grampian is typical in this context. To quote from their latest annual report (for 1982-83),

“January saw the long-awaited introduction of service changes following the Scotmap review of Aberdeen city services carried out jointly by ourselves and W Alexander & Sons (Northern) Limited and overseen by Messrs Colin Buchanan and Partners. The implementation of the various changes to routes, frequencies and fares provided a welcome opportunity for more aggressive marketing of the services, with extensive use of local radio, TV and Press, and the production of new easy-to-read timetables and route maps. Every household in the city, nearly 100,000 homes, received an information pack in an unprecedented publicity exercise aimed not only at the regular bus traveller but also people who had never previously used public transport. Further interest was stimulated by introductory and experimental offers of reduced fares, particularly off-peak, a new range of Tourist Cards, Student Cards, Teen Travel Cards and Buzzabout Cards, the latter acceptable on both Grampian and Northern services throughout the region.

It is still too early to provide a detailed assessment of the impact but it is clear that the reduced charges have resulted in a 12% increase in the use of City Ride season tickets and the low number of complaints received indicates that the undertaking has responded well to the challenge of the new launch”.

The Strathclyde PTE has been particularly innovative regarding services to problem areas. Its recent experiments – or transport demonstration projects – include the use of minibuses, flexibuses and demountable freight/passenger vehicles for rural areas. These indicate that deregulation is not a prerequisite of innovation.

Two specific concerns of all the public operators are the implications for (a) integrated services and (b) concessionary fares and discount tickets. Regarding the former, in some areas there has been considerable integration between the SBG and municipal operations – Aberdeen being the best example. In the Glasgow area this integration also includes the rail and underground services. It is maintained that the integration of services – which has taken considerable time and expense to achieve – has been of great benefit to the travelling public and it is feared that the White Paper proposals will destroy these benefits.

Secondly, there has been a widespread introduction in recent years of concessionary fares (e.g. for the elderly and children) and special discount tickets such as the Strathclyde Transcard and the Aberdeen Cityride and Buzzabout tickets. Again, it is evident that these have been of great benefit to many consumers (as illustrated by their popularity). It is feared that the fragmentation of services arising from the White Paper proposals will result in the disappearance of such tickets.

The operators all insist that the quality control recommendations in the White Paper are adhered to. They believe that they provide a high quality, reliable and safe service, which the public appreciate and for which they are willing to pay a little extra. Standards in the private sector are generally lower and consequently costs are lower. Specific mention was made of the new design of buses which can easily accommodate wheelchairs – something which the private sector would not contemplate.

It seems a widespread view – not confined to the operators above – that existing safety and other standards are not adequately enforced at present by the Department of Transport inspectors and the Traffic Commissioners. Frequent references were made in this context to certain express services operating in Scotland. Finally, there is a specific concern of the SBG that if

they are forced to compete with the municipal operators then it must be on an equal footing – e.g. in relation to capital debt repayment and profitability targets.

Turning to the private sector, the ten operators interviewed fall into two main categories

- (a) those currently providing stage carriage (i.e. local) services;
- (b) those who currently do not but might under the new legislation (or are typical of private operators in Scotland).

Perhaps surprisingly, there was little support from this sector of the industry for the White Paper. Only one firm is strongly in favour, although two others expressed support with reservations. The general view is that the present system works well and that there is no need for major changes. Where there are considerable privately provided local services, as in Ayrshire, a state of “balanced competition” appears to have been reached between the independents and the Scottish Bus Group. I have not explored what agreements, if any, existed between the various parties but the position appears similar with that in Devon, described in the TRRL report.

Conflicting views were given on how the private sector will respond to deregulation. Of those currently involved in local services, only one anticipated a significant expansion. A few thought that they might try and provide a few extra services but were basically happy with their current levels of operation (in relation to the number of buses, employees, maintenance facilities etc). They seem reluctant to invest heavily in new buses and related facilities. The high costs of entry were mentioned by many people and the general assumption is that new operators would start on a very small scale, probably by tendering for a few unprofitable services. That implies that there would be no large-scale competition for SBG and the four municipal operators, all of whom have very large fleets.

Some of the independents are seriously worried about the negative effects of competition on their existing services. Here there are parallels with the public sector in so far as they also operate networks of services – of a “high standard” – with considerable cross-subsidy. These networks include many unprofitable services, particularly in the evenings and at weekends. The concern is that the ‘cowboys’ will come in and take the profitable services, forcing them to cut standards and costs, leading to a much poorer overall service for the consumer.

The main exception among the private sector is Stagecoach, the Perth-based company which began after the Transport Act 1980 and has rapidly built up a large share of the express bus market in Scotland. They wholeheartedly support the White Paper proposals and envisage a substantial expansion of their stage carriage operations. In particular they believe that there is a considerable latent demand for local buses, which is currently discouraged by high fares and poor services.

Turning to the local authorities providing subsidy support for services, there is also widespread opposition. The main additional concerns are

- the implications for subsidy levels;
- the loss of their coordinated powers.

Regarding the former, there is a strong belief that the loss of cross-subsidy will lead to a much greater requirement for direct subsidy for unremunerative services. Given the constraints on local authority spending they do not see how extra money could be provided, with the consequence that there would be a substantial withdrawal of services, particularly in the rural areas. It is difficult to estimate the magnitude of the increases which might be required but Highland Regional Council quoted an extra £534,000 in their subsidy payments and Fife up to £1.5 million (compared with £50,000 at present).

Highland raised an interesting issue about how the tendering system might operate in rural areas. At present, subsidies are negotiated with both SBG and independents using Commercial Motor cost tables. Essentially, the Council cover the net losses with an allowance for profit and they believe this system is both fair and encourages efficiency. In most of the region there is only one existing operator, either SBG or independent. When they put services out to tender under the new system, in many cases they would only expect one tender which they will be obliged to accept. However, the monopoly position of the tendering party will allow him to ask for much greater subsidy payments – and there is nothing the council can do, at least until the next round of tenders.

The complaints about the loss of the co-ordination powers are obviously to some extent special pleading. However, the argument is similar with that regarding the threat to integrated urban services. This is discussed in more detail below.

Regarding the other bodies consulted, most of these meetings were to

clarify points in the White Paper and the consultation documents. Specific mention should be made, however, of the Scottish Association for Public Transport who produced a statement on bus policy in Scotland in May 1984, just prior to the publication of the White Paper. The Association's secretary, Tom Hart, also has an article on the White Paper in the August 1984 edition of the Fraser of Allander Institute's Quarterly Economic Commentary. This is strongly in favour of the integration of all transport modes within a single policy framework and expresses concern about the possible destruction of the integrated transport network in Strathclyde. It also highlights the fact that the private motorist pays only a fraction of the real costs of motoring (eg in regard to expenditure on the roads).

These 20 interviews were held in 1984. Since then the Transport Bill appeared in January 1985 and, after the House of Commons committee considerations (which were eventually guillotined), in revised form in May 1985 for examination in the House of Lords. The changes are minor and mainly concern:

- the operation of concessionary fare schemes, in which operators will now be obliged to participate unless they can demonstrate "good reasons for not doing so";
- guidance on the new construction and use of buses;
- guidance on the adaptation of buses for the elderly and disabled.

There were also quite a few technical amendments on the municipal and PTE companies but these do not affect the spirit of the original proposals.

Within Scotland the main public opposition came from Lothian Regional Council. Fife also had a special campaign against the proposals but this attracted little attention outwith the Kingdom. It seems fair to conclude that this opposition had very little effect and it is surprising that very few amendments were tabled by Scottish MPs during the Commons committee stage. Little attempt seems to have been made by Lothian and the other authorities to get their local Members of Parliament to table relevant amendments.

Michael Forsyth, the Conservative MP for Stirling, had originally tabled an amendment which would have resulted in the privatization of the Scottish Bus Group but in the event he did not move that.

It is surprising that the widespread opposition in Scotland to the White Paper proposals did not translate itself into effective opposition in Parliament. Given the Government's majority in the Commons that would in any case have been difficult but the widespread concerns about the implications for rural areas crossed party boundaries and might have resulted in sufficient support for specific amendments – as happened with concessionary fares.

CONCLUSIONS

There has been widespread opposition in Scotland to the proposals in the White Paper but, under the Transport Act 1985, they are expected to take effect in 1986 with only minor amendments. It is difficult on existing evidence to forecast what the effects on the bus industry in Scotland will be but they are unlikely to lead to the revolution predicted by both supporters and opponents.

The case for change is not as clear cut as the White Paper claims. In some areas, such as Aberdeen and Edinburgh, local bus services are generally well regarded by users and appear to be satisfactory value for money. The criticisms of Strathclyde as a high fare, high subsidy authority take inadequate account of the difficulties in providing a good level of service in the Glasgow conurbation. Some of these difficulties, at least, would apply to private sector operations under the new regime. The Strathclyde PTE is also the most innovative of the public sector operations in Scotland. It is probably fair to conclude that the White Paper is directed mainly at the English metropolitan authorities, a view which is supported by the special treatment accorded to Scotland.

Although the more rural authorities appear unanimous in their criticism that rural services are being unnecessarily involved in an urban argument, it is undeniable that there is a serious and worsening crisis in the provision of rural bus services. The situation has deteriorated sharply since the Scottish Consumer Council reported in 1982.⁽⁵⁾ In that light, there seems little future in continuing existing, conventional policies. Scope exists within the current framework to try new approaches to rural transport but there has been little attempt to do so since the RUTEX experiments in the 1970s. The new framework would not necessarily generate experiments and improvements, but may do so.

Deregulation of express services has been beneficial to passengers on the whole. Fares have fallen substantially and on some routes there have been frequency additions. On the other hand, there is growing concern

about the safety standards and there have been quite a few closures of services, some at very short notice. The question is whether this experience can be transferred to local bus services and clearly there are different opinions. As indicated earlier, there is no firm evidence either way.

Cross-subsidy is the sacrificial lamb of the White Paper. In terms of support for loss-making services it is under the present system far more important than direct revenue support from the local authorities. Some cross-subsidy is a sensible commercial practice, given the fluctuations in passenger demand over a typical day. The White Paper recognizes this and states that operators will be able to continue such practices if they so wish.

Cross-subsidy implies that some passengers benefit and others lose. It is also possible that an individual passenger benefits on some journeys and loses on others. In practice, however, passengers are likely to fall into two distinct groups. Generally, passengers on busier routes are subsidizing "thin" routes; and to some extent the urban and inter-urban services are subsidizing the rural network. The main implications of the White paper are that

- (a) on profitable routes fares will fall and frequency will be improved;
- (b) on unprofitable routes fares and/or direct subsidy will increase or there will be closures.

One understandable concern is that a significant proportion of those using the unprofitable routes are not in a position to pay higher fares and will suffer if there are closures. Rural services seem particularly vulnerable. There are some ameliorative measures proposed in the Transport Bill, such as a special grant paid directly to operators of eligible services in rural areas. It is essential that these measures are implemented as indicated, that their effect is closely monitored and that stronger measures are introduced if proved necessary. A particular concern in this context is that the direct subsidy requirements of at least some local authorities may increase substantially. Given the strict constraints on spending, the obvious implication is that they will be unable to meet the higher requirements and that services will be cut.

Greater competition is a prerequisite of the success of the new proposals. The interviews with operators suggested that there would be little interest from the private sector in local services but obviously it is difficult to forecast what will actually happen so far in advance of the legislation. There has been sufficient competition in express services,

including the appearance of a major new operator in Scotland, to produce benefits to the consumer.

The trial area experience suggests that it would be sensible for local and central government to encourage actively new operators or the diversification of existing operators. There are many ways of doing this, including the provision of detailed advanced information of the new opportunities. It would be a great pity if local authorities maintained their opposition to the proposals after the legislation was introduced and provided no such information.

The two major deterrents to greater competition appear to be:

- (1) the near-monopoly positions of the Scottish Bus Group and the four municipal authorities, e.g. in relation to bus numbers and employees;
- (2) the high costs of entry, particularly the purchase of new buses.

Clearly, the first point requires careful monitoring. It is possible that there will be considerable competition between SBG and the municipal operators in the four cities. It is also possible that unofficial or official agreements will seek to maintain the status quo, to the extent of combining forces to keep out new competition.

More could be done to reduce the high costs of entry. The White Paper refers to a special grant to encourage new transports schemes in rural areas. In England this will be up to £1 million per year and (to quote) "similar arrangements will be made for Scotland and Wales". An indication of this precise figure for Scotland is required and for how long this grant will be available. £1 million is a small sum in this context and if the Scottish figure were only a proportion of that, the benefits would be negligible. The loss of the new bus grant is to be regretted. It would have encouraged the emergence of new operators and a greater response from existing operators to the new opportunities.

It remains to be seen what the real interest will be from the private sector. There are signs already that the Scottish Bus Group is taking steps to be in a position to compete more effectively through the formation of smaller, more flexible companies. The seven SBG subsidiaries have recently been converted into eleven smaller operations. Given the good records of the four city operations it is likely that they will also cope satisfactorily with the new environment, in which case the passenger will not notice many changes.

It is essential that a close watch on the industry is kept by the Scottish Office and local authorities. Although I do not expect there to be many adverse effects, there may be some in which case remedial action may be required. Scotland has done relatively well from the Transport Bill, in so far as the Scottish Bus Group is not to be privatized, and it may be necessary to make further changes in response to particular Scottish circumstances, notably the need to maintain services in rural areas.

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