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The Rt Hon Nicholas Edwards MP

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From The Secretary of State for Wales

11 July 1984

CONFIDENTIAL

Dea Secretary of State

LOCAL CHOICE IN PUBLIC TRANSPORT

At the meeting of E(A) on 28 June I was asked to agree with you the text of and publication arrangements for the consultation paper on Local Choice in Public Transport.

I am enclosing a copy of the revised version of the text which incorporates all the amendments agreed by our officials, and with which I am content. I am proposing to publish this simultaneously with your White Paper on 12 July. The document will be a Welsh Office publication - not a White Paper. It will be announced by a Written Question and Answer, a copy of which is attached.

I am copying this letter and enclosures to the Prime Minister's Office, Peter Rees and the Cabinet Secretary.

Yours sincerely,

Chris Jones

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

(Approved by the Secretary of State and signed in his absence).



CONFIDENTIAL

DRAFT INSPIRED PARLIAMENTARY QUESTION

Draft Question

Mr

MP

"To ask the Secretary of State for Wales when he expects to publish the Consultation Document on Local Choice in Public Transport which he has promised?"

Draft Answer

The Consultation Paper has been published today. Copies are being sent to all Welsh Members, Local Authorities in Wales and other interested organisations. Further copies are available in the Library of the House.

Comments are invited by 31 October.

LOCAL CHOICE IN PUBLIC TRANSPORT - A CONSULTATION PAPER

CONSULTATION PAPER

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BACKGROUND

1. A modern public transport system complements the economic and industrial development measures now being taken in Wales by Government. The purpose of these measures is to make the main industrial areas of South and North East Wales attractive localities in which modern industry can stay and grow. In rural areas the aim is to promote the growth of a healthy economy with an increasing diversity of employment opportunities so as to stem depopulation. The promotion of the tourist industry is important throughout Wales as is the aim of fostering the services sector. An effective public passenger transport system is also important for the social fabric of the Principality. In sparsely populated areas in particular, some communities would face difficulties if there were no public passenger transport facilities.

2. Since the early 1950's inland passenger travel in Great Britain (measured in passenger miles) has increased by over 2½ times while bus and coach travel has fallen by a half and rail travel by about a sixth. Travel by private road transport (largely cars) has increased almost sevenfold. The future of public transport in Wales must, therefore, be seen in the context of the fundamental changes which have occurred in people's travelling habits which have been away from public transport towards the private car. This trend has continued for the last 30 years with public transport carrying a steadily declining percentage of the total expanding travel market. In the period 1958 to 1982 the number of cars licenced in Wales rose from 221,000 to 773,000. By 1982 the number of households in Wales with access to a car had reached 70.5%. If the current rate of increase is sustained then it is estimated that by 1992 this figure would increase to 79%.

3. In recognition of the problems that people dependent on public transport are experiencing the Government promised in its Manifesto for Wales 1983 to 'issue a consultation paper about possible changes in the organisation and responsibilities for transport services in Wales which would include the option that more decisions about transport, including local railways, might be taken within Wales possibly by the County Councils which are closest to the needs of their own districts, with suitable financial arrangements'.

4. This consultation paper fulfils this commitment. It focuses, in particular, on local public transport services. These can be defined, very broadly, as those services that meet everyday needs - journey to work, journey to shop, journey to school etc. Typically, these needs are met by stage carriage bus services and by railways. With the decline in bus services, however, there has been an increased use of alternative modes of transport in recent years - taxis, minibuses and car sharing, for example. In the rural areas there has also been the development of social car schemes, though these can only meet a very small proportion of total transport needs.

5. Local public transport services have both a social and economic role. Some people are particularly dependent on public transport. They include the elderly, children, young people, students and housewives without access to cars. The elderly in particular are significant users and can be expected to make greater calls upon public transport services as their numbers continue to increase. Moreover the elderly are now leading much more active lives than they have done in the past, in many cases supported by better incomes, thus creating a demand for greater mobility for which public transport services are likely to be the major provider. The degree of dependence on public transport will vary as between different parts of Wales depending on the degree of access to private cars.

THE BUS INDUSTRY

6. As in other parts of Great Britain, in Wales the bus industry is caught up in a spiral of decline with a fall in patronage leading to higher fares leading to further falls in patronage. Bus operators have responded to this situation by reducing fleet sizes, closing depots, pruning routes and reducing the number of employees in an effort to bring operating costs and revenue receipts from fares more into balance. Local authorities in their turn have responded by increasing substantially the amount of revenue support that is used to maintain existing services.

The Government's Proposals

7. The Government has decided that the present system for regulating bus services is no longer appropriate. It has therefore announced major proposals for the re-organisation of the industry in Great Britain as a whole. These are set out in the White Paper 'Buses' (Cmd 9300).

8. The proposals in the White Paper are designed to stem the continuing decline in the local bus industry by removing the constraints of the present quantity licensing system - road service licensing. The system has protected the status quo and inhibited innovation over many years. Operators have been discouraged from adapting services to meet people's needs. In future all operators will be able to offer the services they want and compete with each other for custom provided they meet the essential safety standards. Those standards are to be fully maintained and additional resources made available for enforcement.

9. Changes are also proposed affecting the structure of public sector bus operators and the way in which subsidy is paid. These changes are essential if all operators (both public and private) are to be able to compete fairly. In particular:

- County and district councils will retain their present powers to provide revenue support for local bus services but will in future be required to go out to competitive tender to find the operators who can provide the best value for money. Their role will be to provide support not for whole networks but for those socially necessary services which the market has not provided.
- The powers to provide concessionary fare schemes will also continue but all operators of local services will be enabled to participate in the schemes.
- Municipal operations are to be reconstituted as separate companies, at arms-length from their parent district councils, competing for subsidy with other operators.
- The National Bus Company will be reorganised into smaller free-standing units which will then be transferred to the private sector.

10. Competition is expected to bring lower costs but this will not happen overnight. To ensure that rural services are properly safeguarded during the transition to the new system, there is to be a new rural bus grant, paid directly to operators for a period of 4 years. The value of the grant in the first year will be up to £20m for Great Britain as a whole. There

will also be an innovation grant to assist in the creation of specific innovatory public transport schemes in rural areas.

Implications for Wales

11. Currently stage carriage bus services in Wales are provided by the National Bus Company, municipal operators and private operators. The National Bus Company provides a network of stage carriage services throughout most of Wales through its three operating subsidiaries. Crosville Motor Services operate in North and Mid Wales, National Welsh in South-East Wales and South Wales Transport in South Dyfed and West Glamorgan.

12. The municipal operators with the exception of Aberconwy and Colwyn Borough Councils are restricted to South-East Wales. Newport, Islwyn, Rhymney Valley, Merthyr, Taff Ely, Cynon Valley and Cardiff all run bus undertakings largely within their own district boundaries, although there are also some services connecting the Valleys to Newport and Cardiff.

13. There are some 600 private bus operators in Wales operating over 3,000 public service vehicles which is twice the number of the National Bus Company's and municipal operators' public service vehicles combined. The private sector is, of course, particularly strong in the contract and private hire market but it also plays a significant role in the provision of stage carriage services, often in rural areas or the small towns and villages where the National Bus Company's presence is less strong or non-existent.

14. The effect of the Government's proposals will be to transform the organisation of the bus industry in Wales and the nature of the services available. In particular:

*The NBC subsidiaries will be affected by the reorganisation of the Company into smaller units and will be transferred to the private sector.

*The nine municipal bus undertakings will be re-established as separate companies though still remaining in local authority ownership.

*There will be a reduction in fares on many services in urban areas as the benefits of increased competition are realised. There will be a more flexible and responsive pattern of services in rural areas.

*The new tendering system will mean that local authorities will get better value for money for the subsidies they provide.

*New types of service will be introduced (minibuses, shared taxis etc) - especially in those areas where the big bus is no longer viable. Wales, like the rest of Great Britain, will benefit from the availability of the innovation and rural bus grants.

15. In summary the overall effect of the proposals will be to introduce a much greater element of choice into local public transport, to encourage innovation and to ensure that the services provided are much more closely in tune with passengers' requirements. County Councils will have a much clearer indication than at present of the cost of supporting a particular service, and will thus be able to weigh up much more clearly the costs and benefits of doing so. Furthermore where a service is withdrawn through a combination of lack of demand and lack of subsidy the opportunities for promoting a different type of service to fill the gap will be greater.

THE RAILWAYS

16. The main decline in the rail network in Wales took place between 1951 and 1970. During this time the passenger route mileage fell from just under 1,400 miles to 631 miles with a reduction in the number of stations from 725 to 184. Since 1970 the rail passenger network has been stable. By the end of the 1970s the carriage of passengers by British Rail in Great Britain as measured in passenger miles was around the same as that prior to the radical reduction in the network in the 1960s. But this largely reflected an increase in the long distance carryings on the Inter City Services. The total number of passenger journeys has in fact fallen considerably especially on some local lines.

17. The rail passenger services still operating in Wales fulfil an important role. Some services link major towns and cities or provide travel corridors into England. They thus serve the requirements of

industry and commerce while at the same time allowing tourists to reach the holiday attractions of coastal and rural Wales. No changes in the present policies for providing these services are being suggested.

18. Other services have a more local role - providing for commuters/shoppers, feeding into main line services and in some cases acting as a tourist attraction. The lines concerned are:-

the Whitland - Pembroke Dock Service;

the Cardiff Valleys - Barry/Penarth Service;

the Central Wales Service;

the Conwy Valley Service; and

the Cambrian Coast Service.

Bus for Rail Substitution

19. The Secretary of State for Transport has recently confirmed that it is not the Government's intention that British Rail should embark on a programme of major route closures. He has announced, however, proposals to enable the introduction of some guaranteed and subsidised substitute bus for rail services where they would be appropriate on local transport and value for money grounds. Legislation is to be introduced to give effect to these proposals which will apply in Wales as in other parts of Great Britain. The essential features of the proposals are as follows:

- (1) No substitute bus service could be introduced before the existing statutory procedure governing the closure of the rail service concerned had been completed.
- (2) Where British Rail consider that a substitute bus service would offer a practical alternative to the existing rail service and provide better value for money, it would make clear in its closure proposals the intention to seek provision of a bus service. Consent to the closure would be dependent upon the Secretary of State for Transport being convinced that the substitution of a bus service for the rail service was justified. Provision of such a service would be a condition of the closure.

- (3) the bus services would be planned and provided as an integral part of the BR network.
- (4) the substitute bus service would be protected by a procedure similar to that for railway passenger services so as to provide the safeguard for continuity that is essential. If the bus service could not be self-financing it would be subsidised by the Government through the grant to British Rail for the public service obligation.

An Enhanced Role for Local Authorities in Wales?

20. The Government's proposals for bus substitution have been designed to ensure that where appropriate the existing transport link is maintained but at a lower cost.

21. As indicated in paragraph 18 a particularly striking feature of the rail network in Wales is that a number of lines primarily serve local needs and in some cases too are an important tourist attraction. In its Welsh Manifesto the Government indicated that in the case of these lines additional options may be worth considering for the Principality. In particular, the Government seeks views on the scope for county councils in Wales taking more responsibility for, or becoming more closely involved in, decisions about local rail services and possible alternatives to them.

22. Local authorities already make an important contribution to the provision of local public transport services. For example, County Councils give and will continue to be able to give revenue support to bus operators. In addition they help to promote where appropriate innovative modes of transport which serve the needs of remote areas in the most economical way.

23. The counties do not, however, exercise the same degree of influence and choice when it comes to local railway services. County Councils can, of course, engage in planning studies which involve consideration of the role to be played by rail services in their areas. For example Mid and South Glamorgan County Councils are currently preparing a joint study on the potential for bus and rail coordination within their administrative areas. And some Counties are supporting BR by way of revenue payments for enhanced services and by way of capital contributions towards improved

facilities. But the crucial decisions about the overall level of local passenger rail services and the financial support they shall receive from the public purse are not within the responsibility of the county councils. So they are not able to determine whether the public subsidy for the local rail services would be better spent in providing alternative methods of meeting the transport needs of their areas. Yet it can be argued that such judgements are no different in character to the judgements about the level of support to bus operators which local authorities are already making. They both concern decisions on how available public sector resources can be distributed so as best to meet the welfare of the inhabitants of their areas.

24. Some proposals about ways in which the local authorities might be involved more closely in local rail services were made in the report "Review of Rural Railways" by a Joint Working Party of the Association of County Councils and BR, published in July 1984. For example, the report contains suggestions about the involvement of local authorities in the formulation of proposals for rail closures and bus substitution. How might this work without detracting from the guaranteed nature of substitute bus services? For example, should local authorities be empowered to "top up" substitute bus services by providing extra financial support? If so, would those additional services be subject to the guarantee?

Local Financial Support for local rail services

25. Another option might be for the counties to be more directly involved in financing local rail services. For example, initially the Counties concerned might receive a new specific rail related grant in respect of particular local passenger services to enable them to complete contracts with British Rail to provide the revenue support necessary to maintain services at an agreed level. After a transitional period the County Council would be in a position to decide on whether to continue to support the train service or a modified or a reduced one; or to spend the money instead on road improvements or a bus/coach service or other arrangements, according to their assessment of the best ways of meeting local requirements and obtaining best value for money. After an initial period of years, the specific rail grant arrangements might be phased out and the Authorities' financial responsibility for maintaining the local rail passenger services or a replacement service could be taken into account when assessing their grant related expenditure for block grant purposes.

26. It is expected that in most cases the Counties would wish to continue to use the available subsidies to support existing rail services. This would not, of course, preclude them from seeking with BR to cut costs, improve efficiency and generally obtain better value for money. It would be for the County Council, or a group of County Councils acting as a joint board, to enter into an agreement with British Rail and to agree the details of the service and its cost to them. The length of time that such agreements might run would have to be determined having regard to BR's need to plan future capital investments.

27. Alternatively County Councils might decide to use the subsidy not to support a particular rail service but to finance alternative transport services. These might be bus services or some other more innovatory arrangements.

28. The Government seeks views on the options described in paras 25-27. There would be a number of important issues for resolution, including:

(1) many local services run across county boundaries. For example, the Cardiff-Valleys services span Mid and South Glamorgan while the Central Wales line starts in Dyfed and travels through West Glamorgan and Powys to Shropshire. There would almost certainly have to be joint committees or joint boards empowered to take decisions for these services. Is it desirable to establish new joint bodies for this purpose? How would disputes between the constituent authorities be settled?

(2) for how long would the counties be funded to take on new responsibilities for local rail passenger services in the initial stage? How would support for local rail services be integrated into the RSG system when any specific grants were phased out?

(3) if the county councils were to be made responsible for the financing of local rail services, should they also have responsibility for any closure decisions? [Under the existing statutory procedures the Railways Board cannot withdraw a passenger service from any line or close a station against users' objections without the consent of the Secretary of State for Transport. If objections to a withdrawal or closure proposals are lodged, then a Public Hearing is held by the

relevant Transport Users Consultative Committee (TUCC) to look into what hardship might be caused to users of the service. The TUCC Chairman reports to the Secretary of State for Transport and after weighing all the evidence the Secretary of State makes his decision.]

(4) if county councils were not to be responsible for closure decisions, how could a rail service be maintained and financed - without increasing the burden on the taxpayer - if the county councils decided not to support that service but to use the funds on alternative transport elsewhere in their area?

(5) if financial responsibility were transferred to the county councils, what would be the role of the TUCC for Wales not only in respect of any closure proposal but also as regards their general role of dealing with complaints, time-tabling matters, station facilities, etc? Would the county councils be better placed to deal with such issues themselves?

(6) how would the arrangements outlined in paras 25-27 relate to the Government's policy on bus substitution?

Invitation to Comment

29. Comments are now invited particularly on paras 20-28 and should be sent by 31 October 1984 to the Secretary, Welsh Office, Transport Policy Division, Government Buildings, Ty Glas Road, Llanishen, Cardiff CF4 5PL. Following the consultation process the Secretary of State will consider what, if any, changes to introduce.