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PRIME MINISTER

BUS WHITE PAPER

At E(A) on 16 May (E(A)(84)12th) I was invited to circulate a draft white paper embodying the proposals which the Committee had approved. I attach the draft which I propose. As agreed in correspondence, it incorporates a separate chapter about Scotland.

I have particularly sought to set out fully and clearly the effects of deregulation on the rural areas. There are bound to be changes - though there will be much greater changes in the towns - and there will certainly be benefits from the change. The gains in efficiency will not be confined to the towns. A very great reassurance about the transition will be provided by the additional grant of £20m in the first full year to which the Chief Secretary has agreed, and which will be made available directly to operators in rural areas to cover the period before the full benefits of greater efficiency flow through. This is announced in paragraph 3.12 of the draft.

Paragraph 3.13 of the draft stresses the potential for better use of transport provided by other public bodies, in particular education and social services departments of local authorities. I am following up with the colleagues concerned how we can together develop specific practical policies and I am sure that I shall have their fullest support in that.

I have concluded on reflection that it will be better to announce separately beforehand our intention to legislate on substitution of buses for certain rail services, on which I sent you a minute on 22 May. To include that in this White Paper might divert attention from the central policy reforms.

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Our proposals will be vigorously attacked by the vested interests concerned and it will be vital to demonstrate to the passengers of the bus industry that they are founded on full and detailed analysis of the industry. I therefore think it very important to include five technical annexes in the White Paper setting out statistical material, a professional critique of regulation, subsidy, cross-subsidy and the scope for increases in efficiency, and a report on the results of the 1980 legislation. To avoid burdening my colleagues with a very substantial amount of paper, I have arranged for these annexes to be circulated to officials in the Departments principally concerned and to the Policy Unit. If you have time to look at the section on the scope for increases in efficiency, I think you will find the material very striking.

The Committee wished to see a timetable for implementing the proposals. This is attached. To achieve it, I need to publish the White Paper as soon as possible, and well before the start of the summer recess. I would like very much to publish it in the first week of July. I should therefore be very grateful to know whether you are content with the presentation in the White Paper, and to have any comments from colleagues by 21 June.

I am sending copies of this to members of E(A), to Norman Fowler and Keith Joseph, and to Sir Robert Armstrong.

*Dr.*

*Private Secretary.*

*(Approved by the Secretary of State & signed in his absence)*

NICHOLAS RIDLEY

14 June 1984

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## TIMETABLE

The proposals involve three main interlocking elements:

1. Deregulation
2. Changes in arrangements for paying subsidy
3. Changes in the structure and ownership of public sector operators.

The aim will be to effect the changes on all three fronts as quickly as is practically possible. The precise timing will depend on the speed with which local authorities can be expected to adjust to the very major changes proposed and on the detail of individual schemes for restructuring operators to create viable new entities.

The programme will be as follows:

1. In advance of legislation

Begin consultations as soon as the White Paper is published with the Board of NBC and with local authority associations on the series of practical questions trailed in the White Paper.

2. After legislation

(i) Abolish road service licensing

Introduce arrangements for registration and quality safeguards. End exemption from Restrictive Trade Practices Act.

As soon as possible after Royal Assent.  
(Autumn 1985/  
January 1986)

(ii) Introduce innovation grant and rural grant.

"

(iii) Local authorities introduce rolling subsidy tendering programmes.

1985-6 to  
1988-9



(iv) NBC restructuring and disposal. The aim will be to effect substantial disposal during the present Parliament. 1986 onwards

(v) Formation of municipal and PTE undertakings into companies. From 1986-7

Precise timing will depend on individual circumstances. Properly prepared accounts need to be obtained for the municipals for at least a full year before formation. The aim will be to complete the process by April 1988 for both municipals and PTEs.

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Prime minister.

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DRAFT WHITE PAPER

A BETTER WAY FOR PUBLIC TRANSPORT

### Chapter 1 - The Opportunity

1.1. Public transport is a vital part of daily life. For many people the bus is essential for going to work, shopping, visiting friends, going to the doctor, going to school. Over 10% of all journeys are made by bus. Most of the people who take the bus do not have the use of a car. Most are people in less well paid jobs or unemployed, women, pensioners or schoolchildren. In our towns and cities buses carry large numbers of people to and from work and school in the peak hours. In our biggest cities, the high level of service throughout the day also means that people can have all the benefits of city life without needing a car. People living in the countryside without a car depend on the bus for access to the local towns and for their social activities. The Government believe that maintaining these public transport links is vital for the future of rural communities.

1.2. But despite the need for public transport, and the substantial financial support provided by central and local government, local bus services have been contracting for years. Since 1955 bus and coach mileage has halved and the percentage of all journeys made by bus has gone down from 40% to 8%. Rural transport has become costly and sparse. In some of our major cities the cost of subsidising public transport is now unacceptable. The big rise in car ownership since the early 1950s has changed patterns of personal travel and made it more difficult to provide good public transport. But the framework of regulation has also stopped the industry making changes to meet today's travel needs.

1.3. For 50 years from 1930 to 1980 local bus services were subject to a highly restrictive licensing system. Within this

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system the belief grew up that the way to provide comprehensive public transport is to protect the existing operators so that their profits from popular routes can cross-subsidise services for which there is less demand. The result of these worthy intentions has been to maintain a pattern of services developed for a different age and to neglect the best parts of the market. There has been too little incentive to develop markets, to woo the customer. Operators have been hampered by a philosophy that is defensive and inward-looking. For too long they have been placed in the highly discouraging position of having to argue with the traffic commissioners about every new service. In 1980 Parliament began to remove the barriers to competition by making it easier for operators to run new services. The last four years have shown that the industry has able and energetic managers who are ready to take advantage of new opportunities and that there is life in the bus market where operators have been prepared to try new ventures. It is now time to go further.

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

1.5. If the customer has the final say, bus operators will look keenly to see where and when people want to travel. If one operator fails to provide a service that is wanted, another

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will. They will be stimulated to provide a greater variety of services, using different types of vehicles running on different routes or frequencies, offering more choices to meet peoples' needs. Competing minibuses may offer a fast and frequent service in city centres. Shared taxis may provide transport for people in villages. New services may link residential areas with out-of-town shopping centres. Operators will not be slow to find out what passengers want.

1.6. Competition also brings continuing pressure to keep costs down. The cost of operating buses has gone up by 20-30% over the last 10 years, over and above inflation and bus fares have gone up by more than 30%. Yet motoring costs have hardly risen over the same period. Of course the advent of the private car has put pressure on operators but that is not a reason why the costs should have risen so fast. It has not happened in the taxi and hire car industries which are even more labour intensive. They too have faced competition from private cars but their markets have grown. In contrast to the increases in bus fares and the 30% fall in demand for bus services in the last decade, taxi and hire car fares have risen by only 10% and demand has more than doubled.

1.7. The way in which the bus industry is organised, the protection it works within and the way in which subsidy has been paid have conspired to keep costs higher than they need be. Leaving London aside, if costs were to fall by 15% - which is less than the increase since 1970 in the unit costs of nationalised, municipal or PTE operators the saving would be about £235m a year, against the total cost of revenue support of about £300m.

1.8. There will always be many socially necessary but unprofitable services which local authorities will want to

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support. Here again the Government believes that competition must help to ensure that the community sees better value for money from subsidised services. This is just what has happened in the "trial areas", set up at the request of county councils under the 1980 Transport Act, in which road service licensing has been removed from local services. In each of the areas the county has been able to obtain better value for subsidy payments and in none has deregulation brought the loss of services which some predicted. The pattern has changed, and services are now more in line with travellers' needs. Annex 5 describes more fully what has happened in the trial areas.

1.9. This shows that with imagination it is possible to obtain better value for money for services in the rural areas. The financial problem is in the urban areas. The big subsidies are being paid in London and the Metropolitan Counties. Those areas, with 40% of the population of England, account for over 80% of revenue support to bus services, and the bill has been rising rapidly from £117m in 1978-9 to a budget figure of £400m in 1984-5. In the Shire counties, in contrast, total revenue support payments have not increased dramatically and remain below £100m, [a modest and acceptable level].

1.10. The Government does not regard such big metropolitan subsidies as necessary or unavoidable. Steps can and must be taken to bring them back to a more reasonable level, in line with the Government's overall public expenditure plans. In the six English metropolitan counties, the Government intends to use the control which they would have over the precepts of the joint boards for the first three years following abolition, to bring expenditure back into line with what the country can afford. In some cases fares have been held down to artificially low levels or services maintained where there is little demand for them, and that will have to change. But it is too easy at present for



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local authorities and operators to claim that the only alternative to high subsidies is massive fare increases and drastic service cuts. There is an alternative - to improve efficiency and reduce costs. The present licensing and subsidy arrangements, without the spur of competition, protect the operators rather than their customers. That balance must be changed.

1.11. The total travel market is expanding. New measures are needed urgently to break out of the cycle of rising costs, rising fares, reducing services, so that public transport can win a bigger share of this market. We must get away from the idea that the only future for bus services is to contract painfully at large cost to taxpayers and ratepayers. Competition provides the opportunity for lower fares, new services, more passengers. For these great gains, half measures will not be enough. Within the essential framework of safety regulation and provision for social needs, the obstacles to enterprise, initiative, and efficiency must be removed. The need to act is urgent.

1.12. The Government therefore proposes to introduce legislation at the earliest opportunity. The legislation will make major changes to arrangements for the bus industry, so that it is set free to give a better service to the passenger at less cost to the ratepayer and taxpayer.

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Chapter 2 - The Government's Proposals

2.1. The Government's proposals concern all aspects of public road transport in Great Britain. They are set out in the following chapters. While broadly the same problems and opportunities exist throughout the country, the position in and proposals for Scotland differ in some respects and are described in chapter 7. The annexes bring together factual material and technical analysis on the major issues. The proposals in summary, are as follows:-

2.2. - Bus services will be freed from restriction on competition by abolishing road service licensing throughout Great Britain (except for the framework of controls in London which will be retained for the time being). (Chapter 4)

2.3. - Licensing of public service vehicles and operators for safety will be maintained and tightened. Further resources will be provided for this. (3.1. and 4.)

2.4. - Many essential bus routes are not and never will be viable, and local authorities will be able to continue to subsidise services that would cease in the free market. Local authorities will be required to seek competitive tenders for contracts to run bus services which they wish to subsidise. (3.2 -3.7) Fuel duty rebate will continue. (3.8.)

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- 2.5. - Concessionary fare schemes will continue, and all operators will be enabled to participate in them on an equitable basis. (Chapter 3.9 - 10)
- 2.6. - The Government are determined to foster public transport in rural areas. Additional resources will be available to help with problems in the rural areas. There will be a special innovation grant and a grant for rural services. Wider use of services run by education, health and social services authorities, the Post Office and others will be explored. (3.11 -3.13)
- 2.7. - The structure of the bus industry must be allowed to change to meet market needs. The National Bus Company will be reorganised into smaller free-standing parts which will then be transferred to the private sector. The Government will welcome bids from the employees. (Chapter 5) PTEs will be required to break down their operations into smaller units, which will become independent companies. Municipal bus operations will be incorporated into companies still owned by their district councils. After a suitable transitional period, both PTE and municipal companies will stand on their own feet. They will compete with other operators for passengers and for contracts to run subsidised services. (Chapter 5)

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- 2.8. - New measures will ensure that all operators have equal opportunity for access to major bus stations. (Chapter 5)
- 2.9. - Taxis and licensed hire cars will be allowed to carry passengers at separate fares in certain circumstances. It is also intended to begin a gradual relaxation of the restrictions on numbers of taxis which apply in some areas. The Government will be consulting the parties concerned on each of these proposals. (Chapter 6)
- 2.10. - In Scotland, as elsewhere, quantity restrictions will be scrapped and quality controls strengthened. Special measures will be taken to improve services in rural areas. Subsidy will be subject to open tender and the structure of the municipal and PTE operations will be changed to improve efficiency and reduce costs. (Chapter 7)
- 2.11. - The Government intends to bring a Bill before Parliament at the earliest opportunity and subject to Parliamentary approval to bring in the proposed changes without further delay.

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Chapter 3 - The Essential Framework - Safety and Social Need.

Safety

3.1. To protect the safety of passengers and of others on the road, the bus industry is supervised by the independent traffic commissioners. Every operator of a public service vehicle must have a licence from the commissioners. Maintenance arrangements, financial standing, professional competence and repute are subject to scrutiny. Public service vehicles have since 1982 been subject to annual mechanical inspection. Drivers have to pass a special driving test and demonstrate medical fitness, for a separate licence. Drivers hours are restricted by EEC regulations or under the Transport Act 1968. Vehicles are subject to spot checks. This system of supervision will be fully retained, and reinforced.

3.2. Satisfactory quality control does not require quantity restriction. This is shown by the non-stage carriage parts of the bus industry, by road haulage and by the London taxi system which everyone recognises is of very high quality although there is no limit on the number of cabs. Nonetheless, competition in local bus services will call for particularly careful supervision of the behaviour of operators and their safety standards. For this reason it is proposed to strengthen the law to allow new conditions to be attached to licences of operators of local services. This will be linked with a requirement described in 4.14 for registration of services. A high priority will also be given to checks of maintenance facilities, and mechanical condition. Additional resources will be provided for that. There will be compensating savings from the abolition of road service licensing.

3.3. At present there are three traffic commissioners in each traffic area, responsible for licensing local bus services and operators of public service vehicles. By contrast, licensing

operators of goods vehicles is the responsibility of a single person, the "licensing" authority in each traffic area. Once road service licensing is abolished, it will no longer be appropriate to retain the traffic commissioners. It is therefore proposed to unify the authority for licensing operators of goods and of passenger vehicles. Appeals of road haulage operators against decisions of the existing licensing authorities lie to the independent Transport Tribunal. The Government intends that the Tribunal should in the same way hear appeals by bus operators which at present come to the Secretary of State.

### Social Need

3.4. The county councils and certain district councils are now accustomed to deciding which services are socially necessary and should be kept going by subsidy. The Government intends to build upon this vital function. But it is for the local authorities to decide which services to support and how much of the resources available to them to allocate to this purpose. Deregulation will enable councils to see clearly which services can be sustained by the market, and which need to be met by subsidy. New arrangements should help them obtain better value for money - even, better services for less money. This means changes in the powers and duties of local authorities and in the way the level of subsidy is decided for particular services.

3.5. At present county councils have duties to co-ordinate public transport set out in Section 1 of the Transport Act 1978 (for non-metropolitan counties) and Section 9 of the Transport Act 1968 (for metropolitan counties). Operators and district councils are also required to co-operate with counties and with each other for this purpose. The Government does not believe that such comprehensive planning is appropriate for those services which can be provided commercially. It is for passengers to demonstrate what they want, and for operators to respond. The Government therefore intends to change the present duties of county councils (or in metropolitan areas their

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successors) to one requiring them to secure the efficient provision of such transport services as they believe necessary, after due consultation, but which are not provided by a free market. Authorities will also need to co-ordinate with each other to secure the most cost-effective provision of subsidised services which run across boundaries.

3.6. At present, bus operators often negotiate with the responsible local authority a blanket subsidy to run a particular, and often large, bus network. Typical agreements provide for local authorities to meet no more than the actual net costs incurred, within a ceiling. This means that once the arrangement is settled the incentive for operators to improve their performance is blunted because the benefit will accrue mainly to the local authority, not to them. For its part the local authority has little choice of operator and for that reason cannot judge whether the services it buys are being provided efficiently and at the lowest cost. Some authorities have developed systems for monitoring and evaluating operators' use of subsidy but that can only determine relative performance within the existing framework of regulation and network subsidy.

3.7. This method of paying subsidy for networks also conceals from those who have to pay - the ratepayer and the taxpayer - the true cost of the individual services being provided. Subsidy can be used more efficiently if there has been a competitive bid for it, and the purpose for which it is paid and amount provided are made clear. Some authorities are already moving in this direction but the licensing system limits the extent to which competition for contracts can develop. The removal of licensing will provide the opportunity for genuine competitive tendering. So, to help obtain the best value for money the Government will require local authorities to invite operators to tender for contracts to run subsidised services. Such tendering, as it is

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progressively introduced, will bring cost reductions as more competitors emerge. Authorities will need to adopt forms of tendering which do not inhibit competition but it should not be necessary to impose detailed provisions by statute. The Government will be consulting representatives of all those concerned about the arrangements for tendering and about how quickly they can be universally applied. The power in the Transport Act 1978 for shire district councils, as well as county councils to subsidise unprofitable services will remain.

Fuel Duty Rebate

3.9 Fuel duty rebate will continue to be available for the running of local bus services available to the general public.

Concessionary Fares

3.10. Many local authorities have exercised their powers to provide for concessionary fares for disabled people and the elderly. The origin of the concessions was that such people could travel less expensively in off peak times when seats would otherwise be empty. The Government supports such sensible schemes although it considers that it is local authorities who should decide whether to have one. They should not be confined, as is sometimes the case, to services provided by one operator. The Government proposes to ensure that in future all operators can participate in the local concessionary fares scheme and will consult those concerned about the practicalities of running schemes where there are several operators.

3.11. The reimbursement by authorities to operators who carry people at concessionary fares should reflect any net loss of fares revenue together with any extra costs of carrying the additional passengers. In other words, the operator should be left no better and no worse off than he would otherwise have been. This is not always the case with existing arrangements



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which can provide a hidden subsidy to bus operators. In some cases this is a major distortion and must be removed. The Government will therefore consult on arrangements to secure that payments to operators more truly reflect the cost of providing these concessions.

### Rural Areas

3.12. Local authorities in the more sparsely populated parts of the countryside have to face the need to ensure that transport is available for rural communities even though the number of potential passengers is very small. A free market will help but cannot on its own solve this. The Government propose several supplementary measures to help the county councils to modernise and improve rural transport services. First, innovation must be encouraged. A new grant of up to £1 million a year will be created to encourage new schemes for community transport in rural areas. This will be administered in England by the Development Commission. Other arrangements for administration will be made for Scotland and Wales. Second, competitive tendering will help authorities to achieve much better value for money for the services they decide to support. But the full benefits of tendering will not be felt immediately. So, third, the Government will make available additional help to maintain vital rural services in this transitional period. This will take the form of a special grant available for 3 years and paid direct to operators of eligible services in rural areas. The total value of the grant will be £20 million in the first full year. In subsequent years a reduction in the level of the grant will reflect a continuing assessment of the impact of deregulation in rural areas, in which the Development Commission will be closely associated.

### Community Provision

3.13. In addition, the Government wants to see the best use being made of transport already provided for special purposes,

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and of community and voluntary effort. The Government has encouraged the provision of community buses, post buses and the use of school buses to help serve the general public. There are undoubtedly opportunities for the use of vehicles operated by other bodies - public and private - for providing wider public transport. The Government will consider in consultation with those concerned how to stimulate the better use, particularly in rural areas of services run on behalf of education, health and social services authorities, the Post Office, private firms and others.

3.14. There is another important transport resource which can be drawn upon. Nationally there are more minibuses on the roads than larger buses and coaches. About one-third are already in use as public service vehicles or by various statutory bodies but the remainder belong to firms, voluntary and charitable organisations and private individuals. The Government wishes to see these vehicles used to the widest possible extent. Successive Acts of Parliament have worked towards this, but have now led to complexity in the regulations governing minibuses, and standards of construction and equipment which vary according to the use to which they are put. The Government proposes to clarify and simplify the law governing minibus operation and to unify the different standards of construction and equipment into a single set of regulations. The Government will consult widely about these proposals.

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## Chapter 4 - The Benefits of Change

### Road Service Licensing

4.1. The operator of a local bus service outside London\* needs a road service licence for the service before he can start operating. The arrangements for licensing were introduced in the Road Traffic Act 1930. The circumstances then were very different from today. There were no national safety provisions to protect the public, no minimum standards for vehicles and their maintenance, no need to pass a driving test or demonstrate fitness to operate bus services. Traffic regulation was in its infancy. There was understandably widespread concern about the effects of competition on the roads. Operators under pressure from Government to improve standards - at their own expense - felt justified in seeking quantity regulation to protect their investment. And the prevailing wisdom at that time, that 'wasteful' competition was a bad thing and should be outlawed fitted the operators case.

4.2. The licensing system introduced in 1930 was from the start very restrictive. Operators had to demonstrate a need for their services. The aim was not only to avoid wasteful competition but to keep the number of services to a minimum in the interests of public safety. This entrenched established operators and it made it virtually impossible for a newcomer to start up a bus service without their consent. In due course the effect was to institutionalise a system of cross-subsidy and standard fares.

\*Within Greater London, London Regional Transport (LRT) and its subsidiaries or any operator providing a service under an agreement with LRT may operate bus services without a road service licence. Other operators must obtain a road service licence from the traffic commissioners as elsewhere.

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4.3. For a long time the disadvantages of such a system were largely hidden. The market grew steadily, services expanded, fares remained stable and operators made money. In the mid-50s all that began to change very rapidly. More people began to buy cars. Profits dried up and operators were left struggling to try to keep their large networks going. They tried to put fares up. To the extent that the commissioners allowed that, the effect was to drive passengers away faster. At that time differential pricing to protect markets was strongly discouraged. In their anxiety to maintain existing services, operators neglected the good routes and were slow to adjust their operating methods to the changed conditions.

4.4. In the early 1970s the Conservative Government recognised that licensing had become a hindrance to tackling the bus problem. An attempt was made in 1974 to deregulate services provided by small buses. The first major steps of relaxation came in 1977 and 1978 when the Labour Government altered the criteria for granting licences, gave new prominence to the role of county councils and public transport policies, and brought in provisions to encourage new services in rural areas (the "experimental areas" and community buses). The move was very cautious. After nearly 50 years of licensing, that was hardly surprising.

The Results of the Transport Act 1980

4.5. In 1980 the Government felt the time was long overdue to test the underlying opportunities for developing the bus and coach market. The Transport Act 1980 abolished road service licensing for long distance coach services, on which passengers travelled at least 30 miles. There was vociferous opposition from important sectors of the industry. But the legislation has certainly been justified: the results have been dramatic. Recent research by the Transport and Road Research Laboratory (TRRL)

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suggest that between 1980 and 1983 fares on these services dropped on average by 40% in real terms and 700 new services were introduced.

4.6. The 1980 Act also introduced provision for county councils to set up "trial areas", in which road service licensing was abolished. Three counties, Devon, Hereford and Worcester, and Norfolk, have taken up the opportunity. Annex 5 reports in detail what has happened in these trial areas. All cover large tracts of the countryside - indeed the very sort of areas which it is claimed benefit most from cross-subsidy. Yet there has been no massive decline in services to the rural communities in these areas. Nor have the county councils had to provide massive increases in subsidy from the ratepayer to offset the loss of cross-subsidy. In the Hereford and Worcester trial area, the County Council is paying 38% less subsidy to rural services (and there have been reductions in the cost of taking children to school). The only reductions in services, (amounting in total to the equivalent to half the service provided by a single bus) were those which the County say they would have made in any case. Moreover, in Hereford town itself, which is within the trial area, bus services have increased and fares have gone down. This has also happened on routes between country towns. So the abolition of road service licensing can provide real benefit in rural areas. There have been reductions in both fares and subsidy. The County Council could, if it wished, use the money saved to expand the network of subsidised services.

4.7. The 1980 Act also changed the criterion for the grant of road service licences for local bus services, so that the Traffic Commissioners had a duty to grant a licence unless to do so would be against the public interest. The Government hoped that this would stimulate competition locally. But that has not proved to be the case to any great extent. There are two reasons for

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this. First, the present system allows existing operators to object to the grant of a licence, and to appeal, if the licence is granted. A small operator may not be able to face the expense of fighting an objection. Second, large operators have used their financial strength, based on their existing licences or the public purse, to try to defeat competition as it emerged.

The Case for Change

4.8. The Government now proposes to extend the successful deregulation of the long distance bus services and in the trial areas, by abolishing road service licensing throughout Great Britain. London is to be excluded for the present as explained in paragraph 4.18.

4.9. Annex 2 provides a critique of regulation and shows why the Government believes that abolition of road service licensing will bring big benefits. On many services passengers will pay lower fares. The costs of services will go down. There will be more variety in the kinds of service offered. New operators will be prepared to come in, providing new jobs. Overall patronage should increase. And the industry will be ready and able to respond in the future to changing patterns of living, working and leisure.

4.10. The benefits should not be confined to existing profitable routes, as the trial area experience shows. First, services which are unprofitable for a large operator may be profitable to smaller ones, particularly where, as perhaps with evening services, they can integrate them with their other business, such as works or schools contracts. Second, there is evidence that the costs of private operators working mostly in the unregulated parts of the market - in excursions and tours, contract and private hire - are between 20-40% below those of public sector operators who mainly provide local services. Of course there are

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good reasons why it costs more to provide a reliable local service all day and every day often on congested roads, than it costs to run a service once a day on contract, but this does not account for the whole of the difference. Annex 4 examines what the cost differences are and where there is scope for bringing costs down. After careful review of all the evidence, the Government has concluded that the potential exists for cost reductions of up to 30% of total costs of public operators. Competition is the only way to secure and sustain these efficiency gains.

4.11. Competition will end non commercial cross-subsidy. There is a strong view in the industry and among local authorities that that will be detrimental. The Select Committee on Transport in its recent report "Transport Aspects of the 1984 Public Expenditure White Paper" thought so too and for that reason urged caution in approaching deregulation. The Government believes this view to be wrong.

4.12. Some cross subsidy is applied for good commercial reasons. Operators may run services, for example, late at night or early in the morning which lose money, in order to provide a service which will ensure that passengers continue to use the bus, rather than take to the car. But most cross-subsidy goes to finance services which, on a commercial basis, the operator would not provide.

4.13. That kind of cross-subsidy has perverse effects. It raises fares on the heavily used routes higher than is necessary for profitable operation in order to preserve services for which there is less demand. So it drives people away from using buses. Fare rises lead to a loss of patronage equal, on average, to about 3% for every 10% real fare increase. Thus so far from protecting bus services, cross-subsidy has increased the rate of

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their decline. It may also have perverse social effects. Users of bus services are mainly the less well off; yet cross-subsidy requires some passengers to take on their shoulders the burden of maintaining services for other bus users regardless of their ability to do so. This is as much historical accident as a calculated decision. Moreover, protection under regulation enables operators to switch resources from one part of the country to another. In this way areas with lower car ownership which depend most on bus services may pay more than they have to so as to keep ill-used services going in other places. Thus in two ways, cross-subsidy produces unwelcome social effects. Annex 3 further describes the extent of cross-subsidy and analyses its effects. For all these reasons the Government rejects the argument that cross-subsidy ought to be preserved.

4.14. It is strongly argued by some that licensing provides benefit because it allows the integration of transport services, so that a network can be offered to the traveller. Authorities and operators have concentrated on devising bus services which allow for connection between them, and between road and rail particularly in the Metropolitan Areas. It is certainly obvious that the traveller wants to make convenient journeys, to travel throughout the urban areas, to rely on comprehensive information about the services available. But if they are to stay in a free market operators will have to meet the needs of the customers as the demand arises. They will be alive to the needs of their customers and will strive to provide for them. Fares will vary accordingly, as will frequencies. A free market encourages a quicker response to what the customers want, than a regulated system ever could. Systems of large-scale, planned public service networks can indeed produce high quality services and connections. That is not disputed. But the question is whether the benefits are great enough to justify the costs and whether the benefits cannot be attained more cost-effectively another way.



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The Safeguards

4.15. There is concern that competition on urban bus routes might bring unacceptable practices such as speeding, racing to bus stops and cutting in, and led<sup>A</sup> to unreliability in operation. While the industry and newcomers to it are adjusting to the new opportunities, we must expect some failures and shortcomings. The essential public interest is to curb unacceptable practices. For this reason the licensing authority will have new powers, through operator licensing, to stop operators who behave foolishly on the road from operating local services at all. It is, of course, in the interests of operators to offer reliable services to maintain the goodwill and patronage of their passengers but passengers should be protected against any operators who, by incompetence or design, hold out false promises of running services which they fail to deliver. It is therefore proposed that all operators wishing to run local bus services will be required to register the route and timing of their service with the licensing authority and give adequate notice of withdrawal. Failure to provide registered services will be a further matter which the licensing authority will weigh in considering whether an operator should continue to be allowed to run local services.

4.16. There may also be concern that the larger numbers of buses which competition will encourage might increase congestion although better bus services should also to some extent ease congestion by attracting people from their cars. Given that there are many fewer buses and coaches on the streets than other types of vehicle, any increase in their number is likely to be a problem in only a small number of places, like city centres where traffic conditions are already difficult. To deal with any problems of this kind which may arise, the licensing authority will have reserve powers to attach conditions to registrations about routes and stopping places in consultation with the police

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and local authorities, so as to produce a result which is both orderly and fair to all operators involved.

Anti-Competitive Practices

4.17. At present, agreements between bus operators are specifically exempted from the application of the Restrictive Trade Practices Act 1976. The Government intends to remove this exemption. Agreements between operators will in consequence have to be furnished to the Director General of Fair Trading and will come under the scrutiny of the Restrictive Practices Court if they contain significant restrictions on competition. The Court will decide whether or not such restrictions are in the public interest according to criteria set out in the Act. Restrictions found to be contrary to the public interest are void. Agreements expressly authorised by statutory provision will not be affected as there is a general exemption from the Act in such cases.

London

4.18. The London Regional Transport Act transfers the responsibility for the London Transport Executive from the GLC to the Secretary of State, and reconstitutes it as London Regional Transport, with new powers and duties. The legislation requires changes in the way London's buses and tubes are run, requires LRT to contract out work wherever suitable and provides for greater involvement by the private sector in the provision of services both as contractors to LRT and in competition with them. These are major changes and it would not be sensible to subject the organisation of public transport in London to a second wave of change within such a short period. In these special circumstances, the Government has concluded that regulation should remain in London for the time being.

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## Chapter 5 - The Structure of Bus Operation

5.1. Nearly all local stage bus services in Great Britain are provided by public sector operators:- the Passenger Transport Executives, municipal operators, the National Bus Company and the Scottish Bus Group, and London Transport. Only 8% of stage carriage mileage is run by private operators.

5.2. It is generally agreed that this industry does not show economies of scale. The private firms are not large, and most are small - with 5 vehicles or less. In sharp contrast, the public sector operators are big, and a few of them are very big indeed, as shown in annex 1. Moreover, elements of bus operation which might well have developed more efficiently as separate entities have been integrated into single organisations. Thus public sector bus operators own and run bus stations, they retain most if not all engineering functions, they undertake their own office services, computing, research and so forth. This has tended to impose very large overheads, and the development of policies and standards for the whole organisation, which may fit ill with local circumstances or operational needs.

5.3. It is by no means evident that a structure of large scale and integrated operations is necessary or efficient or would be produced by an industry competing to meet the needs of the consumer for a great variety of local journeys at the prices he is prepared to pay for them. There is for instance no particular reason why operators should own all the assets they use. The very different structure of the taxi industry is instructive. The largest taxi market, that in London, shows the variety of ownership and operation that is possible. This diverse structure nevertheless maintains high standards and has enlarged the market. The NBC and some of the PTEs have recognised the need to change and are developing policies to separate out functions and

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devolve responsibility for local operations. But this is not enough in itself to produce organisations which will seek out market changes and adapt to them.

5.4. In 1981 four public sector bus operations were referred for examination by The Monopolies and Mergers Commission. The operators were Bristol Omnibus, Trent Motor Traction (both NBC companies), West Midlands PTE and Cardiff City Transport. The Commission were required, amongst other matters, to examine whether the operators could improve their efficiency and reduce their costs without significantly affecting services. They found much to commend, but a very large number of respects in which one or other of the operators could increase their efficiency.

5.5. The Commission were also required to examine whether the operators had abused their monopoly position or acted against the public interest. They identified actions by two operators using superior financial strength to drive off small competitors. Whilst they neither condoned nor approved their actions, the Commission accepted the motives of operators in trying to protect a cross-subsidised network, given the existing institutional and financial framework. They commented however that if bus services were provided on a different basis, their judgement of what could be justified in response to competition might well be affected.

### Efficiency of Public Bus Operation

5.6. Annex 1 describes the key trends in the performance of public sector operators, which have already been referred to. Three points deserve particular attention. First, real unit costs, measured by operating costs per vehicle kilometre, have risen since 1972. Second, fares have increased in real terms by 30% between 1972 and 1983, while the real cost of running a car increased by 3% over the same period. Third, service levels, as measured by vehicle kilometres, have not fallen as fast as passenger kilometres.

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5.7. These figures should not be taken to imply that the management of public sector bus operations have failed to improve their performance. They have increased labour productivity. Some have redrawn and reduced their operations on the basis of market analysis, and consultants studies. In other places, notably some major cities, decisions on the operation of bus services have more often been informed by political considerations than ones of efficiency. The NBC nonetheless succeeded in cutting its costs in 1981 and 1982.

5.8. The managers of these large public sector operations have had to work within the system of road service licensing and the current arrangements for subsidy. Their need to maintain local bus services under these conditions of regulation and public sector ownership has made it very difficult for them to secure the real efficiency gains which, in other circumstances, they might achieve. When freed from regulation they have shown an impressive ability to provide better and cheaper services.

5.9. Three points cast major doubt on the efficiency of the present structure.

(a) Costs of private sector operators are below those of public sector operators, maybe by 20-40%. This is not to compare like with like but the differential is very large. There is no suggestion in any of the evidence that costs of any public sector operators are lower than their private counterparts.

(b) Comparison of the costs of PTE and NBC operators within metropolitan counties shows that NBC's average costs per vehicle mile are more than 20% below the PTE average. (Annex 4)

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(c) In Hereford, the pressure of competition caused by the trial area led the management of the local NBC subsidiary, Midland Red (West) to negotiate changes in agreements which led to an improvement in productivity of 25-30%.

5.10. There can be no doubt that major improvements in efficiency are possible, given the right pressures to identify and secure them.

Structure of Public Sector Operations

5.11. The structure of public sector bus operators is an obstacle to the provision, through competition, of the bus services which the community needs. Their size and financial strength and in some cases the blanket subsidy to the operation as a whole, give them a market advantage which could thwart the growth of competition. The Government has therefore decided that there should be changes to the structure of public sector operation at the earliest opportunity to ensure fairer competition between public sector operators and with the private sector.

5.12. The Government proposes that any bus undertakings of a district council, be incorporated into a company owned by the district council. After a short period of adjustment, the district council will be prohibited from providing further funding (other than for long-term investment purposes, on commercial criteria) to subsidise the company's operations. The company will draw its revenues either from the passenger, or from local authorities following open tender for the provision of subsidised services, or from a concessionary fare scheme open to all comers. The company will also be able to seek capital (whether equity or borrowing) from the market in the usual way. It would be open to district councils to privatise the company if

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they wished. Successful companies, wishing to expand and diversify will see strong advantage in that. So long as the district council remains in control of the company it will appoint the directors and the company will remain classified to the public sector and subject to the normal Government controls over local authority spending. There will be provision to ensure that where a company is, or is likely soon to become insolvent, the district council may provide temporary funding, to ensure creditors are paid or as part of an approved plan for a return to viability.

5.13. The Government also proposes that the bus operations of Passenger Transport Executives should, extending the current policies of the Executives, be broken down into smaller units and also turned into companies as soon as possible. After a period of adjustment, restrictions will be imposed on funding by the metropolitan county council or its successor on the same lines as those proposed for the municipal undertakings.

5.14. The White Paper "Streamlining the Cities" (Cmnd 9063) explained that after the abolition of the metropolitan county councils in April 1986 the Government proposes to transfer their passenger transport functions to Joint Boards, comprising district representatives. It outlined the Government's willingness to consider proposals by individual district councils to provide separate services and to enter into arrangements with other operators in the public and private sector. Nothing in this White Paper affects that policy. Metropolitan district councils will be able to put forward proposals for subsequent secession from those arrangements. If the Government agrees to the secession proposal, the District Council will be solely responsible for deciding on the local bus services it wishes to subsidise. The provisions of this White Paper concerning subsidy and the running of bus operations will then apply to a seceding metropolitan district council.

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NBC

5.15. There is no good reason why local bus ~~operation~~ services should be provided by a national corporation. Nor is there any particular reason why such services should be the virtual monopoly of the public sector. The fact that some services require subsidy does not affect this and there are good reasons to expect that private enterprise will do better. The sale of the National Freight Corporation to the private sector has shown that freedom from the control of Government leads to better performance by management and staff. Transfer to the private sector also removes any potential future liability on the taxpayer to provide capital or make good losses. Managers and employees have the chance to gain from their own success.

5.16. The Government therefore intends to transfer the operations of the NBC to the private sector. It does not believe that it would be right to privatise NBC as a single whole. The Company's size and financial strength might deter other operators from competing with it particularly in view of the strong position from which it will start. The Government proposes that the NBC Board should have a duty to reorganise the Company in consultation with the Secretary of State into parts which can be disposed of as free standing companies. The market can set the pattern of operation and ownership. The Government will particularly welcome participation by employees in the new companies, including bids from the staff for the units in which they work, though it will not stand in the way of other purchasers.

Bus Stations

5.17. If competition is to flourish, no operator should be in sole control of a bus station of a size or strategic position which would allow him to gain an unfair advantage by excluding other operators. It is therefore proposed that major bus



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stations should be operated whether in private or public ownership on a commercial basis under arrangements which will provide for all operators to have equal opportunity of gaining access to them.

5.18. The Government will consult those affected by these proposals, or their representative associations, about the detailed implementation.

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Chapter 6 - Taxis and Hire Cars

6.1. Taxis and hire cars have become an increasingly important form of passenger transport, and in recognition of this, responsibility for policy on taxi and hire cars in England and Wales has recently been transferred from the Home Secretary to the Secretary of State for Transport.

6.2. There is at present a rigid demarcation between buses on the one hand and taxis and hire cars on the other. Does this allow for the transport needs of the public to be met in the best way? There will still be demand for the classic taxi operation, where a cab is hired on the street for exclusive use, and there will be a continuing market for hire cars - pre-booked for exclusive use for a specific journey. It is not proposed to make any fundamental change to the way in which these services are provided. However, it is right to consider whether taxis and hire cars could play additional roles in the new markets that will be opened up by the relaxation of bus licensing.

6.3. There will be bus routes where there are simply not enough travellers to warrant the operation of large vehicles. Studies suggest that services might be operated more economically using taxis in place of buses, with an improved frequency at less call on public subsidy. There is also a place in the market for a service of higher quality than the conventional bus can give, at the fares which would be possible were taxis shared. The Government proposes to make such services possible by allowing taxis to carry passengers at separate fares, and will consult interested bodies on the practical arrangements. This will also cover the possibility of allowing hire cars to carry pre-booked passengers at separate fares.

6.4. If these vehicles are to be permitted to carry passengers at separate fares they must be subject to adequate quality

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control to ensure necessary standards of safety. It is therefore proposed that this facility will be extended only to licensed vehicles

6.5. Such opportunities should encourage an expansion in the market available to taxis and hire cars, which will be met only if there is an adequate supply. The Government will propose provisions to relax progressively the restrictions on the number of taxis which operate in some areas. The Government will be consulting separately on these proposals.

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Chapter 7 - Scotland

7.1. Scotland is also faced with the problems of an industry in long term decline, rising costs and deteriorating service. The opportunity is also available in Scotland to remove the obstacles to initiative and efficiency, to enhance consumer choice and to provide better value for money. This can be achieved within a framework which protects the public by ensuring safety, the provision of socially necessary services and the availability of concessionary fares for elderly and disabled people. The following paragraphs consider the particular issues affecting Scotland in more detail and contain the Government's proposals for change to provide a more hopeful future.

7.2. In Scotland stage carriage trips, which account for over 90 per cent of all bus trips, fell from 891 million in 1975 to 694 million in 1982. Over the same period route mileage declined by 15 per cent. Falling patronage and a failure to keep costs under control have meant that expenditure by local authorities on bus support has risen considerably over the last decade.

7.3. The problem of Scotland's rural areas is acute. Many of these areas are extensive, remote from any substantial centres of population and very sparsely populated. Bus journeys are often long and indirect. Services can be infrequent. The decline of rural bus services is a cause of great and understandable concern. Most rural dwellers can still make essential journeys by one means or another but this often requires travellers to rely on informal arrangements such as friends or neighbours with cars; and some sections of the community are particularly disadvantaged as a result. Indeed the decline of rural bus services is taken by many as a sign of lack of confidence in the future of their communities and way of life. Some of the RUTEX experiments of the late 1970s to examine alternative forms of

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rural road transport were carried out in Scotland. They were useful in stimulating new ideas for meeting transport needs but did not produce major results. The Government is firmly committed to supporting the rural way of life. Though the numbers of people in rural areas who use public transport are small, bus services are vitally important to the well-being of rural communities. More therefore needs to be done.

7.4. In urban areas where the bulk of present bus services are provided there was problems also. Services are often poorer than they used to be, require high subsidy, and still charge high fares: Strathclyde is a prime example of a high subsidy/high fare authority. As noted in earlier chapters cross-subsidy from profitable to unprofitable services does not encourage efficiency. It makes fares on densely used routes higher than they need be. It results in the transfer of disaffected passengers to private transport which in turn leads to greater urban congestion, and hence to further decline in the quality of bus services.

7.5. Total current expenditure by local authorities on bus subsidy is about £25m per year (excluding expenditure on concessionary fares). Of this, revenue support to the nationalised Scottish Bus Group (SBG) is around a modest £5m a year representing less than 4 per cent of its operating costs. Most of the subsidy is directed at local authorities' own undertakings though the amounts differ significantly, reflecting substantial variations in the size and efficiency of the operations and to some extent in fares policy. Grampian Region's subsidy to its municipal bus operation in 1982/83 was £0.4m, while the Strathclyde PTE bus operation received £10.7m.

7.6. In Scotland the bus industry is dominated by the public sector: SBG, the Strathclyde PTE and the three municipal

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operators operate 60 per cent of the total bus fleet and provide about 95 per cent of the stage-carriage market. SBG is the principal supplier of stage services throughout the country. It has improved its efficiency in recent years and is, measured against the public sector bus industry generally, an efficient operator. While there is scope for further increases in efficiency, these are likely to be difficult to achieve within the existing framework of bus service operation, given complete implementation of driver only operation, and the virtual conclusion of the SCOTMAP studies. The likelihood is therefore that if current arrangements continue and if services are to be maintained at broadly present levels, public subsidy to SBG services will have to increase.

7.7. The private sector on the other hand is the main provider of contract and hire services. It has over 60 per cent of this market. In addition it provides only 5 per cent of stage carriage services and these are confined largely to very small operators in rural areas and to concentrations of private owners in one or two restricted geographical areas. But the private sector has risen effectively to the challenge of partial deregulation in 1980, and has contributed significantly to the substantial increase in long-distance express services which in turn, has provided major benefits particularly for less well-off travellers.

7.8. Against this background it is clear that something needs to be done. There is no doubt that on some routes fares are too high in relation to costs. While there are some differences between the state of the bus industry in Scotland and that in the rest of Britain, broadly the same problems exist; and the Government is confident that broadly the same remedies are appropriate.

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Regulation

7.9. The present bus regulatory framework is (and always has been) applied uniformly throughout Britain. It is operated in Scotland through the Traffic Commissioners in the Scottish area. The deregulation of long-distance express services and the relaxation of the licensing system for other services, introduced by the Transport Act 1980, has been markedly successful in Scotland particularly in relation to express services. It is against this background that it is right to scrap quantity control restrictions entirely in Scotland, as in the rest of the country. The arrangements to ensure proper standards (described in 3.1-3.2 and 4.15-4.16) to protect passengers and others will, of course, be retained and reinforced.

Local Authority Services

7.10. In order to secure the full benefits of this change - better services for consumers at lower costs - it will be necessary in Scotland also to ensure that supply in the market is not distorted. At present (as described in 3.6-3.7) blanket subsidies can conceal the true cost of providing services and make it difficult to determine whether services are provided efficiently or at the lowest possible cost. The new arrangements to make tendering a pre-condition of subsidy payments will apply in Scotland also; as will the proposals about reimbursing operators for concessionary fares. Municipal operators and the PTE will continue to have a valuable contribution to make. They will benefit from the challenge of greater competition but they should not be able to compete unfairly either through market dominance or through fares and subsidy policies. It is proposed therefore to take powers to require municipal bus undertakings to be incorporated as limited companies owned by the local authorities. Similar powers are proposed to require the PTE undertaking to be turned into a company and (if desirable) split into smaller units. The proposals for subsidy tendering will

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apply to services provided by municipal and PTE undertakings, ensuring both that subsidy is targeted at services which need it and that efficiency savings are made. After a transitional period general operating subsidy to municipal undertakings and the PTE will be prohibited, and they will be subsidised only to the extent of revenue support from successful tenders, and from concessionary fares. The new companies will be able to seek capital from the market and could be privatised if the local authorities wished. Where a local authority retains control of a company Government controls over local authority spending will continue to apply. The provisions to permit temporary funding by the local authority in cases of insolvency (described in 5.12) will apply in Scotland. There will be consultation about the detailed implementation of these proposals.

### Rural Services

7.11. The proposed changes offer the prospect of a new stability and confidence in the provision of rural bus services. Experience in the trial areas in England (described in 1.8, 4.6 and Annex 5) is that deregulation can mean lower subsidy requirement for a similar service or the possibility of improved services for the same overall level of subsidy. In Scotland rural services are provided predominantly by the SBG which is an efficient operator by public sector standards. It is not proposed at present to change the Group's ownership or operating structure (it too will, however, have to compete for subsidy). In addition the scope for stimulating the wider use of vehicles owned by other bodies (such as education, health and social work authorities, the Post Office and private firms) for public transport will be explored. Fuel duty rebate will continue to be available and the special grant to operators of rural services (described in 3.12) will extend to Scotland as will a rural innovation grant, to encourage the development of new ways of meeting rural transport needs. While resources have been



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available in the past little interest has been shown in taking up such grants, since the completion of the RUTEX experiments. The availability of grant was confirmed in the Government's response to the Select Committee on Scottish Affairs, following their inquiry in 1982 into rural road passenger transport and ferry services in Scotland. The Secretary of State hopes that there will now be renewed interest in such experiments.

Urban Services

7.12. The benefits of competition will be substantial particularly for travellers on urban corridors. After more than 50 years of regulation it is to be expected that some services will undergo rapid change in the early stages of the implementation of the new arrangements. The effects are likely to be felt initially in the entry of new operators on certain routes and the creation of new services. Competition or the threat of it will in turn lead to the sharpening of efficiency and greater consumer orientation of existing operators, particularly in the public sector. On many routes consumers will benefit from lower fares. In the longer run the benefits of increased competition will be substantial, and will readily outweigh any short-term uncertainties and difficulties as change takes place.

Subsidy

7.13. Subsidy for bus services in Scotland is paid by the Regional and Islands Councils. In the case of SBG services, this is to make up the net loss incurred in providing a network of stage carriage services in their areas. In recent years, unremunerative services have benefited much more from cross-subsidy between services than from local authority subsidy. This cross-subsidy will tend to fall as a result of deregulation since competition will reduce the level of profits on busy services. These effects will apply both to local

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authority and SBG operations; but the loss of cross-subsidy need not result in a requirement for additional direct support. Much will depend on the extent to which opportunities for greater competition and for cost savings are achieved and on what loss making services local authorities decide to support. While the need for subsidy may rise in some areas there will be compensating reductions in subsidy requirement in others, Strathclyde Regional Council subsidise the Glasgow suburban rail network under section 20 of the Transport Act 1968. There has been substantial investment in recent years assisted by capital grants from Government and proposals for further investment are being considered at present. The Regional Council will need to decide, in the light of the changes to the regulation and structure of the bus industry whether any changes are required in their present rail support policy.

7.14. Local authorities continue to spend in excess of the Government's plans for public transport subsidy: their budgets for subsidy for bus transport in 1984/85 were £8.1m (34 per cent) in excess of the Government's provision - overall, the changes allow scope for this burden to the ratepayer to be reduced substantially. Rate support grant is now distributed on the basis of client group assessments of relative expenditure need which look at the costs of providing similar levels of service in different types of area in order to arrive at an overall assessment of relative expenditure need. Any changes in the relative cost of providing bus services in different areas would be reflected in the assessments underlying the formula for the distribution of rate support grant and also current expenditure guidelines.

**Co-ordination Powers**

7.15. The Secretary of State is aware of the conflict that has been perceived to exist since the Transport Act 1980, between

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the obligations of the Traffic Commissioners to grant new licences unless they are satisfied that to do so would be against the public interest, and the statutory duty of local authorities under the provisions of section 151 of the Local Government (Scotland) Act 1973 to promote the co-ordination of public transport provision. Under the Transport Act 1968 the nationalised transport operators are similarly obliged to co-operate with local authorities, and this has meant in some instances that operating policies have been adopted which are not necessarily in the best interests of the taxpayer and ratepayer or of the travelling public. In the new context of deregulation, such statutory powers and obligations are clearly inappropriate and it is intended to remove them and replace them with a duty to secure the efficient provision of such transport services as are necessary but are not provided by the market.

**Taxis and Private Hire Cars**

7.16. The proposed changes need to be considered also in the context of the new system of licensing for taxis and private hire cars in Scotland under the Civic Government (Scotland) Act 1982. The new provisions, which will produce a uniform system of control within Scotland, are optional in that it is for each District or Islands Council to decide whether to adopt these provisions for all or part of its area. However, if a licensing authority resolves to adopt these provisions, it is required to licence and control both taxis and private hire cars. The Secretary of State can prescribe vehicle types, sizes and designs which a licensing authority shall regard as suitable but, at present, sees no need to do so. Detailed regulation of taxis and private hire cars, and their drivers, is achieved by means of conditions attached to the grant of a licence. The particular conditions which a licensing authority impose may be subject to regulation by the Secretary of State, and he has used this power to prevent the imposition of certain restrictive conditions by licensing authorities.

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7.17. The Government believes that the new system, which came into full operation on 1 July 1984, should generally be allowed to settle down. But there is one change which will be pursued immediately; this is to allow taxis and private hire cars to operate with separate fares when used by two or more passengers simultaneously, each paying for their own journey. The Secretary of State is consulting interested parties about this proposal and the practical problems associated with introducing it in Scotland. In addition, he will keep the implementation of the new licensing and appeal arrangements, and the benefits that they bring to the travelling public, under review.

Conclusion

7.18. Public transport in Scotland can be improved. The proposals outlined above offer new hope and confidence to communities in Scotland, whether rural or urban, who for too long have felt themselves to be on an inevitable downward slide in terms of public transport provision. They offer a real chance to balance supply and demand, at a cost which is reasonable both for the fare-paying passenger and the Scottish public who too often as taxpayers and ratepayers have been asked to finance inefficiency. The spiral of decline can be broken. These proposals offer Scotland the opportunity to do so.

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Chapter 8 - The New Market

8.1. The free and fair competition in road passenger transport which the Government proposes will bring great benefit to many travellers, and to the community at large.

8.2. The main network of services will continue and will better meet the needs of the traveller. On many well used services, fares will go down. Other services may change, to match peoples' requirements more closely. In rural and urban areas alike, there will be potential for new services. Most important of all, the measures proposed by the Government should slow or halt the seemingly inevitable decline in service to the travelling public. The total market for public transport should expand.

8.3. Ratepayers and taxpayers will know how much money they are providing for the services they subsidise, and will reap the benefit as gains in efficiency reduce the need for subsidy. The managers of bus operations will have more freedom to manage and compete within a clear structure of responsibility.

8.4. The purpose of the bus industry is to meet the needs of its passengers. There have been 30 years of decline in bus services. Under these proposals the country can look forward to a future where the passenger determines the service he wants.