

Questions
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PRIME MINISTER

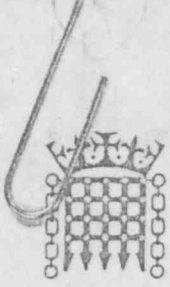
Department of Transport letter to MPs

Ron Davis raised with you in Prime Minister's Questions this afternoon a letter sent by the Department of Transport to Conservative MPs allegedly promising more favourable treatment for their correspondents. I attach the letter in question. It was sent by David Mitchell on House of Commons notepaper, and is concerned principally with seeking to ensure that Government Backbenchers are sufficiently well informed about bus policy to present that policy in their constituencies. Most of the letter is entirely innocuous. It is perhaps unfortunate that Mr. Mitchell included a sentence to the effect that he will "try to reply personally more quickly than I would normally be able to do", since this gives the impression that Conservative correspondents will be dealt with more speedily than Labour correspondents. Nevertheless, this is a pretty trivial error since the enterprise on which Mr. Mitchell is engaged - that of selling the Government's bus policy - is entirely reasonable.

I don't think we need worry about this.

AF
mf

13 December, 1984.



Sent to all Conservative MPs

December 1984

BUSES

Our proposals to introduce competition into local bus services will bring a major shift from the present, operator-orientated system, to one which puts the bus passenger and the customer first.

Not surprisingly many operators, their representative organisations and a number of councillors - particularly those with municipal bus undertakings - are agitating against our proposals. A substantial amount of ratepayers' money is now being spent on campaigns to discredit our plans, and there has already been a good deal of distortion. Some opponents, for example, have even stooped to frightening the elderly by saying that concessionary fares will end, and that rural dwellers will be cut off from their bus services.

In the light of this I thought that you might like to have a personal copy of the Department's leaflet which explains the new policy. You may already have had one for passing on to a constituent. Further copies are available from the Vote Office.

You might also find the enclosed article useful in preparing speeches, press handouts or features for your local paper.

No doubt when your local press carry reports of any speech which you have made there will be opposing articles, or letters to the Editor, some of which you will want to reply to. If you need further information for that purpose, please let me know by writing to me at the Department of Transport. I will try to reply personally more quickly than I would normally be able to so that you can answer what has been written while it is still in readers' memories. If you need such an urgent reply, it would help if you could say so at the beginning of your letter.

I hope this will be helpful to you in winning the argument in your constituency.

DAVID MITCHELL



THE BUSES PROPOSALS

BETTER PROSPECTS FOR PASSENGERS

For further information
contact:
David Mitchell MP



The shake-up in bus services planned by the Government will lead to better services and lower fares for many passengers but it will be vigorously attacked by bus operators, bus trade unionists, and all those whose comfortable little monopolies in the bus world are about to be shaken up.

Why should those who run our bus services be so outraged at the Government's proposals? The answer is simple. The present system is based on licences which give an operator virtually an exclusive right to operate a particular service or network of services. Competition is virtually prevented and the operator and his staff thus protected from all the normal competitive pressures which force businesses to control costs, to operate efficiently and to satisfy the public. That is no criticism of bus drivers or managers who give dedicated service. It just recognises that the system of mini monopolies destroys the normal commercial criteria by which such judgments can be made.

For example, before the long distance coaches were deregulated the operators ran services they considered to be very good. They did not recognise that their services were neither of the quality nor the frequency nor in the places the public wanted. Only with deregulation and competition were the latent capabilities of operators released: 3 years later there is overwhelming evidence of higher standards of coach, more comfort: services are better, faster, and more frequent and fares are much cheaper! Similar benefits followed the introduction of competition into UK internal aviation with the previously dreary BA shuttle being reborn with dramatically improved standards as 'super shuttle'.

Those are examples of successfully changing the system from operator to passenger orientation through competition. The same principle will now be applied to local buses.

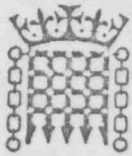


Why Change?

The bus industry is in chronic decline. Over the past 30 years the proportion of total travel by buses has dropped from 40% to 10%. In the past decade, fares have gone up 30% more than the rise in the cost of living. Networks and the levels of services have been cut and villages left isolated, while subsidy has soared in 10 years from £10m in 1972 to over £500 million in 1982. This position of rising fares, falling demand and hugely increased subsidy just cannot be allowed to drift on.

Our Proposals

- END THE MONOPOLIES - allow competition, no more route licences. No more appearances in front of Traffic Commissioners seeking a licence while your competitor's solicitor mounts a professional case against your being allowed to do so.
- RETAIN OPERATOR LICENSING - so that bus operators must satisfy the Traffic Commissioners or their successor authority as to their fitness to run a service and the adequacy of their maintenance arrangements.
- REGISTRATION OF THE SERVICES to be operated, and a power for the Traffic Commissioner to apply sanctions or cancel the operators' licence if they fail to provide reliable services.
- SAFETY IS PARAMOUNT - so the Government tighten up on enforcement. The Trial Area in Hereford and Worcester showed that the Department of Transport Inspectorate is effective in identifying and dealing with substandard vehicles. Even so we shall increase both the resources and the effectiveness of the inspection system.
- CONCESSIONARY FARES - for senior citizens, blind and disabled people are now provided by local authorities. The legislation will not make any changes in this system except to insist that all operators can participate in the local concessionary fare scheme on a fair reimbursement basis.



- MUNICIPAL AND PTE BUS operations will be separated from their local authority. They will take company form, the shares will be owned by the council but subsidy will not be able to be given to them except under public contracts awarded by competitive tender. Future competition between municipally-owned, NBC and private bus companies firms will have to be fair.
- TAXIS will be brought within the reach of many who cannot afford a car by allowing passengers to share them.

There is substantial cross subsidy over the existing system. The effect of this is to over-charge passengers on well-used routes and give them lower standards of service, frequency etc in order to maintain operators' networks elsewhere. In future competition will make operators more efficient, will bring lower fares and better services on well used routes so attracting more people to use the buses.

Rural Services

There is concern that these and other routes which receive cross subsidy may lose it, and that this might mean the withdrawal of less well-used services. This ignores the fact that many services will benefit from a degree of continuing commercial cross subsidy as operators seek to retain customer loyalty; that operators' own costs will reduce significantly in response to competitive pressures; that as costs come down some routes will become viable for the first time; and that small operators with lower costs will no longer be prevented from coming in. In the bus industry there are few economies of scale. Further benefits will come from innovative forms of service - minibuses, community buses etc.



That will still leave a block of socially necessary but economically unviable routes. They are the legitimate place for subsidy to be paid. This will be done by competitive public tender. Experience shows that in this way the subsidy goes very, very much further: rural services will be further boosted by a new transitional grant paid direct to operators - £20m of new money in the first year over and above present rural subsidy levels. There will also be a special grant for innovation administered by the Development Commission - £1m pa for England.

New innovative services are likely to emerge: we shall see minibuses serving estates every 5 minutes. In Exeter it is a huge success, trebling patronage. In rural areas there will be more community buses combining post-bus, social services, hospital visiting etc.

The Government's new legislation will put public transport at the service of the public. It will be bitterly opposed by all with a vested interest in the present (declining) system, but the travelling public should welcome the change. Indeed, they should actively press for it.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

~~No comment~~

Your ref:

AF

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON
SW1

told Ms. Mitchell's
office CST 1/2

6 February 1985

Dear Andrew,

I enclose the text of a letter which Mr Mitchell has written to The Times this afternoon, and a copy of the letter in this morning's paper which it responds to.

As agreed with the Duty Clerk earlier this afternoon, we have now sent the letter to the Editor. Could you please let me know as soon as possible if you have any comments on it?

Yours sincerely,

A J Poulter

A J POULTER
Private Secretary



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Editor
The Times
New Printing House Square
Grays Inn Road
LONDON
WC1

6th February 1985

Dear Sir,

Clearly the Government still has a lot to do in explaining its new proposals for bus transport, for how else could Mrs Anne Angus (Letters February 6th) have been deceived into believing that subsidy for necessary rural routes would be brought to an end.

The fact is that both County and District Councils will continue to have resources for subsidising routes which are in their judgment socially necessary but which have proved not to be commercially viable.

The only difference will be in the method by which the subsidy is given. At present this is generally by way of a bilateral deal with the major operator in the area, which is relatively easy to arrange but provides no real measure of value for money in the amounts being paid.

Under the Government's proposals the Council will be able to put the same routes out to competitive tender - singly or in parcels. The experience in both Norfolk and Hereford where it has been tried is that the cost is substantially less, so saving ratepayers money. So Mrs Anne Angus and others who live in rural areas can be reassured that there is no reason under the Government's proposals for her to lose her rural bus service.

Indeed competition will improve standards of service, reduce costs and help to halt the decline in rural services. Our policy is a positive step to help with a serious problem in rural areas.

Yours sincerely
David Mitchell

DAVID MITCHELL

THE TIMES

Transporting 'real people' by bus

From Mrs Anne Angus

Sir, Does Mrs Thatcher have a clue about the effects of her radical revanchism on real people? Robin Cook's analysis of the consequences of the Government's proposal to throw bus transport to the free market wolves (January 30) does not go nearly far enough.

I live in a far from remote rural area where a totally uneconomic bus service keeps (1) people in work, (2) young people getting training, (3) rural housing used to best advantage, (4) couples with one car and small children able to survive, (5) the elderly out of special housing or homes, among other things.

The cost of *not* subsidising these uneconomic routes would unquestionably exceed the costs of the present subsidy. The efforts of the county council to plan a transport network in order to keep its semblance of industry and commerce now left to us ticking over would go to waste.

"Let them take taxis" is, indeed, the very kind of remark you would get from people whose eyes are so firmly riveted to the bottom line that they cannot see the long-term result of their narrow-minded finance.

Yours sincerely,
ANNE ANGUS,
Oaklands,
Derwydd,
Llandybie,
Ammanford,
Dyfed.
January 31.

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