

LIAISON COMMITTEE PAPER ON TRANSPORT

<u>Contents</u>	<u>Page</u>
A. Factors Affecting Public Perception	1
1. A Changing Market	1-2
2. Environmental Problems	2
3. International Comparisons	2-3
4. Public Perceptions - the Polls	3-8
5. Perception of Conservative Government's Policy	8-9
B. The Government's Policy	9-10
C. The Government's Record	10
1. Deregulation and Efficiency	10-11
2. New Services	11-13
3. Privatisation	13-14
4. Curbing Wasteful Public Spending on Subsidies	14-15
5. The Railways	15-17
6. Investment in Transport Infrastructure	17-18
7. Road Safety and Law Enforcement	18-19
8. Environmental Protection	19
D. Common Misconceptions	20-33

Annex: Public Transport in Scotland

THE GOVERNMENT'S TRANSPORT POLICY

A. Factors affecting public perception

1. A Changing Market

Transport is a highly charged political issue. It is a subject upon which everybody has an opinion, because mechanised transport is an essential part of everyone's lives and accounts for a significant proportion of the average family budget (some 15 per cent in 1981, or £18.70 per week). People's perceptions are strongly coloured by the standard of service they get for that money and the price of that service.

Overall, individuals have benefited greatly from the increased opportunities for travel which have been made possible by the development of a variety of different forms of transport. Passenger mileage on all forms of transport in Britain has increased by more than 150 per cent since 1950. However, this welcome development has not taken place without corresponding problems. The greatest expansion in travel has of course been in travel by private car. Car passenger mileage has increased by over 650 per cent since 1950. However, bus passenger mileage has fallen by more than 50 per cent, travel by bicycle by 75 per cent and travel by rail by 9 per cent over the same period.

The decline in the market for traditional modes of transport had led to shrinking services, in many cases declining standards, under-investment and rises in the price of public transport beyond general increases in the cost of living. (The average stage carriage fare rose by 900 per cent between 1960 and 1981, while the retail price index rose by just over 500 per cent). Of course, this has affected people's perceptions of transport, especially those who do not have access to a car, as well as the many who rely on public transport for transport to and from work. As public

transport is as often as not publicly owned, or at least publicly regulated, some of the blame for this decline inevitably attaches itself to Government. The benefits of increased mobility brought about by car ownership are less obviously attributable to Government policy, except in so far as the Government is responsible for strategic road building.

2. Environmental Problems

Apart from the problems of declining public transport the increase in travel by road has had a dramatic and unpleasant impact on the environment. Because the rise in car ownership has been so rapid, most people have noticed increased traffic bringing with it noise, air pollution, congestion and problems of safety and law enforcement. The growth in the numbers of heavy lorries has been a matter of particular concern. Their size and noise makes them particularly frightening and disagreeable vehicles for anyone, especially those living next to roads used regularly by heavy lorries.

3. International Comparisons

In the last two decades or so, as other European countries have overtaken Britain in economic performance, so, it is perceived, their transport systems have improved as a result of massive investment programmes and as a result of high fares subsidies.

There can be few who have travelled on the Paris Metro, for example or in the new French Train Grand Vitesse (TGV), or have observed the scale and pace of motorway building in France and Italy who do not compare these with their equivalents in Britain and find that British transport compares unfavourably.

The British tourist travelling abroad experiences all the benefits of cheap, clean and efficient transport without having to

pay the cost of subsidy. This has led to a widespread feeling that more resources should be diverted to transport in Britain and this is now enshrined in Opposition Party policies which promise more investment, particularly in the railways, and higher subsidies for buses. These policies have widespread appeal, and the clamour for a switch of resources to transport, particularly towards investment in public transport is not confined to supporters of Labour and the Alliance.

4. Public Perceptions - The Polls

Two recent opinion polls provide evidence of public opinion on public transport. These are:

- a) A survey commissioned by the National Consumer Council and conducted by RSL, published in March 1982, but based on a survey conducted in 198 (before the GLC's 'Fares Fair' Scheme).
- b) A survey conducted by ORC into attitudes to Nationalised Industries, which monitored changes in attitude between July 1980 and June 1982.

The main findings of the surveys were:

i) Level of Dissatisfaction with Public Transport:

The RSL poll found that of all issues (including housing, shipping, financial and employment services, health, education, welfare, transport and communications) transport emerged as one of the most frequent sources of concern. However, despite general dissatisfaction, the survey found that very few people actually complained formally about public transport services. A much lower proportion (4 per cent) of people wanted to complain formally about transport than about their neighbourhood and local services.

In general people thought that complaining would not help and many did not know who to complain to.

ii) Transport Fares:

The RSL poll found that more people complain about fares than about any other aspect of public transport. 51 per cent of bus users, 50 per cent of train users and 45 per cent of underground users, but only 12 per cent of coach users consider that fare levels are unreasonably high. Bus and train fares came fourth in the list of charges considered unreasonable after postal services (including telephone), electricity and central heating oil.

The ORC survey suggested that between 1980 (the time of the RSL survey) and 1982, dissatisfaction with fare levels had risen. The number of people believing that rail fares had risen faster than RPI increased from 39 per cent to 45 per cent over the sample period. National Bus Company fares were believed to have risen faster than RPI by 35 per cent of respondents in 1982. The number of people believing British Airways' fares had risen by more than RPI rose from 9 per cent to 12 per cent.

iii) Bus Services: Infrequency

The RSL found that 27 per cent of bus users complained that services were not frequent enough for them, and many said that they could not make journeys because of poor or totally non-existent bus services. More people in England than in other parts of the UK

complained about infrequency.

iv) Trains: Standards:

Of the 18 per cent of the RSL sample who used trains, 32 per cent of users complained of dirty trains and poor standards of comfort and 17 per cent complained of overcrowding. Nearly half the train users classified as 'Professional and Managerial' complained about standards, comfort and cleanliness. 16 per cent of underground users complained about overcrowding on underground trains.

v) Air Travel:

The RSL found that 17 per cent of air travellers reported problems with delayed or cancelled services in the previous year and although delays were generally accepted as unavoidable, people were less ready to forgive poor communications and being forced to wait in inadequate surroundings.

vi) Denationalisation and Competition:

The ORC survey found a significant increase occurred between 1980 and 1982 in the number of people who felt that more denationalisation and competition would improve public transport, although the percentages are still not high. Over the period, the number of people thinking that particular industries should be partly denationalised rose from 11 per cent to 27 per cent in the case of BR, and from 12 per cent to 25 per cent for British Airways and was 30 per cent in 1982 for the National Bus Company.

A similar trend was evident in attitudes to competition with the percentage of people believing that there should be more competition rising from 11 per cent to 30 per cent in the case of BR; from 13 per cent to 33 per cent in the case of British Airways and was 43 per cent in 1982 in the case of the National Bus Company - the highest for any industry.

vii) Government Subsidy and Financial Performance:

The ORC found that few people agreed that the taxpayer should give a lot more money to ailing Nationalised Industries. However, the numbers of people believing that BR should be given more money by the taxpayer rose from 17 per cent to 27 per cent, while over half by 1982 (57 per cent) believed that British Rail made losses more often than it made a profit. Only 11 per cent believed in 1982 that the National Bus Company should be given more money by the taxpayer and only 4 to 5 per cent in the case of British Airways.

viii) Wages, Service and Industrial Relations:

Not surprisingly in the case of BR a high level of dissatisfaction was expressed with the attitude of the Rail unions. The percentage believing that the unions should co-operate more fully with management rose from 24 per cent to 59 per cent over the period and 39 per cent believed that BR should be stronger in resisting wage claims.

Equivalent figures for the NBC and British Airways are lower although the number believing that British Airways unions should co-operate more readily with management jumped from 5 per cent to 33 per cent. On the positive side, the RSL survey found that public transport staff emerged relatively unscathed. Very few people complained about the attitude of staff at a local level.

ix) Government Intervention:

The number of people feeling that Nationalised Industries should be given freedom to manage their own businesses rose in the case of BR from 12 per cent to 33 per cent. The relevant figure for the National Bus Company was 33 per cent in 1982.

x) Confidence in Management:

Confidence in management of Nationalised Industries has risen in general since the mid 1970s, but there is less confidence in the management of British Rail than in any other Nationalised Industry. People having quite a lot or a great deal of confidence in BR management rose from 21 per cent in 1976 to 31 per cent in 1982, but people having not much or no confidence stood at 66 per cent in 1982, a percentage which has been rising since 1979 when it stood at 51 per cent. There was a high level of confidence in the National Bus Company (58 per cent in 1982, 30 per cent in 1979) and in British Airways (57 per cent in 1982 -

53 per cent in 1979) managements. Dissatisfaction is quite evenly spread across ages and social class without much variation between supporters of different political parties.

5. Perception of Conservative Government Policy

The ORC poll would suggest that there is a lot of public sympathy with the Government's approach to Nationalised Industries and that the Government's arguments on privatisation and competition are getting through. However, dissatisfaction with the performance of Nationalised Industries has risen, and inevitably some blame attaches itself in people's minds to the Government. Specific areas where public perception of Conservative policy may be significantly different from perception of other parties' policies are:

- Policy Towards Nationalised Industries: some of the perceptions redound to our advantage, some do not.

- i) The polls show a striking realisation that competition is good for the National Bus Company. The Transport Act 1980 deregulation provisions have therefore been something of a success in public perception. The awareness of the need for more privatisation and more competition in general has grown significantly.
- ii) The rising dissatisfaction with ER is not likely to have been helped by the impression left by the Serpell Report. Since Beeching the Conservative Party has been seen as anti-railways and Serpell's network options have been interpreted to mean that Conservative policy is to cut the rail network further. Although people are dissatisfied with BR,

they are not anti-railway.

- Heavy Lorries: Whatever the environmental merits of the heavy lorry package, a large number of people see the Conservative Party as being in favour of the heavy lorry as a result of the Government's determination to allow them to run heavier. The Labour Party is now committed to some form of route licensing.
- Transport Fares: During the 'Fares Fair' experiment, the Conservative Party appeared to many to be the Party of high fares, while the Labour Party posed as the champion of the traveller, offering low fares. Since most people express dissatisfaction with the level of fares, this impression cannot have done the Party's image much good, although the damage is to some extent offset by the unpopularity of high rates.

B. The Government's Policy

The fundamental principle behind the Government's transport policy is that the users' interests are paramount in the provision of transport. Transport exists for and would not exist without the transport customer. With this in mind the Government has aimed to:

- 1) Liberalise where possible the market in transport services to make them more efficient and responsive to changing customer needs, and to keep fares down.
- 2) To create the most encouraging possible conditions for new services, innovation and new private enterprise in transport both for the public generally and for the elderly and disabled.
- 3) To contain the enormous growth of current operating

subsidies and direct support as far as possible to new investment and new facilities.

- 4) To privatise publicly owned transport undertakings where possible.
- 5) To maintain and as far as possible increase investment in the road network, with particular emphasis given to strategic trunk roads, bypasses and road maintenance.
- 6) To help the environment by improving the impact of modern transport, particularly by dealing with the problem of heavy lorries.
- 7) To encourage the transport supply industries to become more competitive and to increase exports.
- 8) To work towards better standards of safety in transport.

C. The Government's Record

1. Deregulation and Efficiency

The Government's policy is based on the belief that competition tends to shift the emphasis of policy from the convenience of the operator to the needs of the consumer who can choose the best, cheapest and most efficient service from a number of competing services. This puts pressure on the providers of the service to cut costs and improve performance. If a market is hampered by regulation designed to maintain local or total monopolies, the operator has more scope to relax control on costs and forget the interests of his 'captive' customer.

- The Transport Act 1980 provided for total deregulation of intercity coach services. As a result of the legislation, about 100 new express services have begun and fares have fallen dramatically.
- The Civil Aviation Act 1980 provided for a measure of deregulation in the Civil Aviation Industry by requiring

the Civil Aviation Authority to ensure that British airlines compete as effectively as possible with other airlines in providing air transport services on international routes and to secure the most effective use of airports within the UK. The Government has relinquished the power to give policy guidance to the CAA which is now responsible for air transport licensing policy as well as administration. It has allowed British Midland to fly from London to Glasgow and Edinburgh in competition with British Airways and British Caledonian, and is trying to secure agreement on greater deregulation on international routes. The scope for further deregulation of inland air services is being explored.

- The increase in the maximum permitted weight of heavy lorries from 32.5 to 38 tonnes can be seen as a measure of deregulation, with the difference that the lorry package did not affect competition in the market which was already highly competitive. However, it does give the market more scope for efficiency and reduced costs. The lorry package is estimated to be worth about £150 million a year for industry.

2. New Services

Governments of both political parties have had to recognise the fact that it is unrealistic to expect to prop up our public transport system on the scale of the past. Decline in public transport services is the inevitable consequence of social change and the rise of car ownership. The decline in public transport has been a particular problem in rural areas. The 'Beeching' rail cuts and the withdrawal of rural bus services have left many areas

without conventional transport services. However, the Government recognises that for many people in rural areas, some form of public transport is essential. This particularly applies to the elderly and disabled, young people who do not have cars and women whose husbands take the car to work. The Government is trying to help these people by encouraging alternative low cost forms of transport and voluntary schemes.

- The Transport Act 1980 enabled local authorities to make use of local authority school buses for conventional transport when they are not being used to take children to school, and abolished restrictions on car sharing schemes.
- The Government, working with the NCVO and other organisations, has given help and advice to people and local authorities working to set up voluntary and other low cost schemes. The number of these schemes is growing eg. post buses and school buses are being used to provide conventional transport; voluntary minibus schemes are being set up; car sharing schemes are being encouraged; and hire cars are being used in some areas to take multiple fares.
- The Transport Act 1980 provided for the setting up of 'Trial Areas' within which all licensing restrictions on stage carriage services cease altogether. Schemes set up on this basis in Norfolk and Devon do not seem to have had much effect, however, a Trial Area in Hereford and Worcester is working well with the council effecting cost savings by putting local services out to tender on a regular basis.
- The Transport Act 1980 shifted the burden of proof in

stage carriage licence applications from the applicant for the licence to the objector. (However, there is little evidence that this provision has encouraged many new local stage carriage services).

3. Privatisation

The Government believes that privatisation - the transfer of Stated owned enterprises to the private sector - brings many benefits. It removes companies from artificial guarantees and disciplines imposed by the State and transfers them to the more effective disciplines of the market place; managers are no longer hamstrung by Treasury control; employees can identify more closely with their companies and take a stake in them. Consumers benefit from the effect which more private sector competition has on prices, and individuals are able to buy shares. The Department of Transport has perhaps one of the most successful records in this area.

- The National Freight Corporation was sold in February 1982 to its managers and workforce. It is now a highly successful company making profits well in excess of expectations despite a recession in the haulage industry.
- 27 British Rail Hotels, over £100 million on non-operational property and BR's Hovercraft business have been sold to the private sector.
- Over half the shares in Associated British Ports (formerly the British Transport Docks Board) which owns 19 of Britain's most profitable ports, have been sold.
- The work of the Roads Construction Units which do the design work on motorways and trunk roads, has been transferred mainly to the private sector. Road schemes involved are worth about £2000 million.

- Long leases have been sold on all but two of the Motorway Service Areas.

Legislation is on the Statute book to enable the:

- Introduction of private capital into the National Bus Company's express, holiday and property businesses.
- Transfer of the work of the Heavy Goods Vehicle Testing Stations to the private sector.
- Sale of other parts of BR - eg Sealink and more property sales.
- The sale of British Airways.
- The scope for the introduction of private capital into the operations of the British Airports Authority, and for the privatisation of some British Airports particularly Scottish airports, is being explored.

4. Curbing Wasteful Public Spending on Unrealistically High Fares Subsidies

The Government believes, as did its predecessor, that the payments of excessive levels of subsidy to public transport operators is not justifiable either in economic or in social terms. High subsidies do not in practice attract many people back on to public transport and they tend to favour the better off at the expense of the poor who tend not to travel as much. High subsidies disguise from people the true cost of the service they are buying and enable transport operators to relax efforts to promote efficiency. The Government believes that highly subsidised fares are not 'cheap' because the cost of the service has to be paid by somebody. If subsidies are financed through the rates, this has an obvious and damaging impact on the finances of ratepayers, particularly business ratepayers. If high subsidies are financed by the Exchequer, either public spending has to rise or resources are preempted which could be more cost-effectively employed elsewhere.

The Government is not against subsidy, because some essential services would not be viable without it, but it believes that a reasonable balance should be maintained between the interests of the traveller, the ratepayer and taxpayer and the transport operator and that indiscriminate subsidies should not be paid regardless of need.

When some Labour Metropolitan Councils elected in 1981 adopted low fare/high subsidy policies, the Courts decided in the case of the GLC and West Midlands that the supplementary rates levied to pay for the fares reduction were unreasonable and the GLC was in breach of its fiduciary duty to its ratepayers.

In order to clarify the legal basis of subsidy and to provide for stability, the Transport Act 1983 provides for an area of subsidy to be defined after full consultation in each Metropolitan area, spending within which the Metropolitan Authority or the GLC is protected from legal challenge, but spending above which it risks legal challenge. The legislation, by forcing local authorities to justify proposed levels of subsidy and by providing for annual three year rolling plans, will discourage reckless spending and sudden shifts in policy by local councils.

5. The Railways

The Government has constantly urged the necessity of improved performance and efficiency on British Rail. The market for rail travel has declined in recent years under the pressure of strong competition from road transport but also as a result of inefficiency, poor cost control and poor standards in the railways. In order to compete effectively, to reduce the mounting burden of the railways on the taxpayer and liberate more funds for investment, British Rail must tighten up on costs, reform antiquated working practices and become more efficient. Unfortunately progress has been disappointingly slow. However, the Government has:

- backed up the BR Board in its efforts to get the unions to agree to changes in working practices, manning reductions and increased efficiency;
- been extremely generous to BR in helping it to overcome its financial difficulties during the recession and to help it make cost reductions. Record levels of financial support have been given to the railways. Grants alone from all public sources amounted to £926 million in 1982, and the grant per passenger mile has risen significantly in real terms since 1979;
- given approval in principle to a programme of mainline electrification subject to a satisfactory economic case being made for each project;
- maintained the investment ceiling at the same level in real terms as it was under Labour. Although BR have not been able to spend up to their investment ceiling within their external finance limits in the last 3 years, more money has been spent on investment in cash terms on the railways than under the last Government. More grants for rail freight facilities have been given in the four years under this Government than in the four years 1975-9 under Labour;
- after requests by British Rail, the Government appointed the most far-reaching review of the railways undertaken since the war. The Serpell Report identifies scope for cost savings worth £220 million annually by 1986 within the existing rail network;
- for the future, the Government has made it clear that following suggestions made to the Serpell Enquiry, it is considering the scope for a reorganisation of the management structure of BR along regional lines. British Rail are following up suggestions for efficiency savings

made in the Serpell Report. While the Government does not want to see a major programme of route closures, nevertheless the railways are going to have to adopt far more competitive methods to compete with coaches and cars, and there will be some bus substitution. The Government and BR are reviewing the scope for further privatisation or private participation in investment schemes (eg. Sealink, Victoria-Gatwick line, Travellers Fare etc).

6. Investment in Transport Infrastructure

While trying to minimise wasteful expenditure on current subsidies, the Government has acted to ensure that expenditure on transport investment is maintained in order to help promote economic recovery, to maintain our existing investment and to alleviate the effects of increased traffic on the environment.

- Nearly 300 miles of new motorway and trunk road have been opened since May 1979 including bypasses for 43 communities. Top priority has been given to the M25 outer orbital road which will be completed in 1986. The level of spending inherited from Labour has been maintained and increased in the last two financial years. Output is up well above the levels inherited from Labour.
- The forward programme budgets for bypasses for 220 communities, and 70 local authority bypass starts have been approved for 1982-3 and 1983-4. Expenditure on motorway and trunk road maintenance has increased dramatically from levels inherited from Labour.
- Although railway investment has increased in cash terms since 1979, it has been less in real terms than under Labour. This is not because of Government constraints on BR's investment ceiling but because resources which should have gone into

investment have been diverted to pay for losses from strike action and inefficiency.

- Local transport projects going ahead include the Piccadilly Line extension to Heathrow's Terminal 4 and a light railway to London's docklands.
- The Government announced its Airports Policy in 1979 and removed uncertainty about the siting of a third London Airport which had been unsettled for 20 years. Investment projects are going ahead with new terminals at Heathrow and Gatwick, development of regional and local authority airports and a public enquiry is underway into the British Airports Authority's proposals to develop a third London Airport at Stansted. The Government is considering the scope for the introduction of private capital into the British Airports Authority's operations.

7. Road Safety and Law Enforcement

Increased road traffic has brought with it problems of safety and law enforcement. The Government believes that as much as possible should be done to minimise the appalling toll of deaths and injuries caused by road accidents, while recognising that there has to be a balance between the interests of safety and freedom for the motorist. The Government has:

- Tightened up on drink-driving laws with new evidential breath testing at police stations.
- Encouraged motorcycle training and safety by providing for a new two-part test, by limiting the size of vehicle a learner rider can use before taking a test, and by limiting the duration of a provisional licence.
- After a free vote in Parliament, it was decided that seat belts should be compulsory for front seat passengers. Evidence is coming in of a dramatic decrease in the number

of serious and fatal injuries as a result.

- Introduced a new penalty points system for road traffic offences to replace the totting up system which had been considered unfair.
- Extended the fixed penalty fine system to relieve the burden of minor traffic offences from the Courts.

8. Environmental Protection

By 1979 the environmental problems created by increased road traffic had made the need for action urgent. The Government therefore:

- Appointed an Enquiry in 1979 to examine the problems for people and the environment caused by the growth of heavy lorry traffic. The Government's lorry package brought forward in 1982 contained measures to place limits on the size of heavy lorries and to make them cleaner, quieter, safer and more efficient, to provide help for those particularly badly affected by lorry traffic and to encourage local lorry control schemes.
- The two Roads White Papers gave greater priority to bypasses.
- The Government has already put into action its plan to reduce the lead content of petrol by two thirds by 1986, and has now announced its intention that lead should be removed from petrol altogether by 1990 and is seeking agreement with the EEC to this policy.
- New stringent noise controls have been announced for jet aircraft and steps have been taken to minimise the nuisance of aircraft noise round Gatwick and Heathrow. The number of people affected by aircraft noise at Heathrow for instance will be reduced from 2 million to less than 300,000 by 1990. The Civil Aviation Act 1980 gave the CAA a statutory duty to take environmental factors into account when considering whether to grant air transport licences.

D. Common Misconceptions

The Government is hostile to public transport.

The Government is not hostile to public transport but it believes that if public money is to be spent on public transport subsidies, the taxpayer or ratepayer has a right to expect good value for money and the maximum of efficiency. It does not believe in massive State handouts to finance inefficiency. Contrary to allegations made by the Government's critics, record amounts of public money are being spent on public transport - a total of £1700 million in 1983-4. The Government is actually spending more than ever before on the railways in money and in real terms to help the railways overcome their financial difficulties and to become more efficient. Grants now run at over £2.5 million a day. More money has been spent on investment in the railways than under Labour. The liberalisation of coach licensing has meant a dramatic increase in the number of long distance coach services with reduced fares. The Transport Act 1983 provided for reasonable levels of subsidy to urban transport and is designed to discourage the reckless seesawing subsidy policies of some Labour local authorities which damage everybody's interests. These are hardly policies of a Government

which is anti-public transport.

The Government is too
pro-car and pro-road
and has not done enough
for the environment.

All Governments have accepted the fact that most people want to own a car, and the rise of car ownership has dramatically increased personal mobility and living standards. Our economy is heavily dependent on freight transport, and lorries move over 82 per cent of all freight. We can not ignore these realities. In practice it would not be possible or right to force people or goods off the roads onto the railways; the last Labour Government recognised this fact as well. Instead, policy must be directed to ensuring that road traffic can move as quickly and efficiently as possible with the minimum of damage to the environment. The Government's road building policy emphasises the need for economically important roads, and gives higher priority to bypasses. 45 have been completed since May 1979 and a further 220 bypasses will be built in the next 4 - 5 years. Lead in petrol is being phased out. A stringent package of measures to control the heavy lorry and remove heavy lorry traffic from centres of population has been introduced. Action is being taken to reduce aircraft noise.

The Government is

The Government is not against cheap fares,

against cheap fares
and good subsidised
city transport.

but it recognises the price of the fare always has to be paid by someone. The GLC's 'Fares Fair' policy was not a cheap policy. The fares may have gone down but the price for this and for inefficiencies deliberately imposed on LT by the GLC was paid by the London ratepayer. 62 per cent of all rates in London are paid by businesses and in order to pay for the mounting rates bill, London businesses would have had to cut jobs. Although the Labour Party has now changed its mind, in Government it was against excessively high subsidy policies and penalised Councils like South Yorkshire who pursued such policies. It argued then that not only did high subsidy policies not attract people from their cars onto public transport, but that such subsidies tended to favour the better off at the expense of the less well off.

Of course the Government is in favour of cheap fares, but believes that they should be cheap for everybody, including the taxpayer and ratepayer. Therefore, transport operators should aim to cut costs and become more efficient, the only way to real 'cheap' transport. Neither is the Government against all subsidy, but a fair balance has to be maintained

between the interests of the ratepayer and the traveller. Subsidies should not be paid indiscriminately, regardless of need. The Transport Act 1982 provides for a reasonable balance to be maintained in future.

Why are transport systems abroad much cheaper than in Britain.

It is true that urban transport systems in cities abroad often enjoy higher levels of subsidy than they do in Britain. However, many do not and British urban transport operating subsidies are only a little below average for Europe as a whole. However, in many cases transport operators abroad are much more efficient. It is estimated that if London Transport was as efficient as other cities in Britain, savings of at least £80 million a year could be made. Of course with existing levels of subsidy, this would enable fares to be much lower and the existing subsidy would cover a larger percentage of total costs. The Transport Act 1983 will provide stability for urban transport operators to plan for better efficiency and cost reductions.

Deregulation on the buses is killing off rural transport.

Not true. There is no evidence that the new rules for the granting of licences for rural routes or delicensing in 'Trial Areas' has damaged rural transport. On the contrary, delicensing

in the Hereford and Worcester Trial Area has produced better rural services at lower cost.

The decline in rural bus services is no new phenomenon. It has been happening since the 1950s as a result of social changes in the countryside and

increased car ownership. It has happened under Governments of both parties, who have had to recognise that it is simply not cost effective to pour massive subsidies into keeping many conventional rural services running wholly or nearly empty. Nevertheless the Government has allowed local rural County Councils to provide generous levels of financial support to public transport in rural areas. The Government recognises that a new approach is needed to the problems of rural areas, so it is emphasising the need for alternative low cost and voluntary schemes, such as minibus schemes, the use of school and post buses for conventional transport services, and car sharing schemes. Since 1979 there has been a significant growth in such services, a growth which should continue.

That after Serpell
there will be wide-
spread rail closures.

The Serpell Report has been misunderstood and misrepresented. Most of the (majority) Report is concerned with scope for improved

efficiency on the railways and identifies scope for savings of £220 million annually by 1986 within the existing rail network. Critics of the Government have tried to shift attention to the part of the Report which sets out so-called 'options' for the future rail network, saying that Serpell recommends cuts in the network. In fact in the Report, these were only illustrations of the sort of network that could be expected given different levels of funding. Serpell made no recommendations. One of these illustrations was for an increased investment in a slightly reduced network. The Serpell Report is not Government policy, and the Government has already made it clear that it does not wish to see massive closures. It is the aim of the Government to achieve a better and higher quality railway which gives more value for money and improved services for the passenger. The Report helps to identify how this aim can be achieved.

That the Government
has starved the
railways of
investment.

in money terms
More has been invested in the railways/
(though not in real terms)
/under this Government than under Labour
(£1600 million from May 1979 as opposed
to £1100 million), and many investment
projects are going ahead. However, due
to losses from inefficiency and
industrial disputes, BR has not spent

up to its investment ceiling in recent years, even though the Government has given the railway more money than ever in real terms. The taxpayer cannot be expected to go on pouring money into the railways without some major improvements in efficiency. The Government accepts that more investment is needed, but as the Serpell Report demonstrated, BR could generate the money for this from putting its own house in order and reducing costs.

The Government has given approval to a programme of electrification, but BR has been slow in providing firm justification for specific projects. Electrification is not a panacea for all the problems of the railways, and there is little evidence to suggest that an electric train is any more comfortable or good for the traveller than conventional diesel. Therefore, since electrification is expensive, every project has to be justified on grounds of commercial cost effectiveness. Unfortunately on many lines BR has not been able to produce evidence to show that electrification is worthwhile commercially. Nevertheless approval has been given for electrification of the main line to Ipswich, Norwich and Harwich, and the Government hopes that

BR will be able to produce better forecasts for other lines and for their Intercity and freight businesses soon.

The Government has cut the road programme, it should be building more motorways.

The Government has maintained the size of the roads programme it inherited from Labour, and despite the recession, it has increased spending on roads over the last two years. Output, (ie the actual miles of roads built) is well up on levels inherited from Labour, and tender prices have been much more competitive than before.

It is unrealistic to compare the size of the motorway programme in the UK with the size of the programme in other countries. Britain has a much better system of minor and trunk roads than most other European countries, and our motorway programme is based on a realistic assessment of transport needs given our existing infrastructure.

Road users pay too much and are over taxed.

It is true that the amount collected in Vehicle Excise Duty and fuel taxes represents three times the cost of the roads programme. But in no area of Government taxation are tax revenues specifically allocated to particular spending programmes. To argue that car tax should only cover the road programme is as sensible as arguing that duty on drinks

should be spent only on help for drinkers, or oil taxation should only be used to develop North Sea oil reserves. Lower road tax would mean more tax on other items.

Although road tax and petrol duty have risen, they have not risen above the rate of inflation; in fact duty on petrol has actually fallen in real terms over the past few years.

Road users do not pay enough tax, and so there is unfair competition between road and rail.

As the Serpell Report demonstrates, if there is any unfairness in competition at all between road and rail, it is rail which has an unfair advantage. It gets massive subsidies from the taxpayer, while road users pay tax well in excess of what it costs to maintain, build and police the road network. However, before this Government came into office, heavy lorries did not pay their fair share of road track costs. This has now been changed, and the most damaging lorries now pay VED at a level reflecting the damage they do to the roads.

The Government does not care about the impact of transport on the environment.

This Government is the first, not only to recognise but to do something positive to curb the impact of heavy traffic on the environment. The Government's lorry package will mean fewer, cleaner, safer

and less obtrusive lorries. Lead in petrol is being phased out, aircraft noise is being reduced and greater priority has been given to bypasses.

The Government is doing nothing to help the cyclist.

In 1981, the Government published a Cycling Policy Paper which proposed safer construction requirements, simpler procedures to convert footpaths to cycle tracks, the appointment of regional cycling officers to look after cyclists' interests and plan improve facilities, and grants towards County Councils cycling schemes. In the last two years about £200,000 has been spent by central Government on 21 innovative cycle schemes in England and Wales, and in 1982, 10 schemes were completed to turn old railway tracks into cycle ways. 27 more schemes are going ahead now.

Why doesn't the Government set up a National Concessionary Fares Scheme.

At present the power to grant concessionary fares rests with local councils; some give free travel to pensioners, some give half fares and so on. To satisfy everybody would be difficult without introducing a national free travel scheme for pensioners, but this would cost hundreds of millions of pounds. Even a national half fare scheme would cost an extra £100 million per annum,

money which would have to be found from somewhere, either from other expenditure programmes (perhaps other programmes which benefit pensioners) or at the cost of higher rates and taxes. A national scheme still would not be fair to everyone, because at least 20 per cent of pensioners are too infirm to use the buses or have no bus service nearby. Locally run schemes, tailored to the needs of the local population provide greater flexibility to adapt to the needs of the elderly.

Why can't the Government
do something to sort out
the British Ports
Industry.

Parts of the British Ports Industry have been declining over the past two decades because of shifting patterns in world trade, the movement of traffic from the West coast to the East coast, a decrease in world trade and overmanning problems in the wake of the 'container' revolution. All these problems have been exacerbated by the operation of the Jones /Aldington agreement which gave all registered dock workers 'jobs for life' no matter whether there was economic justification for their jobs or not. The finances of the Port of London Authority and Mersey Docks and Harbour Company have been particularly hard hit by all these factors and the Government has given both authorities financial help to enable them

to make essential manning reductions and to continue operating. Elsewhere, the story is much better. Many ports eg. Felixstowe, Southampton, have invested in better technology and cheaper and more efficient services, offering them a healthy financial future. The sale of 51 per cent of the Government's holding in Associated British Ports which owns 19 of Britain's most profitable ports shows increasing public confidence in the health of the industry.

The Government has given up its idea of privatising British Airways.

The aim has always been to privatise British Airways as soon as possible, but a precise date was never given. The main reason for the delay was the downturn in airline passenger demand in 1980 and 1981, which wiped out British Airways' profits. However, the opportunity has been taken since the appointment of Sir John King in early 1981 to remedy fundamental problems from which British Airways has suffered in the past, particularly low productivity and overmanning. Staff numbers have been cut and there has been an extensive programme of route reductions and asset disposals. These measures have involved minimal industrial disruption. As a result, British Airways faces a brighter financial future. The aim is to achieve

privatisation as soon as possible after the next General Election.

Deregulation of air services will mean the withdrawal of air services from remote areas such as the Scottish Islands.

Several air services in the Scottish Highlands and Islands are regarded as essential social services and since they are not of themselves economic to run they are subsidised both by central and local government. The inhabitants of remote communities, not only in the Highlands and Islands but also in the Channel Islands and elsewhere, are understandably very sensitive about the preservation of their scheduled air links with London and other major UK points. This is a consideration which has to be taken fully into account in any discussion of deregulation.

The CAA owns and operates 7 aerodromes in the Scottish Highlands and Islands (Benbecula, Inverness, Islay, Kirkwall, Sumburgh, Tiree and Wick). It also operates the aerodrome at Stornoway. Except for Sumburgh, these aerodromes have never been in a position to cover their total operating costs and the CAA's operations there are subsidised by the Scottish Development Department because they are an essential social service in the Highlands and Islands. In 1982-3 the SDD grant amounted to £3.6 million.

The Government has asked the CAA to consider how the aerodromes might be transferred to the private sector in the expectation that they could then be run more efficiently and give better service. The Government has given an assurance that the interests of local communities will be taken into account in any move to privatisation.

KM/CR
28.4.83

LIAISON COMMITTEE
PUBLIC TRANSPORT IN SCOTLAND

Annex

INTRODUCTION

Public transport is an important and sensitive issue in Scotland because of the country's general remoteness, and particularly because of distance and general difficulties of communication within Scotland. The Conservative Party in Scotland is most dependent for its support on rural areas, where the supply of public transport services has deteriorated in recent years, and is perceived to be under continuing threat. In recognition of this the Party undertook commitments in its 1979 Scottish Manifesto to increase subsidies for shipping services, and to press on with the Scottish trunk road programme, particularly the dualling of the A94 north to Aberdeen. These Manifesto commitments are being honoured in spirit, if not to the letter, and the Government therefore has a good story to tell. However there remains significant transport problems, actual or in prospect, and these will continue to require careful handling and presentation.

SHIPPING SERVICES TO THE ISLANDS

The 1979 commitment was to increase the level of shipping subsidies so that they would come nearer to road equivalent tariffs. We have trebled the revenue subsidies for shipping services (from £4.3m in 1978-79, when we took office, to £12.4m in the current financial year). The scope of shipping subsidies has also been extended and we now subsidise not only the Caledonian MacBrayne services to the Western Isles, but also fares and charges on the P & O services to Orkney and Shetland, and the charges of certain bulk freight carriers. Caledonian MacBrayne's charges have not now been increased since 1981, and this represents a substantial reduction in real terms for the islanders. The honouring of this commitment, against the background of all the other economic difficulties we have faced, is generally understood and appreciated by the islanders.

In addition, we have announced our commitment in principle to a programme of major vessel replacement for the Western Isles, and the first major vessel in the programme for the service to Arran - is now under construction, at a cost of over £7m.

What the Government has not done is to change the structure of the subsidy system in order to take on board the full technicalities of a road equivalent tariff system. This is because substantial practical difficulties have been encountered with such

a system. Our failure in this respect is occasionally criticised, but can be answered robustly by reference to our record of subsidy increases.

The Government is now considering what action to take following the recent completion of a report on Caledonian MacBrayne by the Monopolies and Mergers Commission. This produced numerous proposals for the more efficient and cost effective operation of that Company, and the implementation of these will be to the great benefit of ferry users. There is no need to be defensive about the Monopolies Commission investigation with Caledonian MacBrayne as with any nationalised industry, inefficient operation can only mean poor service to the customer, as well as greater cost to the taxpayer.

ROADS

Good progress is being made on the Scottish trunk road programme. Projected capital expenditure in the present financial year is £97m. Major achievements since 1979 have been the completion of most of the new A9 between Perth and the Cromarty Firth, and good progress is being made on the dualling of the A94 to Aberdeen. Another main priority has been the A75 from Gretna to Stranraer, and considerable further progress is being made with this. A further major programme of trunk road schemes is now in preparation and includes a high proportion of bypass schemes to relieve communities at present situated on busy roads. The continuation of the Scottish trunk road programme at a high level will be of major importance for the development of commerce and industry in Scotland, hampered as it is by its relative remoteness from markets and sources of supply.

AIRPORTS AND AIR SERVICES

The Government's decision to allow British Midland Airways to operate on the London-Glasgow and London-Edinburgh routes has increased competition and the quality of service on these routes, to the great benefit of consumers. There have been further recent improvements in air services between Aberdeen and London; and the recent substitution of Dan Air for BA on the Inverness-London route will produce a significantly better service there.

Following a recent report by the Select Committee on Scottish Affairs, the Government has confirmed its policy for the management of the central Scottish airports owned by the British Airports Authority. At the same time the BAA and the Scottish Tourist Board have joined in a major promotional exercise for Prestwick airport, which has suffered badly from the contraction of transatlantic services during the recession. Central Scotland will therefore continue to enjoy a level

of airport provision unparalleled elsewhere in the country.

The provision of air services in the Highlands and Islands gives cause for concern. The Government does not in general subsidise air services (though it reserves the right and has the power to do so in certain restricted circumstances where such services cross regional boundaries, connect islands with the mainland, are essential to the life of the community served and would not otherwise be provided). The Government does however provide substantial subsidy (of approximately £4m a year) towards the upkeep of the eight Highlands and Islands airports, owned by the Civil Aviation Authority. The Government is not persuaded that the CAA is best placed to run these airports in the most efficient and cost effective way, and is therefore currently investigating the possibility of privatising them. This intention is publicly known, and is not unpopular, given widespread local dissatisfaction with the CAA's stewardship. It remains to be seen whether privatisation will be possible. If not, other alternatives - including possibly municipalisation - will need to be considered. It is important to present the current privatisation initiative as arising not from political dogma, but from a recognition of the widespread concern at the need to provide cheaper airport services, more flexible and responsive to local needs.

BUS SERVICES

The main providers of stage carriage (ie local stopping) bus services are the subsidiary companies of the Scottish Bus Group, a nationalised industry. SBG has now transferred completely to one-man operation and has recently undertaken major reviews of its network, to produce the most efficient and market-oriented pattern of services. Some of its more uneconomic rural services are subsidised by local authorities, but their subsidy remains much less significant than the cross-subsidy to such services provided from within the Scottish Bus Group itself. There has been local criticism in Scotland, echoed by the Select Committee on Scottish Affairs last year, of the Government requirement on the Scottish Bus Group to make a positive financial return, hence generating the local government subsidy requirement. The Government has said in response to the Select Committee that in fixing a new medium-term target for the Group, for the period from 1 January 1984, it will take full account of social as well as economic consideration. But the fixing of an appropriate financial target is a necessary discipline to ensure the continued efficient and cost effective operation of the Group's services.

The liberalisation of access to the bus market introduced by the Transport Act 1980 has had considerable beneficial effects in Scotland through the encouragement of new, generally private sector, express bus services along main travel corridors - for example between Aberdeen, Inverness and central Scotland, and from Glasgow and Edinburgh to London. These highly efficient and low cost services have proved a particular advantage to the less well off - for example, pensioners and young people. Liberalisation of access has not, however, generated any private sector interest in low density rural areas, which are nevertheless highly dependent on the continuance of basic bus services. These services will remain dependent on subsidy or cross-subsidy, and any proposal to privatise the nationalised bus sector in Scotland will be very difficult to defend to traditional Conservative supporters.

RAILWAYS

The Serpell Report on railway finances has produced considerable concern in Scotland where the existing rail network, much reduced by the Beeching cuts 20 years ago, is widely regarded as being at a minimum. The remaining Highland railway lines, though probably inevitably loss-making, are major transport arteries connecting remote communities over very long distances. It is therefore important to reassure Scottish opinion that the Government does not "have it in" for British Rail, and fully understands the problems of remote communities, but is nevertheless concerned to ensure value for money and as efficient a public transport system as possible. The Government's willingness to support the railways where that is justified is amply evidenced by the substantial capital grant (up to £15m) which the Government is giving to Strathclyde Regional Council for the electrification of the Ayr railway line and for the refurbishment of electrified rolling stock on the Glasgow suburban network.

CONCLUSIONS

The Government's public transport policies, as they affect Scotland, can be presented very positively. The massively increased support for shipping services represents a new level of commitment to the island communities, and has led to the substantial reduction, in real terms, of travel costs for islanders. The surface transport infrastructure continues to be developed, principally through the trunk road programme. The Government is concerned to maintain a basic network of air services in the Highlands and Islands. It pays substantial subsidy for the local airports in these areas, and is seeking more efficient and cost effective ways of providing airport services. The Government is conscious of the dependence of many rural communities on their bus services and is committed to facilitating the maintenance of essential bus services. Their approach to problems of Scottish

railways is not dogmatic: the Secretary of State for Scotland is providing substantial financial assistance for new railway projects in west central Scotland, and the Government is fully sensitive to the importance of the Highland rail network in particular.