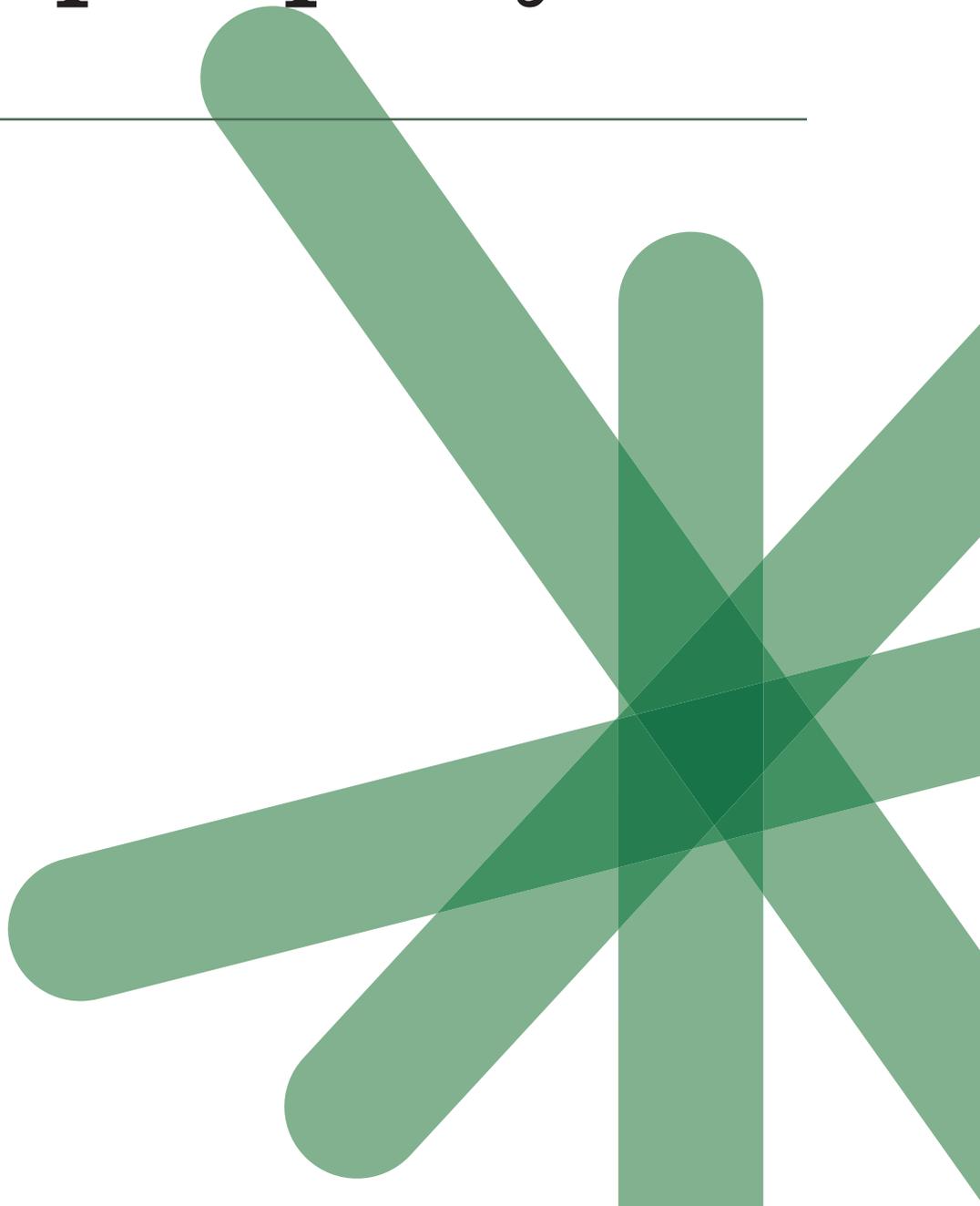

Chapter 5

The powers Wales needs to develop an integrated transport policy

Stuart Cole





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Overview and main recommendations

The aim of transport policy should be an integrated transport system that is socially inclusive and environmentally sustainable, promotes economic development, allows good access to new developments, and facilitates connections between different modes of transport. Public transport can be delivered and coordinated at a local or regional operational level by government agencies or by contractors. However, full integration requires strategic oversight by a single policy and budgetary authority at the all-Wales level.

At present, the Welsh Government's powers extend only to road transport. Limited further powers cover road and rail transport via links to the role of local authorities, including bus service timetabling and subsidies, and provision to invest in railway infrastructure. The Wales and Borders rail franchise is with the Department for Transport in London, with the Welsh Government as cosignatories. Routes running from Wales to Bristol and Birmingham are operated under London franchises. At the local level meanwhile fragmentation of responsibility has severely compromised integration: for example, coordination between train and bus timetables is poor.

Rectifying this situation will require transfer of the powers that enable integration to the Welsh Government. These include responsibility for:

- Public transport policy.
- Rail and bus industry regulation.
- Rail investment (with the operational and financial interface between the Welsh Government and Network Rail set out in statute and mirroring the current Department for Transport - Network Rail position).
- Contractual arrangements for English train operating companies' operations in Wales.
- Powers currently held by the Traffic Commissioners.

Responsibility for investment is of great importance to the future of Wales' rail infrastructure. Under the current arrangement, Network Rail's five-year plan prioritises projects on an England-and-Wales basis. The recent (January 2013) publication of Network Rail's Wales Route (Division) Strategic Plan enables the expenditure priorities to be shown. In turn this indicates whether projects in England are being prioritised at the expense of those in Wales. It also shows how Department for Transport funding is being prioritised between Wales and England. However, establishing this new planning process does not preclude Wales being awarded responsibility for the Network Rail function. If this were achieved

it would guarantee prioritisation of Welsh infrastructure development, within the available budget. The success of such a settlement would, of course, depend on concomitant transfer of finances. On a population basis, this would provide Wales with greater resources than are now available.

Three major cross-border rail franchises (West Coast Main Line, Great Western and Cross Country) are more problematic as regards devolution of responsibility. The Welsh Government currently holds the powers over franchises operating between locations within Wales - over the Marcher Line which has the role of connecting the Welsh east west routes; and over the Carmarthen to Manchester route which is a key service within Wales and the Marches. This occurs without damaging the cross-border network since it is in the rail companies' interests to ensure coordination with other operators' services. However, the situation is more complicated where services operate on both sides of the border, though primarily in England. Splitting a franchise so that the Welsh Government held responsibility for the Welsh portion of a joint franchise (such as from Newport westwards on the Great Western mainline and similar sections on the other two franchises referred to above), with the UK Government responsible for the English portion, could potentially end in politicisation at the interface between responsibilities. However, without some statutory powers, the Welsh Government would be left without a say over many rail services in Wales.

One solution would be to have a joint signatory position for the three intercity long distance franchises in so far as they provide rail passenger services into and out of Wales. For example the Welsh Government should not be a joint party to the whole of the West Coast Main Line franchise but should in relation to the North Wales Coast Line have a more powerful position than merely being a consultee. This would enable Welsh Government to ensure that all services in Wales were subject to their influence.

Other aspects of transport policy that need to be devolved are those relating to vehicle safety and licensing, as carried out by the Vehicle and Operator Services Agency (which oversees vehicle licensing) and the Driver and Vehicle Licensing Agency (DVLA). Their largely technical work relies on specialist expertise and may continue to be carried out in Swansea and Leeds / Warrington. However, the setting of priorities in their work has to be a devolved matter since there is a need for Welsh interests to be put first. Their role in performance monitoring and in the achievement of Welsh Government policies in relation to integrated transport through the Traffic Commissioner is a key role. One example would be the monitoring of quality bus partnerships and contracts and in any move towards franchising bus services within bus industry regulation. Consequently, while their technical work should continue at the existing locations on an agency basis (with a separate agency contract with the Welsh Government), their work in Wales should be devolved so that Wales has the powers to determine appropriate penalties and priorities. Responsibility for these powers would be vested in a Traffic Commissioner for Wales, appointed by the Welsh Government.

The role of the freight forwarder means that integration between different modes of transport is already good in the freight industry. Nevertheless, it would be sensible to devolve ports policy to Wales as, without this, the Welsh Government lacks the ability to invest in freight facilities that would relieve pressure on the rail and road networks. Safety powers and assisting in the implementation of government policies covering freight operations fall under the purview of the Transport Commissioner, and would therefore also need to be transferred.

Current proposals for the development and possible purchase of Cardiff Wales International Airport by the Welsh Government illustrate the case for devolving powers on airport development and air passenger duty to Wales or at least sharing these with the UK Government.

An important consideration should these transport powers be devolved is the associated impact on capacity. Civil service capacity requirements in this field are a matter of skills more than numbers. In the past, specialist teams have been established quickly and to good effect, as for instance in the case of the rail electrification evaluation team. These teams have comprised both internal and external members. In addition to this short-term, task-specific capacity, in the event of further devolution of powers the recruitment of permanent specialist civil servants should be given serious consideration.

Case for an integrated transport policy

There is a generally accepted view that over the next 30 to 40 years an integrated transport policy must provide the solution to the energy and pollution consequences of the motorcar. The Welsh Government, both directly and by commissioning studies and reviews, has made strides towards the recognition of our transport problems and has identified some possible solutions. These include the extension of transport concessions, extension of Transport Grant allocation to cover a three-year period, and increased use of transport telematics.

There is a clear recognition that the urban journey-to-work movement is where the most dramatic changes must occur. This does not mean that other aspects of policy, such as greater inclusivity (with a focus on accessibility rather than simply mobility) should not also be vigorously pursued. However, without addressing the journey-to-work problem, it is unlikely that other aspects will achieve or deliver overall aspirations.

Changes in the powers of the Welsh Government and the National Assembly should be sought on the basis of a clear rationale. In the case of transport much of the responsibility already lies with national or local government institutions. There are some developments for which powers already exist, for example the Joint Transport Authorities provided for in the 2006 Transport (Wales) Act) but which have not yet been implemented, and local authority consortia remain in existence.

Logistics and supply chain management facilitate operational freight integration to achieve commercial objectives and the most efficient means of moving goods. However, there is no similar framework on the passenger side where there are four policy and operational aspects to integrate.

The key objective of integrated transport for Wales is to provide for a split between accessible and affordable modes of travel which are both sustainable and become the preferred modes of travel. However, Wales can be divided into five regions, each of which has a variety of spatial characteristics:

1. Densely populated urban areas, including Cardiff, Newport, Merthyr, Ebbw Vale, Swansea, and Wrexham.
2. Major towns such as Neath, Port Talbot, Llanelli, Aberystwyth, and Llandudno.
3. Affluent rural areas often referred to as 'urban shadow' territories.
4. Important rural centres such as Carmarthen, Haverfordwest, Newcastle Emlyn, Llandeilo, Brecon, Newtown, Ruthin, and Denbigh.
5. Deep rural Wales, for example Ceredigion, Powys, and Gwynedd.

Each of these regions has particular transport needs whose aspirations for transport service provision need to be explicitly stated so that a blueprint can be developed with appropriate targets for service provision by each transport mode.

The primary objective of any transport policy given the current state of the economy has to be

Wales' ability to trade, remain competitive, generate jobs and increase social and economic inclusion. The last is dependent on successful achievement of the first three. So the order of priority for Wales is as follows:

- An efficient and effective transport network to make us internationally competitive.
- Urban congestion solutions;
- Easy and affordable access to jobs and services by car, bus and rail services particularly from low-income communities and rural areas.

Achieving these will require a revolutionary change in public transport provision.

Welsh Government's policy objectives

The Transport Minister's Statement (December 2011) indicated a desire to achieve six primary objectives which integrated transport systems will play an important role in achieving:

1. **Mobility - improvements for deprived, low-income, communities** particularly in relation to improved access to employment, health and education and affordable retailing. The economics of large supermarkets brings economies of scale and thus in general lower prices along with a wider range of food and clothing as compared with locally owned shops or even small neighbourhood stores within a larger procurement and distribution network.
2. **An efficient and effective transport network within Wales** to enhance inter-area economic activity.
3. **International connectivity** to enable Wales to compete in an increasingly contestable market. This includes connections for our exports of food and manufactured products and for inbound tourism to and from England's large conurbations, other European Union member states and North America and the Far East. All are important markets thus making international links a key policy objective. These links must be efficient in terms of journey times and the reliability of the network so as to enable producers to achieve their own *just-in-time* logistics targets.
4. **Reduction in urban congestion** so that efficiency and economic growth in urban economic powerhouses efficiency and economic growth are not restricted by congested roads nor indeed the perception of congestion.
5. **Access in rural areas** with new radically changed means of providing public transport.
6. **Healthy and more sustainable** travel choices.

Within our major towns and cities these objectives can be translated into more detailed steps to delivery.

The Cardiff Public Transport Hub should have a fully integrated bus, car, cycle and rail system. This and requires a high quality interchange to rank (though on a lesser scale) with Kings Cross, London and Amsterdam Bijlmer. The bus element would be best sited at the front of Cardiff's Central railway station and developed commercially as a state of the art facility. There is also a need to link it via an underpass to the proposed developments on Callaghan Square to create a St David's 3 business district.

Swansea's new bus station is regarded as one of the better designs in Europe, providing full integration of all local bus services, regional and national coach services, taxis and car pick up/drop off facilities. Swansea also has a refurbished new-look railway station and linking the two (unfortunately a mile apart) is a high frequency set of bus routes. While the Metro is well signposted, the many-other-routes stop is not so well signposted and the full departure screen is not sufficiently in view. These minor changes at the railway station would significantly improve interchange information between high quality facilities not least the electric train service in 2018.

The redesign of Merthyr bus flows and bus station location has to make for ease of modal interchange and serve the retail area and town centre redevelopment plans. Easy interchange of bus-rail and bus-bus with the retailing and business district is found in Rhyl, Aberystwyth, Carmarthen and Brecon giving good practice examples for typically sized Welsh towns.

Developing an integrated transport policy

Development of an integrated transport policy requires examination of four relationships:

1. **Integration within and between different types of transport** - better and easier interchange between car, bus, and rail with better information on services and availability of integrated tickets. The same applies between public and private transport, between motorised and non-motorised modes (walking, cycling), and within public transport.
2. **Integration with the environment** - considering the effect of transport policies on the environment and selecting the most environmentally friendly solution whenever possible.
3. **Integration with land use planning** - to reduce the need for travel and to ensure new developments can be reached by public transport.
4. **Integration with policies on social welfare, education, health and wealth-creation** so that cross-cutting policies on issues such as social inclusion, school travel, cycling and walking, and the profitability of business work together rather than against each other.

The preferred structure to achieve such integration nationally, regionally or locally has three prerequisites:

- A single strategic policy and budgetary authority at the all-Wales national level to co-ordinate body fall modes of public transport.
- Co-ordinating bodies at operational level to achieve seamless interchange between modes, within modes, and between modes and land uses. This relates to physical interface and the provision of through ticketing.

While services at the operational level may be provided by contractors, strategic provision must involve a single body at the national (Welsh) level carrying out both functions. The elements of such a system exist in other member states of the European Union where high investment, together with policies for the co-ordination of services, fares and infrastructure developments, may be found in major centres as well as in local areas.

The Regional Councils of France have transport as a major policy issue with their responsibility covering local railway services (along with SNCF) and bus operations in the municipalities. In

Sweden regional public transport bodies run local bus and rail services in a country with extensive rural areas, a small population (8 million) and a concentration of people in a small part of the total land area. The Netherlands has a national ticketing system for local public transport (the Nationale Strippenkaart) and a national railway service but with the provinces being responsible for stations and for all bus, rail and train-taxi services which may be directly operated by a government owned body or by a private company franchised by the appropriate local or national authority. The State-owned Railned retains track operations. In Austria, the Land (equivalent to the consortia areas) has responsibility within its area for all local public transport and land use planning. This is linked into a national policy for rail services. Joint ticketing exists on all services within the Land. Austrian Railways (a public sector body) retain operational control and ownership of the track.

The integrated transport policy for Wales recommended here follow all of these. In addition it is proposed that one national and four regional Joint Transport Authorities should together control finance, policy and service provision (though not necessarily all operations). The regional authorities are based on the geographical areas of the current transport consortia and county council groupings.

The elements needed to develop an integrated passenger transport strategy are:

- Road investment.
- Rail investment - infrastructure and rolling stock.
- Bus investment - terminals and vehicles.
- Public transport interchanges.
- Investment in walking and cycling facilities.
- Physical and fiscal traffic management.
- Public transport fare levels.
- Public transport service level -contractual payments.

The potential for giving greater emphasis transfer to public transport over the motorcar varies between the five urban and rural areas delineated above. However the differences can be narrowed though a radical new approach to rural bus services. Regular-interval fixed-timetable operations suit urban areas with high patronage levels but have only limited value in rural areas. The Bwcbus computer/satellite/GPS and flexible scheduling bus system responds to demand and has enabled a radical and successful approach to rural public transport, as measured by increased patronage.

Generally there is a need for improvements in the public transport system before car users can be persuaded to change, and non-car owners are able, to make reasonably timed and priced journeys.

Its current powers only give the Welsh Government a national role in roads, with some opportunities integrate road and rail transport through its links with local authorities. This severely limits its ability to balance investment between the best solutions to transport problems.

The 4I's concept identifies the following as the integration equation for passenger transport:

Information + Interchange + Investment = Integration

The absence of any of these elements will hinder or even prevent the development of an integrated passenger transport system. Both the rationale for and the means to the delivery of, integrated public transport, together with an explanation of competitive franchising, are to be found in Appendix 1.

Current Welsh transport powers

These are derived from Government of Wales Act 1997, the Railways Act 2005, and the Transport (Wales) Act 2006. They embrace:

Bus

- Bus service subsidy and contract payment levels.
- Bus service frequencies, routes, shared between bus companies (commercial routes) and county councils (tendered services).
- User group representation - Public Transport Users' Committee for Wales and Bus Users UK Cymru Wales (semi autonomous).

Rail

- Rail passenger service levels and contractual arrangements for the Wales and Borders franchise. The current joint franchise is contractually let by the Department for Transport but should be converted to a Welsh Government-only franchise.
- Under the Transport (Wales) Act 2006 the Welsh Government may procure any form of public transport facility. It is able to do this on its own account or jointly with Network Rail. So far rail schemes have been on a relatively small scale, for example track doubling between Gowerton and Llanelli, and between Wrexham and Chester at a cost of £30m and £40m respectively. In the same period Network Rail undertook major schemes such as rail electrification and re-signalling in the Cardiff area, costing £200 million and £450 million.

Road

- Road construction, investment and maintenance.
- Traffic reduction/traffic management policy and regulation, split between local authorities and the Welsh Government.

Other

- Liaison with Sustrans in Wales (though this is not a statutory power, but a relationship which has led to the Active Travel Bill consultation currently taking place).
- Travel for mobility impaired people.
- Land use/development
- Environmental issues.
- Investment incentives.

Powers that should be transferred

In order to achieve an integrated transport policy for Wales the responsibilities, powers and functions listed below should be devolved to the National Assembly and Welsh Government. In turn this might then transfer some of these powers/obligations to Joint Transport Authorities or local authorities. The policy-making role and power to finance would therefore be located within Wales. In all cases any responsibilities transferred to the Assembly would require a commensurate transfer of additional financial provision via the Welsh Block grant.

Generally speaking, it would be logical for any powers conferred on local government in previous legislation to be ascribed to the National Assembly. Any further powers would be devolved to the Assembly which could then as appropriate devolve them further.

Public Transport Policy

- Public transport policy generally (from Department for Transport).

Rail

- Rail investment (from Department for Transport and Network Rail but with a close operational and financial interface between the Welsh Government and Network Rail set out in the statute. This would reflect the current operational position between the two bodies).
- Rail passenger service levels and contractual arrangements with English train operating companies in Wales – for the West Coast Main Line, Cross Country, and Great Western with the block grant being increased by an amount commensurate with current expenditure (from the Department for Transport).
- Rail regulation (from Rail Regulator).
- Rail user representation - currently partly from England Passenger Focus and partly Passenger Transport Users Committee - so as to establish a Welsh structure to fulfil the current functions of Passenger Focus and the Passenger Transport Users Committee.
- Powers to procure public transport services, unless existing under the Transport (Wales) Act 2006, or the Railways Act 2005 and several Local Transport Acts. These are provided for in general terms by the Transport (Wales) Act 2006 but there are issues relating to specific services. For example, the provision to provide rail services using franchising formats other than the present process and type of bidder such as plc, co-operative company, not-for-dividend company. Provision for a state owned arms-length company should also be clear in any new legislation.
- All residual powers held by the Department for Transport should also transfer.

Bus

- Bus industry regulation (Department for Transport – see Appendix 1).
- Current powers of the Traffic Commissioners (Department for Transport).
- Aspects of traffic reduction/traffic management policy and regulation currently retained by Department for Transport.
- Personal safety of pedestrians, cyclists and provision for those groups.
- Bus user group representation - the operation of Bus Users (UK) Cymru Wales originates from Bus Users (UK), an England based body. However, the Welsh Government funds it in Wales. It is a statutory consultation body but has no powers of direction over bus companies (see Appendix 1).

Other transport areas

- Regulatory framework for taxis/private hire cars (part Department for Transport, local councils). There is currently a discussion taking place between the Welsh Government and local councils to see if a Wales national standard for taxis and private hire can be established.
- Integration of road and rail freight operations (Network Rail, Department for Transport).
- Airport development and air service development and regulation, with appropriate private sector involvement (Department for Transport, Civil Aviation Authority).
- Port development and shipping services promotion (Department for Transport).

A note on shipping and air transport

(i) Ports

There has been a difference in policy for ports between the Department for Transport and the Welsh Government in the past.

The Department for Transport has responsibility for security at both ports and airports and any transfer of this would be more to do with the policing function than the transport function. However, the Developing Ports National Policy Statement put forward by the Department for Transport in November 2009 failed to emphasise the potential employment role played by ports in Wales. Neither did it distinguish the type of market for Welsh ports (smaller general cargo vessels, bulk raw materials and cruise operations) from that in English ports where the ports of Southampton and Felixstowe seemed to be the only model considered.

This led the Department for Transport to assume that ports could and should only be developed by the private sector owners who in its view were well financed. The lack of powers for the Welsh Government to improve the infrastructure within the ports themselves prevented an integrated approach to freight infrastructure where landside road and rail facilities could be considered alongside the development of freight facilities at ports. This is the only basis for internal investment in a port is as a means of generating employment.

Wider powers for the Welsh Government are needed in order to achieve its objectives in this area. The responsibility for job creation in Wales rests with the Welsh Government and ports have an important part to play not only for freight but also for hinterland and direct employment through the cruise market. One cruise vessel (2,500 passengers) per week can generate £12m per annum and 90 jobs. Investment in ports should therefore be within the responsibilities of the Welsh Government to provide more appropriate incentives. The funding should be reflected in block grant allocation.

(ii) Air transport

A similar issue concerns air transport, although in relation to Cardiff Airport the integration of landside and airside infrastructure improvement by the Airport and the Welsh Government respectively appears to have been overcome in practical terms. However, it is still not satisfactory to have the same constraints on investment by the Welsh Government in Cardiff Airport as apply for example to Heathrow where the financial position of the airport company is far stronger

In both cases there are also EU state aid rules to be considered for operational subsidy and infrastructure investment. These would not be affected by any UK legislative changes.

Over the last three years the decline in passenger numbers at Cardiff airport has been a cause for considerable concern. This has in part been the result of the withdrawal of the BMIbaby airline's routes and the decision by two leading low cost airlines to operate from Bristol Airport.

The Welsh Government has recently put forward a proposal to purchase Cardiff Airport. It is premature to suggest the outcome until the due diligence, a financial / market business plan for the Airport and the Transport Business Plan for the Welsh Government (including issues such as road congestion, journey time and sustainability elements) have been completed.

A second proposal to construct a western gateway airport (or Heathrow Atlantic Terminal) on the

Cardiff Airport site has been made in response to the Department for Transport Aviation Policy Framework. This has congestion (air /road), environmental and operational benefits for south Wales and the M4 corridor and would have significantly improved road and rail connections to the Airport. Its purpose is to divert to Cardiff Airport, air traffic currently flying from Western Europe and North and South America into Heathrow.

Air passenger duty is a major cost to passengers travelling to and from the United Kingdom. Benefits in terms of cross price relationships would have the effect of attracting more aircraft movements into Cardiff Airport

Powers on airport development and on air passenger duty would have to be transferred or at least shared between the Welsh and Westminster governments.

Civil service capacity implications

The Welsh civil service currently has skills which enables it to organise quickly an analysis of transport issues using internal and external teams. For example, the rail electrification evaluation team was established within a month and using a very effective structure produced its initial report within six months.

What the Welsh civil service lacks is the internal specialist skills required for the discharge of the additional proposed transport specific functions. A transport-specific staff pool would need to be developed, as is the case with local government. Major investment appraisal or the development of new projects has been successfully undertaken by outside advisers and consultants and this could continue for many of the one-off tasks. However, the operational management roles, which the Welsh Government increasingly has to assume, do require a rethink of the employment process for specialist areas such as transport.

Appendix 1: Ownership and control of public transport

Current legislation: problems and solutions

Below is set out the case for transferring powers in this area. This would for example propose the repeal of Part 2 of the 1985 Transport Act and its replacement with Welsh legislation. This is seen as essential in order to integrate transport policy.

Deficiencies in the current arrangements

The current provisions could be argued to have the following deficiencies:

- Any subsidised service is prevented from competing with a commercial service but commercial services are generally cherry picked.
- Bus companies choose to operate profitable sections / times / days.
- Non-profitable sections or times of day and Sundays are subsidised by county councils.
- The inability to cross subsidise means that counties' expenditure is increased.

Damaging consequences to passenger services and the travelling experience and easy of travel have frequently followed from the 'free market provides' philosophy of the 1985 Act:

- Instability in the market (no control of timetable changes).
- Competition against Welsh SME companies by international, national and large regional bus operators more able to spread the risks of a contestable market.
- Domination of the market by such companies and groups with reduced opportunities for Welsh SMEs.
- No coordination of timetables.
- No cross subsidy.

The fact that the implementation of part of the Welsh Government's National Transport Plan, the trans-Wales coach service known as TrawsCymru (on its T1 Aberystwyth to Carmarthen route), can be prevented provides an example of the unfortunate consequences of the current arrangements.

The Solution

Arriving at the solution of the problem entails consideration of the question: Who should own and/or control public transport in Wales?

Ownership and control of public transport in Great Britain (but not Northern Ireland) has changed considerably over the last fifty years. A largely state-owned function took over from a mix of private and public ownership in the 1960s but was replaced by an almost entirely private ownership structure in the 1980s and subsequently.

Up to the 1960s the structure of the UK bus industry was as follows:

- Tilling Companies (state owned Transport Holding Company)
- British Electric Traction (BET Federation - private company)
- Municipal operators (state sector)
- Independent companies (private companies)
- Alexander/Scottish (state-owned Transport Holding Company)

This structure was replaced as from 1969 when parts of the previous structure were nationalised:

- Tilling Group became the National Bus Company (NBC) which also took over British Electric Traction.
- Municipals operators were taken over by in some areas by Passenger Transport Executives while in others they were retained by the Local Authorities. There were no Passenger Transport Executives in Wales.
- Alexander/Scottish along with Tilling Group companies in Scotland became the Scottish Bus Group.
- Independents, generally small companies, remained independent.

The Transport Act 1985 led to two policy developments:

- Deregulation of bus services.
- Privatisation of state-owned bus operations - National Bus Company subsidiaries; Scottish Bus group companies; Passenger Transport Executive bus operations; municipally owned bus departments.

In Wales Cardiff Bus and Newport Bus still remain in public (local authority) ownership.

The consequence in terms of ownership was to create dominant private groups reflecting the pre-nationalisation (1946) position with regard to the percentage of buses in major private sector groups

1946 (50 per cent private):

- BET
- Tilling
- Red & White

1980 (0 per cent private)

The big groupings were PTEs, NBC, SBG and Local Authorities. The private sector was represented by smaller independents

2006 (90 per cent private)

- First
- Stagecoach
- Arriva
- Go Ahead
- National Express
- Veolia
- SME (often family owned private sector companies)

This reflects the trend towards a few large privately owned groups alongside many very small companies in the bus industry.

Bus franchising

The principles set out in this paper are based on recognition of the failure of private control of the bus industry to achieve certain key objectives. However, private ownership of the bus companies, but operating in a government-run competitive franchising context, has been shown to work well in London. In this paper it is argued that that an opportunity has arisen in Wales to tender bus services so as to test

the operational and financial aspects of a public transport system outside the London context.

The TrawsCymru national bus network

This can be seen in the national long-distance bus network in Wales (previously branded loosely as Traws Cambria but now being developed as the TrawsCymru, a brand registered by the Welsh Government).

TrawsCymru is intended under the National Transport Plan to be franchised to several operators by the Welsh Government. There are new routes which as an integrated whole cannot be provided individually. Under the tendering process the public transport authority (Welsh Government) would maintain controls over the quality of service offered through the strategy and brand values it determined. Tenderers would have to comply with all operational, safety, maintenance and financial requirements either under the public service vehicle licensing arrangements (controlled by the Traffic Commissioners), or under the terms of the TrawsCymru franchise contracts.

Following the awarding of the new rail franchise in 2018 (or earlier if the present contractor agrees) the long distance bus (TrawsCymru) and rail (Rail Cymru) routes would be marketed as an integral part of the Wales public transport network. Standard fares would be charged and all of the following would be accepted: travelcards such as the National Flexipass; concessionary passes; the national public transport entitlement card as specified in the National Transport Plan (Pass Cymru); and all other similar tickets valid on Wales' buses. Contractors would be required to brand their vehicles to the public as operating a service on behalf of the Welsh Government.

This process is very different from the current approach under the 1985 Transport Act and the Competition Act whereby market forces determine the network, with competitive tendering restricted to loss-making services only. Rather it follows the 'London technique', which takes competition firmly off the road and keeps it as a supply-side competitive tendering process.

The advantages of this will be continuity of service, integrated services and standard fares, but achieved at a lower cost than either direct ownership by the public sector (other than at arms-length not-for-dividend options) or the present mix of market-led profitable 'cherry-picked' routes with subsidised loss-making services.

Franchising therefore provides the best of both worlds:

- Public control and service-specification.
- Private operation of the services.

It recognises that a free market is unsuitable for surface public transport operations because:

- They are unlikely to meet key objectives such as social inclusion, reduction in congestion and environmental sustainability
- The real competitor is not often bus or rail companies but the motor car, a factor that is clearly not recognised by the current competition legislation emanating from both the UK Government and the European Commission
- It is difficult to combine the profit motive (a reasonable objective within a mixed economy in appropriate circumstances) and the public service objectives referred to above.

Competitive franchising in Wales – an alternative framework for competition

The form of competitive tendering currently in use is intended to apply to loss-making routes for which revenue support is required. The perfectly competitive market conditions envisaged for other services under current legislative provisions could however result in a number of problems:

1. Instability

It is possible under the free market arrangements for companies to enter and leave the market relatively quickly. A period of notice is required. However, a company leaving the market because of low or no profit is unlikely to wish to continue to operate at a loss for the notice period. Even with an enforced notice period, movements into and out of the market, especially in the early years when companies are testing market potential and profitability, will lead to instability.

Passengers need stability and continuity of service in terms of routes, services, operators, fares and times. However under current arrangements these will all be subject to change at short notice. This instability may last for some considerable period of time before a new equilibrium is established. Instability resulting from service reorganisations has been shown to have a retrograde effect on levels of patronage.

2. Lack of co-ordination

The registration period envisaged is unlikely to provide Welsh Government / county councils with sufficient time to produce up-to-date, reliable timetables. Such timetables are of particular value to tourists, who are important contributors to the Welsh economy and their loss would be a particular inconvenience to them.

Co-ordination of services along individual corridors or on common routes prevents “bunching” of vehicles at certain popular times, and provides for a more regular headway between buses. It is also regarded as a more effective basis for tendering than a system of registration alone.

3. Competition on subsidised routes

The majority of rural routes are either (i) radial routes from a town centre extending beyond the urban area or (ii) inter-urban routes which also service urban areas at both ends of the route. The highest revenue yield per bus mile is in the urban areas; consequently any competition with subsidised rural services will be met on these sections of route. Deregulated competition will also be concentrated on high-yield times of the day (for example, from 7.30 am to 5.30 pm Monday to Friday) but will not supply the total capacity required. These competitors will abstract revenue from the subsidised rural service and the latter will have two possible options for its fares policy:

- If the subsidised service fares remain high passengers will tend to wait for the lower-fare vehicle. This will reduce patronage on the subsidised service and the subsidy level will need to rise if the service level is to be maintained.
- If the subsidised service reduces its fare to compete on the urban section of the route, the internal cross subsidy within the route will be reduced and public subsidy will have to be increased.

Where services are operated on a purely commercial basis they will be limited to the more heavily populated sections of such urban-rural routes. Any services into a town centre will be limited to those roads which are suitable for bus operation. It is likely, therefore, that subsidised and commercial services will operate along the same sections of road and both operators will pick

up and set down along that road. The tendering operator for the subsidised service will find it relatively easy to forecast the costs of operation, but revenue will be dependent on the extent of the competition and this will be very difficult to predict, especially at the start of the scheme.

A county council would therefore have to choose between the two fares-policy options for subsidised services described above. This would result in either the withdrawal of services considered socially necessary or a new round of tendering with a possible increase in subsidy, unless the commercial operator considered that the return was insufficient (because the route did not yield enough revenue for several operators), and in the meantime gave notice of withdrawal.

4. Establishing demand patterns

If the powers of public authorities are restricted solely to registration through the Traffic Commissioners, the county council will have no role in collecting and making available market data. Smaller companies, especially in early years, will not have the resources or the expertise to carry out the type of market analysis, which the big groups have undertaken. The passenger will not be fully aware of what services are available, and will not be able to demonstrate what the demand pattern might be. Frequent changes resulting from an unstable range of services will lead to a proportion of them seeking alternative travel modes.

A competitive franchising system

The objectives of such a system would be in line with those of competition legislation:

- Enabling bus services to be provided in a competitive market.
- Reducing operating costs and revenue support levels.
- Making bus operations more demand-sensitive.
- Improving value for money.
- Preventing large companies from dominating the market.

Such objectives could be achieved within a competitive framework while reducing the instability referred to above. The franchises would be issued by the Welsh Government or a local transport authority – the regional consortium, a Joint Transport Authority – which would also be the coordination and subsidy authority for a route, group of routes, travel corridor or small area. This is similar to Transport for London bus network tendering and the Great Britain railway franchising process. It is also closer to commercial retail franchising than to deregulation, and its adoption suggests that there are variations between the two which could provide a better competitive framework than the one currently in use.

Competitive franchising will prevent a return of the pre-1930s situation when there were many operators' no multi-operator tickets, constant changes in timetables, together with confusion and inconvenience for the passenger. In the present state of the bus passenger market and given the presence of the car as an alternative (unlike the 1920s) many passengers are likely to change modes. Competitive franchising will take competition *off* the roads and instead establish pre-operational (supply-side) competition under the aegis of the franchising authority. A form of competitive franchising can meet many of the operation and financial problems inherent in the current competition-based approach established by the 1985 Transport Act. It would:

- Allow competition.
- Provide a more secure market for restructuring bus service provision.

- Prevent instability.
- Enable the retention of the county councils' co-ordinating function, and the continuity of timetables and regular operations.
- Provide value for money.
- Take competition off the roads, but allow its full value to be realised through the franchising process.
- Enable a phased introduction of its proposals.
- Allow alternative forms of competitive franchising to be pursued.
- Allow for an integrated bus network.
- Enable the subsidising authority to predict its subsidy expenditure more accurately.
- Achieve efficiency without the existence of an unstable market.

Characteristics of a competitive franchising system

1. Routes would be specified by the franchising authority and tenders invited from potential operators. Such routes might be profitable or unprofitable.
2. The operator awarded the contract would not have to face subsequent competition on the routes specified during the contract period.
3. The franchise would be granted on the basis of the lowest subsidy requirement for a specified group of services. (An alternative would be to allocate a specified amount of money for the service package and award the contract to the operator providing the highest service level.)
4. The subsidy would be awarded for the whole of the contract period.
5. The contract period would be three to five years. The minimum period would be determined by the operators' requirements to make a reasonable return on investment and the maximum period would allow for competitive re-advertising sufficiently frequently to encourage the contractor to provide the quality of service required by the passenger and the franchising authority.
6. The right to develop subsidiary interests such as vehicle maintenance, advertising etc. as profit-making functions would be assured.
7. An operational plan and financial forecasts would be provided at the application stage. Performance could then be monitored against this plan.
8. Assets such as buses and garages, as well as employees, could be transferred from an operator losing a contract to the newly contracted operator at the end of the franchise period. This would provide further encouragement for a higher quality of capital equipment to be included in an operator's investment programme.
9. The operator could retain all revenue and profit together with the agreed subsidy figure in a shire-county franchising arrangement. Alternatively the present Transport for London process could be used. This receives all fares revenue and the operator receives an agreed sum for running the services.

The size of each franchised operation would be small enough to enable companies of varying size to compete, so achieving a particular objective of the 1985 Transport Act.

Such a system of competitive franchising has features in common with that currently operated by the Department for Transport for rail services. It has also been accepted as a suitable method for London's buses and has already been shown to be a workable framework for competition and subsidy. In the free competitive market it is a common means of selecting operators for food retailing outlets. This parallels with the highly competitive and profitable franchised operations used by

familiar high street companies such as MacDonald's (fast food retailing) or Holiday Inn and Marriott (hotels) suggests that it is suitable for the competitive aspects of bus operations.

It would achieve the benefits of competition whilst providing greater stability and co-ordination of services. Such a scheme has wide support amongst a variety of organisations in Wales but also in England and Scotland.

Competition in public transport is accepted as a valuable means of achieving better defined value for money from bus subsidies and the alternative outlined here is essentially about the detailed implementation of a competitive scheme.

The passenger railway has been franchised as a part of the privatisation of train services. Considerable discussion took place on the form of privatisation and the belief was that network benefits (e.g. integrated timetables and tickets interchangeable between companies) could only be achieved if a franchising authority (OPRAF, then the SRA and now the Rail Directorate DfT) was in place.

Appendix 2: Transport power and authority across the UK jurisdictions

Power / Responsibility	Wales	Scot	NI (1)	Eng (DfT)	Eng (PTE)(3)	Eng (Lond)(2)	GB (DfT)
BUS							
Subsidy contract payments	Y	Y	Y	Y	Y	-	-
<u>Frequencies, fares</u>							
Commercial routes - deregulated	Y	Y	N	Y	Y	N	-
Tendered (WG,SG,CC, PTE)	Y	Y	N	Y			
Franchised (London)	-	-	-	-	-	Y	-
State owned and controlled	-	-	Y	-	-	-	-
<u>User groups</u>							
PTUC / PVS	Y	Y	-	-	-	-	-
Passenger Focus	Y	Y	N	-	-	N	-
London Travelwatch	-	-	-	-	-	Y	-
Bus Users (UK)	Y	Y	N	Y	-	-	-
NI Consumer Council	-	-	Y	-	-	-	-
<u>Bus Industry Regulation</u>							
Traffic Area (Nation specific)	Y	Y	Y	Y	-	Y	-
Traffic Commissioner responsible to Senior Traffic Commissioner	Y	N	N	Y	-	Y?	Y
Traffic Commissioner appointed by domestic minister	N	Y	Y	Y	-	Y	-
Concessionary fares policy determined internally	Y	Y	Y	Y	Y	Y	-
RAIL							
Track Ownership NR	Y	Y	N	Y	Y	Y	-
Infrastructure Investment							
- Northern Ireland	-	-	Y	-	-	-	-
DfT	Y	Y	-	Y	-	Y	Y
NR	-	-	-	Y	-	-	-
WG/SG/NIG	-	Y	Y	-	-	-	-

Power / Responsibility	Wales	Scot	NI (1)	Eng (DfT)	Eng (PTE)(3)	Eng (Lond)(2)	GB (DfT)
London	-	-	-	Y	?	Y	-
Funding provided in block grant (large scale)	N	Y	Y	Y	-	-	-
Rail passenger service level	Y	Y	Y	Y	?	Y	-
Exclusive franchise powers on 'domestic' services	-	Y	N/A	-	-	-	-
Shared franchise powers on 'domestic' services	Y	-	-	-	-	-	-
State owned railway	-	-	Y	-	-	-	-
Control of other franchises (joint with DfT e.g. WCML, ECML, XC)	N	Y	N/A	Y	-	-	-
Rail regulation (ORR) (6)	Y	N	N	Y	Y	Y(6)	-
Provides direct grant to Network Rail	N	Y	-	Y	-	-	-
Operation, maintenance and renewal of railway infrastructure	N	Y	-	Y	-	-	-
Funding of large scale projects	N	Y	-	Y	-	-	-
	no notional allocation	through RAB (notional allocation)		through RAB			
ORR Advice to Ministers	Partially - on a non-statutory basis from 2012	Y	-	Y	-	-	-
High Level Output Statement	N, although can submit projects for consideration	Y		Y			
Power to specify services and regulated fares	Y	Y	-	Y	-	-	-
Power to fund improvement of rail services	Y	Y	-	Y	-	-	-
Power to fund rail freight schemes	Y	Y	-	Y	-	-	-
Rail user representation							

Power / Responsibility	Wales	Scot	NI (1)	Eng (DfT)	Eng (PTE)(3)	Eng (Lond)(2)	GB (DfT)
Passenger Focus	Y	Y	N	Y	Y	Y	-
PTUC	Y	Y	-	-	-	-	-
London Travelwatch	-	-	-	-	-	Y	-
Other							
Consumer Council (NI)	-	-	Y	-	-	-	-
Procuring public transport							
WG	Y	-	-	-	-	-	-
SG	-	Y	-	-	-	-	-
NIG	-	-	Y	-	-	-	-
DfT	-	-	-	Y	Y	Y	-
Via co-op / NfD	?	?	?	?	2	?	-
OTHER TRANSPORT FUNCTIONS							
Traffic Management policy	N	N	Y	N	N	N	-
Traffic Management legislation	N	N	Y	N	N	N	-
Traffic management implementation	Y	Y	Y	Y	Y	Y	-
Taxi / private hire cars							
Regulatory framework	N	-	Y	-	-	-	-
Licensing by LA's	Y	Y	Y	-	-	-	-
PORTS / AIRPORTS							
Freight grants (ports and rail)	Y	Y	Y	n/a	n/a	-	-
Security	N	N	Y	-	-	-	-
Port development	N	Y	Y	-	-	-	Y
Airport development (Commercial divisions)	N	N	Y	N	N	-	Y

Notes

(1) Northern Ireland

Here there is different transport governance from the remainder of the UK.

Translink is the brand name of the Northern Ireland Transport Holding Company. A public corporation owned by the government of Northern Ireland. It provides all rail services in NI and provides local bus services. It was created out of Ulsterbus, Belfast Citybus (successor to Belfast Corporation Transport and now called Metro) and Northern Ireland Railways. It has integrated the bus and rail operations throughout NI. It is responsible for bus and rail stations and has pursued a policy of integrated public transport hubs. The consumer protection body covering all public transport services is the Consumer Council.

(2) The Mayor of London / Transport for London

TfL franchises all bus services in the GLA area. Other private long distance commuter coach services operate on a commercial basis as do tourism services (e.g. open top buses).

(3) PTE's in England

Buses operate under the same deregulation regime as in Wales. As with local authorities in Wales they have to decide what bus services to subsidise under the Transport Act 1985. The Traffic Commissioner for the North West has the same responsibilities as in Wales and is responsible to the senior Traffic Commissioner.

(4) Outside Northern Ireland

Predominantly private sector bus companies either large groups (e.g. Arriva, First, Stagecoach, Go Ahead) or independent operators of varying sizes. Cardiff Bus, Newport Transport, Reading Buses, Thamesdown (Swindon) and Lothian Buses (Edinburgh) are public sector owned. TrawsCymru and Bwcabus vehicles and registered trade-marks are publicly owned. Their operations are tendered out to private companies.

(5) Scotland

Buses operate under the same regulated market as in Wales determined by the Transport Act 1985. The Traffic Commissioner for Scotland is appointed by the Scottish Government? Secretary of State for Scotland not the Secretary of State for Transport as is the case in Wales. The Scottish Traffic Commissioner, Ms Joan Aitken is not subject to guidance from the senior Traffic Commissioner in London but her actions and performance of duties are as set down in the Administrative Policy Guidelines so far as they apply to the Statement of Principles for judicial Ethics for the Scottish judiciary (April 2010).

(6) Scotland

Rail regulation and administration of major rail projects.

(7) Concessionary bus fares policy

This is determined by the individual national governments or PTE Integrated Transport Authority/ DfT in England. In Northern Ireland the concessionary fares scheme covers all major bus operators and NI Railways. There is also an Island of Ireland concessionary pass for senior citizens.