

May 30<sup>th</sup> 2008

## **Local Bus Service Support – Options for Reform**

### ***Response by Travel Watch North West to a consultation by the Department of Transport March 2008***

#### **1. Background**

1.1 TravelWatch NorthWest (TWNW) is an independent Community Interest Company representing users of all forms of public transport in North West England. We are grateful for the opportunity to comment on this paper.

1.2 TWNW recognises the need for changes not just to Bus Service Operator grant (BSOG) but also to the wider total bus subsidies regime, including concessionary fares reimbursements. It recognises that BSOG<sup>1</sup> is itself poorly targeted and in some cases fails to reflect its original objective of protecting rural stage carriage services<sup>2</sup>, and, as subsequently modified, all registered local services<sup>3</sup>.

#### **2. Executive Summary of TWNW's responses**

2.1 TWNW would support adjustments to BSOG to address climate change provided they are applied at the margin to a repayment formula which primarily address the grant's original social purposes and are merely adjustments to this and not solely a standalone climate change mechanism.

2.2 TWNW would suggest the universal application of the option to pay BSOG to the Local Transport Authority (LTA), not just to apply this only to LTAs where Quality Contracts exist. This option also sits well with the suggested alternative (see Option 4 below) of combining payments to LTAs of both BSOG and funding for concessionary fares reimbursement.

2.3 TWNW approves the extension of BSOG eligibility to Community Transport services.

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<sup>1</sup> Originally known as Fuel Duty Rebate

<sup>2</sup> Pursuant to the Jack Report on Rural transport 1963

<sup>3</sup> Transport Act 1985

2.4 TWNW supports operators being enabled to make electronic claims for BSOG but believes that making payment of these in arrears could destabilise some registered local service networks.

2.5 TWNW would support linkages between BSOG and patronage, distance and performance, and also the option to eventually combine BSOG with support for concessionary travel, subject to the following prerequisites.

Link BSOG to	Prerequisites
<b>patronage</b>	Provide a safety net for rural services, perhaps by combining patronage and <b>distance</b> (i.e. basing BSOG on passenger/kilometres).
<b>performance</b>	Claimants to demonstrate robust GPS capacity so that their performance could be measured.
	Payments to be independently monitored and not to be linked solely to operators' self reports.
<b>Combined BSOG and concessionary fares repayments.</b>	Availability of robust passenger data via ITSO compatible smart card ticketing so as to remove LTA/Operator disputes over repayment levels.

### 3. Options for Change

3.1 The following comments on the six options outlined in the consultation also address, where appropriate, the further alternative options suggested, since not all of these are mutually exclusive and in some circumstances may be combined into a single subsidy. For example BSOG could be combined with concessionary fares reimbursement. Alternatively payments by patronage or (as approximately now) by distance could become a simple payment determined by passenger kilometres.

### 4. Options 1, 2 and 6 - Adjustments to the Grant to address Climate Change

4.1 BSOG was never intended as an environmental tool. However it does not currently incentivise the use of low carbon buses (with lower than average fuel consumption and/or low carbon emissions). It might, as suggested, be possible to “tweak” the grant by either capping it at a set fuel efficiency level, making a 100% rebate of fuel duty to operators of low carbon buses or increasing the level of payment to operators participating in the Safe and Fuel Efficient Driving (SAFED) program.

4.2 TWNW would support such adjustments provided they are applied at the margin to a BSOG repayment formula which primarily address the grant's original social purposes and are merely adjustments to this and not solely a standalone climate change mechanism.

## 5. Option 3 Pay BSOG directly to Local Transport Authorities where a Quality Contract (QC) exists.

5.1 In its response to the Local Transport Bill<sup>4</sup> TWNW explained that it was *“attracted by the response of the Association of Transport Co-ordinating Officers (ATCO) to the consultations on the draft Local Transport Bill. ATCO, like TWNW, have been concerned that the Bill is too “urban centric” and envisages Quality Contracts (QCs) being an option only in conurbations and “City Regions”. ATCO suggest that re-regulation of bus services in rural “shires” should also be possible, and that where services are sparse, could arguably be even more desirable and necessary. They propose a quasi Quality Contra mechanism which they describe as Tendered Network Zones, to be designated wherever the majority of bus services are procured by the local transport authority (LTA) and within which BSOG would then be paid to the Local Transport Authorities (LTAs). This would have the effect of making the network non commercial so that the LTAs could specify routes, timetables and fares and tender the network in total using BSOG funds<sup>5</sup> “.*

5.2 TWNW is pleased to note that this is not far short of what the consultation now proposes. The consultation’s claim that the option could deliver the Best Value for Money is also noted.

5.3 TWNW would suggest the universal application of the option to pay BSOG to the Local Transport Authority, not just to apply this only to LTAs where Quality Contracts exist. This option also sits well with the suggested alternative (see Option 4 below) of combining payments to LTAs of both BSOG and of funding for concessionary fares reimbursement.

## 6. Option 4 A tiered BSOG linked to specific criteria.

6.1 The amount of BSOG paid could be linked to a number of criteria including

- Patronage
- Distance
- Performance

6.2 In its response to “Putting Passengers First”<sup>6</sup> TWNW supported *“a move towards linking this to **passenger trips** and believes this could deliver Best Value for Money. The Bus Service Operators’ Grant is currently paid on the basis of mileage run, and does not incentivise operators or LTAs to increase patronage. The proposals to move towards a payment based on passenger journeys is supported by TWNW as it would go some way to remedying this situation”.*

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<sup>4</sup> Local Transport Bill and the Role of the Traffic Commissioners, response by TWNW September 2007

<sup>5</sup> *“In the unlikely event of there being any residual commercial services, these could still be included in the overall network tender and operators would be expected to bid for the concession to run these at a premium price”.*

<sup>6</sup> DfT March 2007

6.3 Care would be needed to devise a formula which did not disadvantage rural LTAs with generally fewer but longer<sup>7</sup> services so payment per passenger carried or passenger/kilometres would need to combine some kind of rural safety net.

6.4 TWNW approves the extension of BSOG eligibility to Community Transport services.

6.5 BSOG payments are already related, through fuel consumption, to **distance**. It would not be difficult to make payment on a passenger/kilometre basis and this might be fairer to operators of rural services.

6.6 Payment dependent on **performance** is an attractive option. The consultation suggests that for this to be realistic there would be a need for claimants to demonstrate robust GPS capacity so that their performance could be measured (and possibly linked to Real Time Information). TWNW believes that even such a pre-requisite might be insufficient and points out that there could be a conflict of interest between operator's being allowed to "self report" their performance and the enforcement role of the Traffic Commissioners<sup>8</sup>.

6.7 An alternative option suggested is to combine BSOG with concessionary fares reimbursement

6.8 This would be a rolling together of two grant streams rather than a linking of one with the other. It would effectively devolve all support to LTAs regardless of whether they had a QC in place. In its response to "Putting Passengers First"<sup>9</sup> TWNW noted that *"the House of Commons Transport Committee (HOCTC) predicted that the introduction of free off peak bus travel for pensioners and the disabled from April 2008 would have a major impact on demand. The HOCTC also suggests re-imburement to operators<sup>10</sup> could be through the BSOG mechanism, or a similar national mechanism, and TWNW commends this idea. It would further reinforce the need to establish a robust performance and patronage monitoring regime"*.

6.9 TWNW also agrees with the suggestion that a prerequisite for such a combined payment should be the employment of dependable ITSO compatible smart card ticketing with the potential to resolve the current confrontation between LTAs and bus operators over whether the extant reimbursement regime protects them against any "loss of income sustained" (LOIS<sup>11</sup>).

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<sup>7</sup> BSOG is currently paid on registered mileage which helps rural operators.

<sup>8</sup> Ironically one of the TC's sanctions is withdrawal of BSOG! Traffic Commissioners are also woefully under resourced themselves, and through VOSA, for monitoring bus service operations.

<sup>9</sup> DfT March 2007

<sup>10</sup> and also funding LTAs for concessionary travel through a national scheme

<sup>11</sup> The Transport Act 1985 require that operators are "no better nor no worse off" when participating in concessionary fares schemes.

## **7. Option 5 payment in arrears and eSubmissions.**

7.1 Whilst the present system of estimating annual mileage in advance and adjusting the large “up front” payments at the year end is administratively clumsy, payment in arrears could have serious cash flow implications, especially for small operators, and these could effect the stability of the network of registered local services.

7.2 TWNW does however see the logic in operators being able to make eSubmissions (BSOG claims) since services can now be eRegistered and the two processes would be largely complementary.

## **8. Conclusions.**

8.1 TWNW generally supports the options involving the payment of BSOG to LTAs, as well as some of the other related options in the consultation.

8.2 A combined BSOG / concessionary fares payment is a laudable aim but probably too difficult to introduce in the short term.

8.3 TWNW will be glad to explain or expand on its response if asked to do so.

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