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**SUPPLEMENT TO
THE TRANSPORT
ECONOMIST**

**BUS
DEREGULATION
SEMINAR**

20 February 1992

Supplement to Volume 19 Number 2
Summer 1992

The Journal of the Transport Economists' Group

THE TRANSPORT ECONOMIST

BUS DEREGULATION SEMINAR
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SOME INTRODUCTORY OBSERVATIONS

Peter White, Chairman of the Transport Economists' Group introduced the seminar with some thoughts to set the scene for the following presentations and discussion on the current government proposals for extending the process of bus deregulation to London.

The present organisation in London was largely determined by the London Regional Transport Act of 1984 which transferred ownership and control of London Transport from the GLC, prior to its abolition, to the Department of Transport. Separate rail and bus subsidiaries were set up and a process of tendering for bus services was encouraged. London Buses Ltd (LBL) was subsequently divided into 13 area operating companies - one of which, London Coaches Ltd, is due to be privatised shortly. These companies and other operators bid to operate tendered services.

Local bus deregulation was introduced to Great Britain outside London from October 1986 under the Transport Act 1985. The government confirmed its intention to extend deregulation to London in *"Bus Strategy for London"* issued for consultation¹ in March 1991. Although at the time of the 1985 Act it was envisaged that deregulation would be extended to London by Ministerial directive, it was found that a change in primary legislation would be required. As yet, Parliamentary time has not been found for this legislation. Because of the General Election, a bill will not be able to be brought forward until autumn 1992 at the earliest with 1994 being suggested as the earliest date for introduction².

The parallel experience of deregulation outside London and the retention of a planned network approach within London, coupled with competitive tendering, allows some interesting comparisons to be made over the period 1985/6 (last financial year before abolition of the Metropolitan Counties and introduction of bus deregulation) to 1990/91. Figure 1 shows a comparison of local passenger trips in broad areas of Britain. It shows that only London had an increase over the period 1985/6 to 1990/1, although at a detailed level it is likely that smaller areas within the shire counties may have experienced increases. Figure 2 shows the changes in bus kilometres run. As a crude proxy for level of service (i.e. frequency), bus kilometres run has shown an increase in all areas. However the capacity provided has generally risen much less due to the rapid growth in minibus activity.

Figure 1: Change in Local Bus Passenger Trips 1985/6 to 1990/1

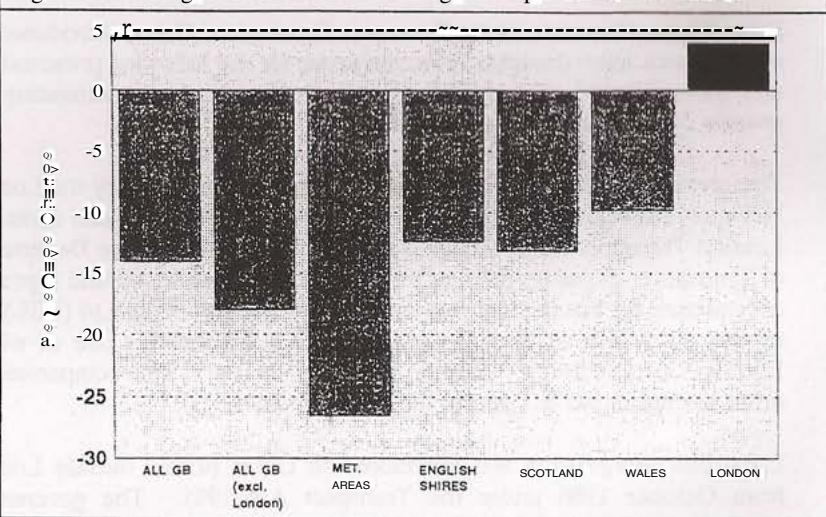
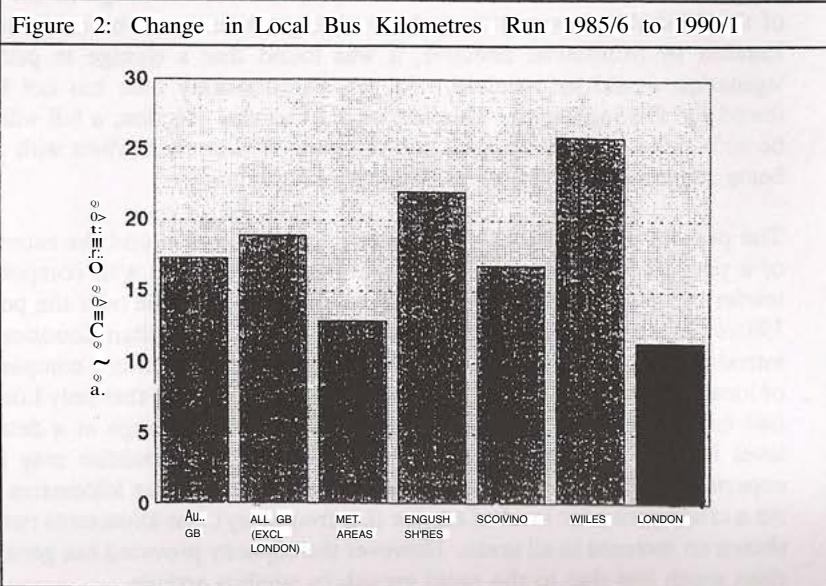


Figure 2: Change in Local Bus Kilometres Run 1985/6 to 1990/1



The two figures indicate a surprising paradox: London had the smallest growth in bus-kilometres but at the same time the only case of increasing ridership. Some of the losses outside London may be explained by increasing car ownership and the sharp rise in real fares in the metropolitan areas. However, if account is taken of the increase in bus-kilometres, the ridership observed is much less than would be expected on the elasticity values normally assumed (-0.3 for real fares, +0.4 for bus-kms). London, on the other hand, has a slightly higher ridership than would be expected after allowing for such factors³. Apart from the metropolitan areas, real fares have changed little on average, both in the shire counties and London itself. In London the average revenue per trip (taking both cash fares and Travelcards into account) has changed little since 1985/6, despite the apparent increase in the DTP's fares index⁴.

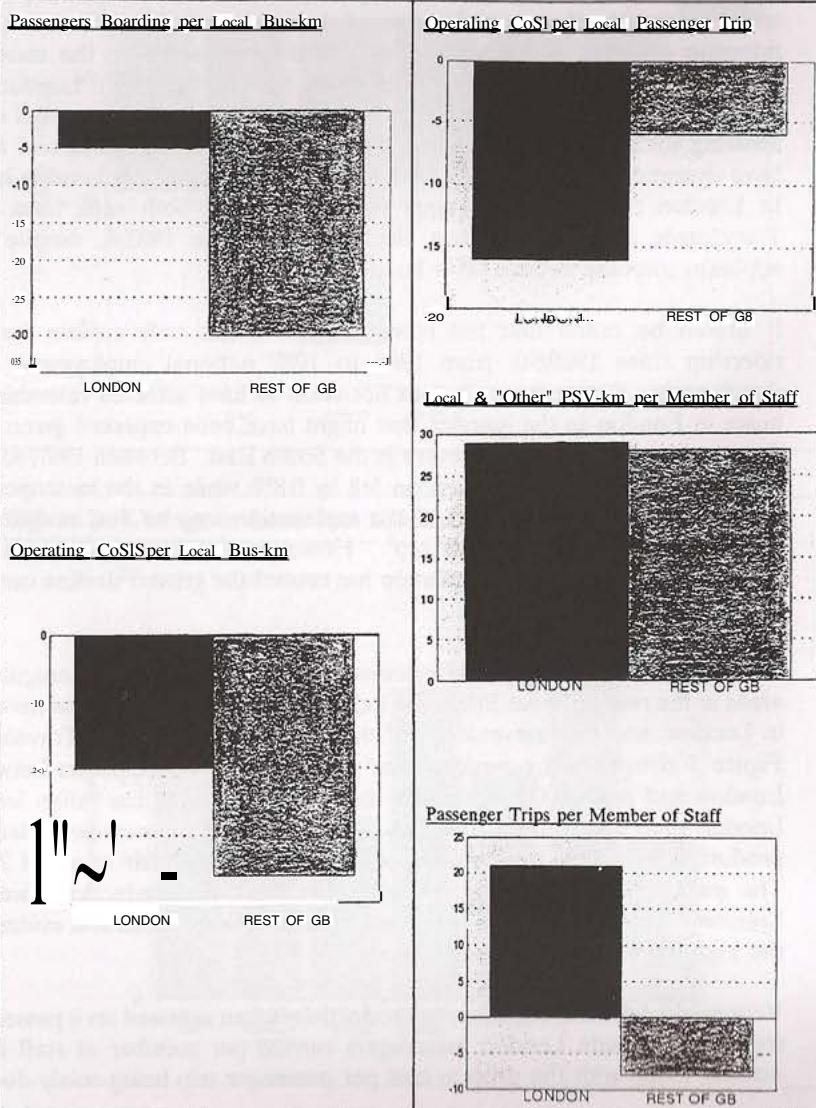
It should be noted that the recent recession can only explain loss of ridership since 1989/90: from 1985 to 1989 national employment rose significantly. Furthermore, it does not seem to have affected ridership on buses in London in the manner that might have been expected given that the recession has been most severe in the South East. Between 1989/90 and 1990/91, bus passengers in London fell by 0.8% while in the metropolitan areas the fall was 7.3%. Part of the explanation may be due to different rates of growth in car ownerships. However, the extent to which car ownership compared to deregulation has caused the greater decline outside London is unclear.

Other explanations to the differences between London and deregulated areas in the rest of Great Britain include the greater stability of the network in London, and the convenience of the all-mode, all operator Travelcard. Figure 3 compares the performance on a number of indicators between London and rest of Great Britain, the cost per bus-km has fallen less in London than elsewhere (-20% vs. -36%), although the increase in labour productivity (bus-km per member of staff) was very similar at about 28%. The main difference lies in the scope for real wage reductions outside London which, at least until the recent recession, were much less evident in the high-wage London labour market.

Very marked differences occur in productivity when assessed on a passenger trip basis. Outside London, passengers carried per member of staff have actually fallen with the drop in cost per passenger trip being solely due to

Figure 3: Comparison of Performance between London and Deregulated areas of Great Britain.

All graphs show Percentage Change 1985/6 to 1990/1



lower wage and fuel costs. With the fewer passengers and more bus-km outside London there has been a sharp drop in passengers boarding per bus-km. Within London, bus-km have risen only slightly more than passenger trips leading to the small fall in average load (-5%). Thus, the cost per passenger changed by -16% in London compared to -6% elsewhere.

The net effect of these changes is that public expenditure on buses fell by a similar percentage in London and elsewhere. Outside London, a sharp drop in unit operating costs per kill. enabled a high proportion of mileage to be registered commercially and low bids were made for the tendered mileage. However, despite the large fare increases in the metropolitan areas, revenue fell. Within London, revenue rose slightly even though costs fell less than outside. After taking account of concessionary fares compensation, the net revenue support outside London fell by 53% between 1985/6 and 1989/90. Although not directly comparable, due to the different accounting system in London, the net subsidy required also fell by 53% over the same period.¹⁴

These data suggest that, in aggregate, the performance in London has been much better than elsewhere. The combination of efficiency targets set by central government and savings directly through the tendering system has produced significant operating cost savings. The instability found in networks elsewhere has been avoided.

However, this is not to take a complacent view of the situation. Further scope for efficiency gains may be found and the existing system is rather centralised in its network planning and tendering procedures. There may be scope for more local initiative, whether through existing LBL subsidiaries or other operators. Even if they obtain bus service licences through the Traffic Commissioner, other operators do not gain the automatic right to participate in the Travelcard system or the concessionary fares scheme.

The latest government statements seem to indicate a less forceful approach to deregulation than hitherto¹⁵, with a continued role seen for the London Regional Passengers Committee for example. Although the Labour Party opposes extension of deregulation to London, its own policy statement indicates some confusion regarding the way in which the present tendering system operates. Their alternative "franchise" system is not clearly set out.

With the preceding thoughts in mind, a number of issues for discussion were suggested:

1. If deregulation is introduced in London, what form would it take, and how might some of the dangers found elsewhere be avoided?
2. How would existing operators respond to this change?
3. What scope exists for further unit operating cost reductions?
4. How should passenger information and ticketing be handled?
5. What is the role of the Travelcard? Should special safeguards be introduced, rather than relying on voluntary inter-operator co-operation?
6. Increased pressure on the concessionary fares budget is evident in many areas: e.g., Tyne & Wear and West Yorkshire PTEs have re-introduced cash fares where free off-peak travel for pensioners previously applied. Will this also occur in London?
7. One can argue that the centralised network planning and tendering has proved successful in London, yet local bus managers display a strong wish for greater local initiative. Is there a "culture gap" between the planners and operators? If so, how might this be resolved?
8. Both inside and outside London, bus fleet replacement is at a very low level with severe effects on bus manufacture in Britain. What can be done to finance an improvement in replacement rates?
9. Who will own depots in the future? This is closely linked with the environmental acceptability of many depots now used by operators. Road freight licences requires that environmental

objections to operating centres be considered and it would seem logical to extend this to bus O-licences.

10. If deregulation as presently planned is not seen as desirable, what alternative would we wish to see? The status quo or some alternative reform?

Notes

1. A Bus Strategy for London. Consultation Paper issued by the DTp, March 1991.
2. Interview with Roger Freeman, Minister for Public Transport, in December 1991 supplement to Bus Business, page 3.
3. M.B. Fairhurst (1991). An analysis of bus passenger traffic trends in England since 1982. Research Report R272, LT Planning Department, December 1991.
4. P.R. White (1991) Three years' experience of bus service deregulation in Britain. Paper presented at the Second International Conference on Privatisation and Deregulation in Passenger Transportation in Tampere, Finland, June 1991.
5. Trends in the number of licensed private cars in London, other English Metropolitan counties and Great Britain. Research Memorandum RM427, LT Planning Department, January 1992.
6. See Bus Business 8 February 1992, page 1.
7. A Strategy for London. The Labour Party, December 1991, pages 15-19.

This is an edited version of the paper issued to seminar delegates.

THE DEPARTMENT OF TRANSPORT'S PROPOSALS

Mark Lambirth, Department of Transport, began by considering three questions:

1. Why is the government convinced that something must be done?

Traffic speeds in 1990 were down to 10 mph in central London with no variation throughout the day and congestion spreading throughout London. On the public transport side there had been long-term decline since 1950 which was suddenly reversed in 1983 with increases of:

Underground	40%
Network SouthEast	18%
Buses	0% over decade; 9% from trough to peak.

There is increased demand pressure on all forms of transport with very great economic and environmental costs. Therefore there are limits to being able to get more out of the system. If growth continues for transport then it will be necessary to look to buses.

2. Why deregulation?

Deregulation is a political issue with the question of markets vs. planning shifting back and forth. Buses and underground have entered disputed territory between markets and planning.

The Minister's view is that the market provides the best approach to match supply and demand.

3. What does deregulation involve in London?

In a sense London is already deregulated. Local licensing involves:

- i) with a PSV Licence then
- ii) an application can be made to the Traffic Commissioner who can only refuse if it is contrary to the public interest.

Therefore, there are very few statutory obstacles. The problems arise after

entering the market since passengers are divided into three equal parts: cash customer, passes and concessions. It is very difficult to cater only for cash customers and it is very difficult to get in/o the Travelcard/concessionary fares schemes.

Travelcard: If the new entrant puts more money into the Travelcard pool then LT are happy; if not, then LT will not share the existing pool money.

Concessions: Boroughs are already paying over £100 millions on an extensive bus network and do not see any reason why they should pay more. Any extension would need the unanimous agreement of all boroughs.

From Deregulation day it will only be necessary to register with the Traffic Commissioner who checks with the regulations. If there are no objections then th,- operator may proceed after 42 days.

Concessions: The boroughs will have until 31st December to publish their scheme. If this is not done then the previous scheme rolls forward. Once the scheme is made then any bus operator will have a statutory right to enter the scheme and the boroughs can compel the operators to enter. The operator will have the right of appeal.

Travelcard: The principle is simple, however it is very difficult legally. If there is any travelcard scheme (London-wide or local) a potential operator can apply and may appeal if refused entry.

Under section 32 of the 1984 LRT Act, an operator can enter into an agreement with LT who has the responsibility for fares and quality/level of service. In a deregulated market LT will not have any power. There will be no control over what an operator has to register, but once registered that service must be maintained.

The Central Bus Authority will be formed with a London Bus Executive. The Executive will look at gaps in the network, bus stations, stops/stands and the provision of information. Ministers favour a fairly small (7) authority plus officers (currently at LT?) who will work closely with operators, boroughs and other PT providers to provide integration.

The Customer will need to be protected through consumer representation.

Questions

Michael Marr asked what are the government's targets for levels of ridership?

ML: are no advance targets; the market will decide.

Peter White asked what were the expectations of trends?

ML: None.

John Glover (Colin Buchanan & Partners) asked whether the legislation outside London on concessionary fares for children is to be used in London legislation?

ML: there is not a statutory reserve scheme; the principle is that the London market and that outside London are similar.

John Wilson (Sovereign Bus & Coach Co.) asked that if it is decided that a 10 min service is viable, what would happen if LBE decided that a further 10 min service should be tendered?

ML: LBE duties will be same as a PTE - the only difference would be government-funding rather than a local authority body - therefore not so likely to happen.

John Wilson also asked that on travelcards/concessionary fares, what levels of fares foregone will lead to reimbursement?

In reply, Mark stated that operators are to sort out travelcards themselves: the revenue apportionment system could be fares foregone.

In following-up, John Wilson said that this could be difficult in a multi-modal ticket because it is unlikely to be agreement with rail-based industry. The reply stated that the bus industry should concentrate on the bus pass.

Robin Pulford (LT Public Affairs) asked whether it is the intention the groups of excellence in London Transport should move to the new LBE?

ML: There is an information requirement - the Minister is interested in what is the scope for a London-wide information system.

Simon Thomas (LT Travel Information) stated that the telephone enquiry service provides a comprehensive service which is difficult to see where this fits in?

ML: Ministers are aware of the need for something above LT and LBE which could cover this service.

John Glover What projections have been done of future travel demand? Even if economy grew it is not known what happens to LT. There may be more decentralisation, tele-conferencing, competition from other cities. Planning assumption is that demand may grow again - at a cautious 1% per annum.

Report by Laurie Baker, Principal Transport Planner, London Borough of Camden

CONSEQUENCES OF BUS DEREGULATION I

Peter Hendy, Managing Director of Centrewest, London Buses

Peter Hendy began from the possibility of the implementation of a free market and what this means to passengers, the company and staff. He stated that given the Government's stated policy, he prefers deregulation to the method already employed to implement "market forces" in the London bus industry. Mr. Hendy stated his belief that it is important to recognise the legitimate viewpoint of the operator in what is proposed.

Background

Centralised control of London's buses goes back to the LGOC of the 1920s. Buses in London have been a centrally organised public monopoly with strong public service connotations until the 1980s. During the 1980s the main changes have been:

- * the introduction of route tendering and the loss of monopoly.
- * a change to a cost-driven philosophy and subsequently to a market-oriented one.
- * the introduction of local autonomy in a succession of management reorganisations.

This has resulted in ten local companies with manageable geographical areas and size of business. The management has focused on the local market, financial and service performance plus employment responsibilities and controls. In the approach to deregulation the companies will be further affected by a market-place economic environment.

Issues of Deregulation

The major part of Peter Hendy's talk were based on thirteen main issues that he had identified.

1. Cash Fares

These would be determined, for the first time, by the operator and not by

government direction through London Transport. There will be less consistency and every operator will review costs and revenues for particular routes, at particular times of the day and take a view on the potential for revenue generation. It is likely that there will be a move back to graduated scales and, with the removal of revenue support, cash fares will rise, except where there is significant competition (and even then perhaps not for long).

2. Travelcards and Bu" Passes

A significant amount of off-bus ticketing is of enormous benefit to the operator. It generates travel, can enhance knowledge of the bus network, reduce stop and boarding times for OPO buses and reduces the volume of cash handled by staff. It would, therefore, be disastrous if off-bus ticketing disappeared.

However, the current arrangements have some problems for operators. These are:

- * the very large discounts given on the tickets.
- * the revenue apportionment between British Rail (BR), London Underground (LU) and the buses effectively giving a 50% discount from buses.
- * lack of sufficient information about revenue and costs of routes and the cost of obtaining it.

Operators will wish to retain Travelcards and Bus Passes provided there is realistic remuneration. Work within LBL companies suggests that the following principles would give a workable ticketing system:

- * bus pass system operated by a jointly owned consortium of operators to ensure fair remuneration.
- * a scheme open to all operators with no artificial barriers.
- * commercial decisions, including price, validity, ticket type and availability being determined by participating operators.

- * a fair apportionment of the revenue reflecting revenue foregone rather than passenger mileage (that favours rail).

The future of the multi-modal travelcard is less assured. There is the need for BR and LU to accept that bus operators should have a realistic return.

In summary, it is certain that prices will rise but there will be freedom for local initiatives and rail operators might be enticed to offer a bus pass as an "add-on" to the rail travelcard. These issues need to be resolved before registrations are called for, otherwise it will be impossible to determine the extent of the commercial network.

3. Concessionary Tickets (OAPs, disabled, etc.)

There is no reason why the concessionary fares scheme should not continue and the operators wish that it is common across all 32 boroughs. Again there must be adequate reimbursement and the subsidy must be made wholly by the local authorities. The discount allowed will need to be commercially determined. Again this will need to be resolved before registration day.

4. Commercial Registration and Service Patterns

Peter Hendy believes that one of greatest successes in London Buses has been to allow local planning of service patterns by operators, against some central criteria. Decisions on bus routes are best taken at the local level with local managers responsible for the costs and income of local routes.

Centralised planning has three effects:

- * it produces schemes which look good on paper but do not necessarily work on the ground.
- * it divorces responsibility for planning from that of operations.
- * it stifles innovation; with local knowledge and accountability service planning risks are worth taking.

The amount of mileage that is likely to be registered depends upon a number of factors:

- * the operators expectations of cash revenue, likely revenues from travelcards and concessionary fares; and the levels of demand as a consequence of the fares.
- * ability and pressure to keep costs down.
- * expected levels of competition on registered routes and on residual subsidised services.
- * operators view of whether services at certain times of day, days of week and on parts of routes at marginal cost over the basic commercial network can be sustained.

It is likely that parts of routes, parts of days, Saturdays and Sundays will be where most gaps in the present network may appear. In these cases the London Bus Executive will have to decide whether to step in.

5. How Much Real Competition?

There is unlikely to be a "bus war" in Oxford Street: the combined effects of congestion, traffic speeds, pedestrian pressure and other operating factors do not currently bring good cost recoveries in Central London. It is the suburban centres where competition is more likely. There is also likely to be heavy competition for the residual subsidised services tendered by the LBE. Peter Hendy predicts that the LBE will get good value for money, at least at first.

6. Regulation and Infrastructure

As long as the number of operators is in reasonable proportions then he believes that, in general, it might be possible for most issues to be sorted out by voluntary agreements, with regulation as a last resort.

7. Social Network

The primary responsibility of the LBE will be to tender the socially desirable

services. The primary funding for the social network needs to be established for Greater London as a whole and smoothed so that there are no major changes from one year to the next.

Local authorities should also be allowed to subsidise individual services if these are considered desirable.

8. Passenger Information

The LBE will have to co-ordinate dissemination of passenger information.

9. Land and Labour Constraints

One reason why the speaker believes that competition will be at sensible levels is because both land and labour are in shorter supply in London than the rest of the UK.

Land for bus parking and maintenance at realistic cost is not easy to find - this is easier the further from the centre but then it becomes less attractive to operate in Oxford Street. Of greater concern is the retention of existing LBL premises to ensure long-term service provision.

The supply of suitable labour is identified as a possible restriction to the unfettered growth of bus competition in London.

10. Vehicles

LBL bus companies face the prospect of substantial numbers of double-deck buses reaching the end of their economic lives. Therefore, LBL believes that increased investment is required now - whatever happens to future public policy for buses. It is necessary to secure a reasonable volume of bus operation in London.

The Routemaster, the best-known bus in the world - is likely to survive, because of its ability to speed boarding and alighting even though two-person-operation is expensive. However, they are getting older - this year the youngest is 24 years old and the oldest 34.

11. Bus Priorities

More and better bus priorities are required urgently to improve bus operation, making journeys faster and more reliable for the customer. There is no sense in the claims that bus priorities will increase profits of the operators; they are needed anyway for good public policy reasons.

12. Privatisation

There are many issues which the Government needs to consider such as multi-ownership, the ownership of garages, prevention of asset-stripping.

One big issue is the timing of privatisation. Currently this is suggested to follow deregulation but Peter Hendy believes this should be changed to the same time for two reasons:

- * private companies fear LBL companies would use public subsidy to compete unfairly.
- * LBL might try to restrict competition by the subsidiaries to minimise public cost.

13. Tendering

Peter Hendy agrees with the Government's recent White Paper that LT tendering system has reached its natural limit and there is no guarantee that it would continue to reduce costs of operation as it has done so far. The main points are:

- * it is "planning-led", it centralises control of route network and marginalises the operator's participation. It is also very conservative in service planning terms.
- * the "sudden-death" approach of large overnight changes in the volume of work makes running a business for the long term very difficult.
- * tendering generates bureaucracy - of contract issuers, planners, instruction-issuers and compliancy monitors - all

one-step removed from day-to-day operation.

- * tendering has done a good job in forcing down costs of London buses operation and the companies are now able to do this for themselves.

Conclusions

Given deregulation as a strong option it is up to those who believe in a future for bus operations must plan to make it work if it happens. The fact that there are so few definitive answers to the many questions only reflects on the size of the shift in policy that will affect London's bus industry.

Questions

P. Nichols (LRPC): revenue foregone is a fallacy as a basis for receipts reimbursement.

PH: recognised the problem but said that rail was too dominant at present in Travelcard.

Andrew Spencer (Transport Studies Group PCL): will operators accept Travelcard on some services and not others?

PH: possibly - Travelcard is already very market-oriented and this may increase.

Roger Webber (LBL): should LBE be created in good time?

PH: agreed that this is clearly important.

Michael Marr: Is there likely to be a change in the vehicle size mix?

PH: there is a strong future for smaller bus operation.

Report by Peter Collins, Commercial & Transport Planning Manager, London Transport

CONSEQUENCES OF BUS DEREGULATION II

John Pycroft, General Manager, Grey-Green Coaches Ltd.

John Pycroft began by describing Grey-Green's operations in London. The company had formerly concentrated on the coach market but now operates nine tendered routes for London Transport (route 24 being the most notable example) involving 113 vehicles which cover 3.5 million miles a year. The company operates from depots at Stamford Hill, Dagenham and Strood in Kent.

The consultation paper, *'94 Bus Strategy for London*", was referred to by Mr. Pycroft and formed the basis of his discussion on the merits (or otherwise) of deregulation. It was his contention that many of the aims of the paper were not dependent on deregulation and that an extension of the tendering process could bring better results. In response to the government's proposals he stated that deregulation will result in a reduction of the reliability of bus services and an increase in fares which, in turn, will bring a shift away from bus usage to other forms of transport exacerbating the serious traffic congestion. Mr. Pycroft dealt in detail with the ten points in paragraph 14 of the consultation paper:

1. Deregulation of the London bus market as soon as possible in the next Session of Parliament: would prefer continuation of the competitive tendering system and strongly disagrees with privatisation after deregulation. He warned that the proposed timetable to deregulation would give an unfair advantage to London Buses (LBL). LBL are likely to use the position to invest in new fleet and squeeze out competition with subsidized fares. He would like to see the privatisation of LBL from the start rather than the 15 months allowed for in the timetable.
2. Safeguarding the future of concessionary travel in London and encouraging the provision of pre-paid ticket types: new entrants to the market for commercial routes would find it difficult to assess the likely revenues given that 60% of revenues are currently off-bus revenues. Socially desirable routes could be protected under the tendered system.

3. Future tendering programme: before deregulation, improving the route tendering system in London; and after deregulation, ensuring that bus services are provided on uneconomic but socially necessary routes: current tendering system has brought significant improvements in passenger services and socially necessary routes can be protected more easily.
4. Privatisation of LBL subsidiaries: of concern is the unfair advantage given to LBL by the timing of privatisation.
- 5/6. Improve traffic conditions for all users and make bus priority measures more widespread and effective: as far as improving traffic conditions for all road users and providing bus priority measures, Mr. Pycroft considered that deregulation was not necessary to achieve this. There was no evidence to suggest that deregulation would improve the impact of bus operations on congestion. It is, therefore, misleading to give the impression that these improvements will result from deregulation.
7. Encouraging LT to ensure that LBL enters a deregulated market with a satisfactory bus fleet: he was concerned that the proposals to allow LBL time to improve its vehicle profile would give them an unfair advantage over new market entrants. The improvements in bus facilities noted in the consultation paper, again, did not require deregulation to bring them about.
8. Encouraging provision of proper waiting facilities: passengers need proper waiting facilities but there is no explanation how deregulation will make this happen.
9. Encouraging promotion of bus services and ensuring provision of reliable and comprehensive passenger information: publicity for new services, as seen elsewhere in the country, were likely to deteriorate, not improve.
10. Research into the ways in which different approaches to bus operation impact on congestion: the DTp should be doing this in its role in developing a strategic approach to London's traffic problems; there is no evidence that the free market is going to make this

happen.

The Success of the Bus Tendering System

The record of tendering since 1985 was good. Improved services had been achieved with reduced waiting times and costs had been reduced by 20%. Currently, a third of routes in London were tendered and Mr. Pycroft felt that this should be increased. The government had acknowledged the improvements, but were unwilling to accept a widening of this approach because, in their view, central planning is not an acceptable substitute for the free play of market forces.

The Failure of Deregulation outside London

In the rest of Britain, research by the Association of Metropolitan Authorities (AMA) and Oxford University's Transport Studies Unit (TSU) indicated that in the first year patronage fell by about 5.5% overall and 12% in the metropolitan areas. In the second year 16.3% of passengers had been lost in the metropolitan areas. This is as a result of the upheaval of deregulation which led to increases of fares, changes of bus routes, bus types and levels of service.

Deregulation Exacerbates Traffic Congestion

Deregulation outside the capital has increased bus miles by 19% but this may have added to traffic congestion increasing further more unreliable services. More bus companies with more buses, running more miles but carrying fewer passengers obviously increases congestion.

Greater bus priority could on the other hand improve bus speeds, as for example on Red Routes. Improved bus speeds could increase mileage by 20% without adding more buses. Therefore, it does not require deregulation to achieve this goal.

Overall, John Pycroft felt that deregulation had led to a vicious circle of decline: lost patronage, increased fares, more traffic congestion and poorer services. Much of the additional mileage had in any case been on established routes.

In London, there would be a temptation to sell off central bus stations and depots. This would lead to short term gains for operators but would not be in the long-term interests of passengers or the industry.

There was doubt over the issue of concessionary fares and the Travelcard which, in Grey-Greens view, should be continued. In addition, the disabled could become disadvantaged without an effective watchdog and there would be no statutory role for LRPC after deregulation. Market forces might not deliver better buses and it seemed unlikely that individual consumers, as the government proposes, could be effective.

Increased Fares After Deregulation

It was not true that competition would benefit passengers: fares had risen faster than inflation, a striking example being South Yorkshire where fares rose by 400% in 6 years. The ability of new entrants to time their service to just before an established one, took revenues from the more socially responsible operators. The AMA stated that deregulation had been characterised by boardroom competition rather than "on the road" competition. The significant reductions in costs were primarily achieved by relative wage reductions and reduced conditions of service for staff and very low levels of investment in new vehicles which contributed to the increasing average age of the vehicle fleet.

John Pycroft viewed with concern the long period allowed for LBL to become privatised. He felt the need to show one years accounts under deregulation was simply a red herring and would allow LBL, as a state-owned operator, to unfairly improve its bus fleet with the most appropriate vehicle for the post-deregulation market. He felt that the independent operators had been used as "cannon-fodder" in the battle to reduce LBL's costs.

In summary, John Pycroft considered that the proposed timetable of deregulation and privatisation would be disastrous for all London's travellers, especially bus passengers. The growing traffic congestion would have serious adverse effect on London's economy. LBL should be privatised before deregulation without further unfair advantage being given to it, so that the network of tendered services remains in a controlled environment to protect the needs of passengers. LT should become more commercially

accountable with the eventual removal of all subsidies for the provision of buses in London. The role of the bus should be further enhanced with more bus priority to improve reliability and attractiveness of bus transport.

Discussion

Mark Lambirth elaborated on the issue of when LBL should be privatised. The proposal is to allow one full year of accounts to be available under the new operating environment. LBL would be ineligible for grants from deregulation and there was a need to get the highest price possible for the sale.

Peter White asked what improvements could there be in the current system?

JP: I would like to see a move towards minimum subsidy contracts rather than minimum cost contracts so that fares were retained by operators and not passed on to LT. He would like operators able to vary fares within specified parameters, say 15-20%. He would also like to be able to collect fares on journeys to and from the garage (ie reduce dead mileage).

Ian MacBriar (O'N' Associates) suggested that it had been the case in the past that routes had been designed more with the garage in mind than the passenger. This raised the question of whether services should be planned by those other than the operator.

Dick Halle (London Transport) said that the whole network is looked at when planning routes and the network effects of any changes.

Peter Hendy was in no doubt that route planning should be left to the operator. He knew there was a reluctance for drivers to start a service other than at their home base, but this procedure was changing.

Report by Graham Carson, Associate, Halcrow Fox & Associates

THE VIEWS OF THE LONDON REGIONAL PASSENGERS COMMITTEE

Rufus Barnes

It was clearly evident that the views of the LRPC on deregulation, as expressed by Rufus Barnes, were very similar to those already advanced by John Pycroft. In fact, Rufus made a point of drawing attention to their similarity at the outset of his talk. This was interesting and instructive as the LRPC view deregulation solely from the viewpoint of the passenger and his or her best interests, whereas John Pycroft was concerned primarily as a provider of bus services.

Government pronouncements on the future of buses in London had laid great emphasis on the aim of improving bus operations. It seemed to Rufus Barnes that deregulation had entered into the debate almost as an after-thought as he could find no formal justification for deregulation in these pronouncements.

Comparison with experience in the provinces should help. Rufus Barnes admitted that the LRPC had doubts about the efficacy of tendering at first. Now they see it as a success, provided that some long-term planning mechanism is retained. There must be a framework of integrated transport provision. In particular, multi-mode travelcards are essential: the merger of bus and rail cards in London has come just in time. There will be no expression of gratitude from public transport users if deregulation leads to the abandonment of integrated Travelcards.

The LRPC wanted to see improvements in services and to the general "Image" of the bus as a provider of public transport facilities to all classes of user. Rufus Barnes had, earlier on, drawn a sharp distinction between the public perception of the bus in London and that commonly manifest abroad. The feeling was that deregulation would offer no assistance in these areas of concern, as what was needed were improvements in reliability and changes to the image of bus travel. Any change to the present position must result in an improvement to, not a worsening of service, if it was to be acceptable to the bus user (actual as well as potential).

On a point of detail, the LRPC were concerned that deregulation might lead to the abandonment of two-person buses which had been deliberately

retained by London Transport because of their help in relieving congestion in the very centre of London. The suggestion that "slot" allocation may be needed in Oxford Street, because of congestion, does not help the case for deregulation.

There is, in the Committee's view, a continuing justification for the London Regional Passengers Committee, or something akin to it. But the Government published its Citizens Charter on the same day as it announced its decision to abolish the LRPC! The fact that it is commonplace for Londoners to use more than one mode of transport when travelling around the capital makes it vital for there to be a "watchdog" covering all of London's public transport. It must also be recognised that most passengers would be unable to distinguish between "commercial" and subsidised services, making overall passenger representation essential. Outside of London, local authorities tender for services and are therefore subject to local pressure, the proposed London Bus Executive would have no such pressures.

Rufus ended on a slightly more optimistic note by saying that there are indications that the government is now listening to LRPC representations. But he feared that its role may be limited to overseeing tendered services.

Discussion

There were a small number of questions to Rufus on the effect of deregulation on bus passengers. Most of the discussion was an enhancement of his criticisms of the concept and its likely practical implications in the areas of fares and the provision of infrastructure, particularly information systems.

In an answer to an early question concerning withdrawn services in a deregulated system, Rufus thought there would be little difficulty in knowing where subsequent complaints should be directed as inevitably these would be in the subsidised sector.

Neil Mackie (CILT, London) questioned the superiority of tendering as it could have a deleterious effect on drivers pay and conditions (with long term consequences on quality of service), lead to instability in service provision and eventual closure of facilities. In reply, Rufus Barnes said the LRPC was concerned with service quality to the passenger. Nevertheless,

experience indicates that the general performance of tendered routes is better than that of block-grant routes - although there were exceptions. In any case it was difficult to envisage a third option. Neil Mackie came back with the comment that the market was not the best means to improve services and he would expect increased productivity to be better achieved by increasing the use of buses. Rufus Barnes accepted that a regulated tendering system would be better.

A dialogue between the speaker and Peter White elicited agreement that the expected contribution to operating costs from the passenger was too high, in market conditions, to produce low fares, while stored-value cards were unlikely to provide the answer as these "ran-out" and may increase costs to businesses whose staff use them. It may be, however, that business should pay generally larger contributions to the running of services and that the operator's costs should be subsidized as they are at present, by the fact that the marginal cost of travel is zero to the holder of Travelcards.

Moving to the general problem of providing joint infrastructure and services: Roger Webber (London Buses) thought that the government should make the London Bus Executive responsible for these but, in practice, there was no reason why LBE should not "buy-in" such services.

Peter Collins (London Transport) said that government opinion had changed recently to acknowledge a bigger role for LBE.

From other comments it appears that LBE will assume responsibility for bus stops and stations, for timetables and that "information" in general is included in the government's objectives for the LBE. The government has also indicated that government money will be available for the provision of bus infrastructure.

Conclusion

Several speakers commented on the problems of endemic congestion in London's streets and the practical difficulties of reconciling the need to at least stabilise this congestion with the uncertainties of unregulated bus operations. In London, congestion is already intolerable and a small increase in traffic at particular spots may prove disastrous. Deregulated bus operators may not be able to choose their stopping places. A strict

specification of the types of vehicle allowed to operate in congested areas may be essential. Travelcards help to reduce stopping times and must therefore be retained to assist in reducing congestion. Peter Hendy made the simple point that buses are not the major cause of congestion, which led Rufus Barnes to the obvious conclusion that control of the private car is still the missing factor. Excessive time costs arising from traffic congestion will prove to be an automatic "regulator" of the level of bus provision.

Report by Don Box, Transport Economists' Group

DISCUSSION

Discussant: Peter Bradburn

Roger Webber opened the discussion by making a number of points:

- * Travel information could be bought in from LT/LUL/BR by the LBE.
- * If there is to be a child concessionary scheme, it needs to be London-wide.
- * LBE should lay down its policy on securing services so that operators know what balance to expect between commercial and social services.
- * Would LBE tender services if it thought commercial alternatives had fares that were too expensive?

'What information services were envisaged under deregulation?"

The chair said that this was not yet clear: the government is probably giving further thought to this. Government has changed its attitude - originally LBE would have had a residual role only but, government now thinks there is a need for a more comprehensive system. Also, a single, comprehensive source would be cheaper.

'Where was the money coming from for LBE and its services?"

Rufus Barnes answered saying that Roger Freeman has said from taxpayers money. Peter White added that information services would only account for 2-3% of LBE's budget.

Peter Bradburn made a number of points related to traffic congestion:

- * Deregulation outside London did cause congestion but that it went away.
- * In London, congestion is already unacceptable and extra small incidents could cause gridlock.
- * Regulation of stops and stands not applied by Traffic Commissioners under the preseft system on tourist coaches, scheduled express, excursion and some commuter

services.

- * Maybe, in certain areas, stops will have to be determined by some authority other than operators.
- * Hail and ride on busy streets could also be a problem.
- * Bus stop delays: ticketing system will be important factor. This emphasises the need for Travelcard or other multi-modal prepayment ticket.
- * Price 0: Travelcard will rise and/or become a rail-only ticket - perhaps operators should be obliged to participate in Travelcard.
- * Vehicle suitability - certain specifications needed in certain areas (eg buses with two doors and DIPTAC standards).

Peter Hendy was not too worried about extra buses; congestion is caused by cars not buses!

"How do London Boroughs feel about LBE organising tenders, given their own local knowledge?"

Anthony Kent (Enfield) said that the majority of authorities are in favour of LT remaining bus authority. One or two boroughs support additional bus services but that financial constraints prevent expansion.

An officer from Hammersmith said that not one borough supported government proposals for deregulation. Boroughs want a response to local needs but deregulation is not the way to achieve this.

Dick Halle (LT) remarked that central planning in LT is not the same as it was prior to 1985. The majority of service innovation is brought about by area reviews carried out centrally and there is even 3'1 example of an LBL company trying to prevent innovation. Prior to 1985, there was not enough data collection or analysis to determine the network in a satisfactory manner.

Summing Up

Peter Bradburn summed up the one-day seminar and the discussion.

Common points are:

- " need for more bus priority and
- " concerns over the future of Travelcard.

Mark Lambirth had said that something needed to be done about bus services in London. His main points were that:

- * increased demand for public transport in London needed to be taken by bus, at least in the short/medium term;
- * deregulation is a political issue;
- * registration would be as in the rest of the country;
- * concessionary fares were starting from a different point to the rest of the country;
- * there would be no regulation of fares or services;
- * it avoided the question of passengers not knowing the difference between commercial and social services; and
- * that there would be no concessionary fares for children even though this is allowed outside London.

Peter Hendy gave a positive reaction to deregulation and said that:

- * operators will be able to plan services and routings themselves;
- * cash fares and Travelcards will increase in real terms;
- * on being questioned whether Travelcards would survive, maybe only bus passes would survive;
- * LBL were investigating ways of retaining bus passes;
- * there was a need to retain OAP passes; and
- * tendering had probably reached its "natural limit".

On this talk, Peter Bradburn commented that:

- * ratepayers will need to dig deeper into their pockets and he hoped they would be prepared to do this; and
- * questions remained over the ownership of bus garages and the timing of privatisation of LBL.

John Pycroft said that LT contracts were the biggest part of his company's

business, adding that:

- " future Travelcard reimbursement rates were unknown and hence planning for commercial services would be difficult;
- * most aspects of the government's wishes could be achieved without deregulation (eg. LBL privatisation, bus priorities);
- " reliability of service was a most important aspect to passengers.

Rufus Barnes then agreed with all that John Pycroft had said, adding that:

- * nowhere in the consultation document was any reason given for getting rid of consumer representation; and
- * it is very important to retain Travelcards, OAP tickets and the Travel Information Service.

Overall, much work is still required before deregulation could be brought in.

Report by Dick Halle, Bus Services Development Manager, London Transport