

## Enterprise and Business Committee

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Meeting Venue:  
**Committee Room 4 – Ty Hywel**

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Meeting date:  
**7 February 2013**

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Meeting time:  
**09:45**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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### Agenda

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**Pre-meeting (09.45 – 09.55)**

- 1. Introductions, apologies and substitutions**
- 2. Inquiry into Integrated Public Transport – Evidence session (09.55 – 10.55)** (Pages 1 – 9)

#### **Passenger Transport Executive Group**

Jonathan Bray, Director of the Passenger Transport Executive Group Support Unit

- 3. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

Item 4 (10.55–11.15)

#### **De-brief**

- 4. Discussion of Business Committee's letter about committee timetables** (Pages 10 – 16)

# Agenda Item 2



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## Evidence for National Assembly for Wales Integrated Public Transport Committee Inquiry

January 2013

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## 1. About pteg

- 1.1. **pteg** represents the six Passenger Transport Executives serving eleven million people in Greater Manchester, West Yorkshire, South Yorkshire, West Midlands, Merseyside, and Tyne and Wear. Bristol (on behalf of the four West of England authorities), Leicester City Council, Nottingham City Council, Strathclyde Partnership for Transport, and Transport for London, are associate members as part of our wider professional network.

## 2. Background on the PTE / ITA model

- 2.1. The Passenger Transport Executive (PTE) / Integrated Transport Authority (ITA) model is one of the great success stories (and survivors) of local transport policy - although arguably, for a number of reasons, it has perhaps never reached its full potential. The PTEs / PTAs (the ITAs were previously called Passenger Transport Authorities until their names were changed by the 2008 Local Transport Act) were established in what was probably the most radical pieces of post-war transport legislation - Barbara Castle's 1968 Transport Act.
- 2.2. The chief benefits of a PTE / ITA model are:
  - It allows for fair and proportionate representation of all the local authorities that make up its governing body (the ITA)
  - Agreement on transport priorities can then be reached in-house and by consensus rather than be subject to intra-area in-fighting (carried out in the public domain) about relative priorities
  - It allows for the planning and development of local transport to take place at a scale that reflects local economic geographies and travel-to-work areas
  - It is big enough to support in-house legal, planning, financial and development functions without having to create bespoke arrangements for every project, and reduces the need to procure external outside advice
  - It can establish a local brand that the public recognise as delivering and symbolising a local integrated transport network
  - It is of a scale to enable it to 'punch its weight' in responding to, and influencing, national policy development, and in winning funding
- 2.3. Arguably the model has never fully delivered on its potential in that:
  - Strategic highways remain with the Districts creating a degree of disconnect between public transport and highway planning
  - After the initial burst of PTE creation in the late 1960s and early 1970s no further PTEs were established
  - Bus services were taken out of PTEs' control with bus deregulation in 1985, and powers over local rail services have ebbed and flowed
- 2.4. However, overall areas with PTEs generally enjoy higher levels of bus provision, better rail services, a higher propensity to have a mass transit system, more generous concessionary fares and so on. It could be argued that this would be the case anyway as the PTEs cover large conurbations where public transport provision could be expected to be better. However, if a comparison is made with those areas of England which have similar conurbation characteristics (but do not have a PTE) - such as Teeside, Greater Bristol, East Lancashire -

then public transport provision is generally superior in the PTE areas. The situation in Wales and Scotland is rather different in that there has been devolution - but to a national level (assembly governments) rather than a sub-national level (a PTE/ITA), so it's harder to make a comparison.

### 3. Is a PTE / ITA model appropriate for Wales?

- 3.1. Yes. However, having said that transport needs to be looked at in a wider context (it is a means to bigger social, economic and environmental ends) and it may be that wider governance models (that go beyond transport) could deliver the same benefits as a PTE / ITA, but within a larger body (see para 3.7).
- 3.2. However, taking transport as a discreet policy area for now. then it is a sound principle to establish executive bodies (accountable to the local authorities they serve), which cover areas that reflect accepted sub-national economic and transport geographies. It means there is a body which can focus entirely, consistently and coherently on delivering the best, most cost effective, and most fully integrated transport network that it can. A network which reflects the overall economic, social and environmental need of a sub-region whilst being accountable to all parts of that sub-region. This in essence is what PTEs / ITAs are. Although existing PTEs/ITAs cover large conurbations there is no reason why PTEs/ITAs shouldn't also cover rural areas (where a distinctive sub-national area is covered by more than one local authority at present).
- 3.3. Having said all of this such a body does not have to be called a PTE/ITA or have the same legal, administrative or financial arrangements as an English PTE/ITA. However, what it does need to have is a formal, legal and statutory basis and identity. It needs to be more than an ad hoc and unstable voluntary partnership of organisations that agree to meet, and to establish individual projects (each with their own bespoke administrative, legal and financial arrangements) if a step change in overall provision is sought, rather than incremental and scattered improvements.
- 3.4. In our view an organisation with a clear remit and clear accountability will achieve more than attempting to achieve similar ends through an informal collaboration between different organisations all with different interests and whose ultimate accountability and responsibility lies in achieving the objectives of their own organisation. Goals which are not necessarily aligned with a goal that has been collectively set for them.
- 3.5. A 2007 review by Atkins of reform options for Metropolitan Transport Governance<sup>1</sup> found that the global evidence showed that:

*'the existence of some kind of metropolitan or regional structure with responsibilities to deliver integrated ticketing, public transport service integration, franchising of bus and other public transport services and to promote or lead regional transport investment is a consistent success factor. There are very few examples of successful regional transport delivery which have developed without such a structure being in place, and many examples where institutional weakness has been one factor behind poor transport delivery and operations'*

- 3.6. However to move from ad hoc arrangements to a focussed structure can sometimes be an unpopular view in political and professional circles - as the status quo keeps existing

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<sup>1</sup> [http://www.pteg.net/NR/rdonlyres/4D07CF5B-CB3F-4230-993C-871C53B88587/0/pteg\\_Atkins\\_Governance\\_report\\_200702.pdf](http://www.pteg.net/NR/rdonlyres/4D07CF5B-CB3F-4230-993C-871C53B88587/0/pteg_Atkins_Governance_report_200702.pdf)

politicians, officers and transport suppliers in their current jobs and positions, and reform may not do!

- 3.7. As set out above, transport does not exist in isolation. Prior to their abolition the PTEs/ITAs (then PTAs) were under the ambit of Metropolitan County Councils which oversaw other policy areas that are best planned at a city region level (including policing and planning). More recently the Greater Manchester PTE (Transport for Greater Manchester) now reports to the Greater Manchester Combined Authority. The ITA has been abolished and replaced by a non-statutory Transport for Greater Manchester Committee which oversees TfGM on behalf of the Combined Authority. A Combined Authority formalises (under statute) joint decision-making between a Combined Authorities' constituent districts. The powers to establish such bodies were created by the 2009 Local Democracy, Economic Development and Construction Act – which is a permissive piece of legislation allowing local authorities to establish new pan-local authority decision-making bodies.
- 3.8. It is likely that other Combined Authorities will be established in other areas, including the Leeds City Region, and the Sheffield City Region.
- 3.9. All of which shows that changes in governance on transport (including the creation of PTE/ITA-type bodies) need not necessarily be looked at in isolation. However, at the same time it would be a mistake to defer decisions on transport governance, which are achievable, and which would bring about major benefits, because although wider changes to governance might be considered desirable, they may also be harder, and therefore less likely to be brought about.

#### **4. Bus services - key to integration**

- 4.1. The bus is the main form of public transport. It is relied upon by the poorest and the most vulnerable. It is also (in general) in decline with service levels and patronage falling, and with fares rising above inflation. There is little reason to believe these trends will change if policy doesn't change. And given buses dominant role in actual public transport provision (although rail tends to dominate the media and political discourse) if the bus is a failing sector, then public transport is failing. The reasons for the overall decline of the bus are many and varied and include rising car ownership, changing land use patterns, wider policies on parking and road space allocation, and bus deregulation. The creation of PTE/ITA-style bodies, or wider bodies, can help address these factors. For the purposes of this specific inquiry we concentrate on the structure of the bus sector.
- 4.2. There is some confusion in the debate around bus policy over what the options for policy change are on buses, and what is meant by 'franchising', 'quality contracts', 're-regulation', and a London-style system. So it might be helpful to address this before moving onto what might be the best way forward for bus policy in Wales.
- 4.3. There are three options for local transport authorities in the Local Transport Act 2008 for improving bus services.
  - Voluntary partnerships
  - Statutory Quality Partnerships (SQPs)
  - Quality Contracts (QCs)
- 4.4. A further tool, known as a Qualifying agreement (QAs), can also be used in relation to both Voluntary and Statutory Quality Partnerships.

- 4.5. A Voluntary Partnership describes either a written or unwritten understanding between operators and local transport authorities. It can therefore describe a very wide range of arrangement. Its specifications and delivery are voluntary and unenforceable.
- 4.6. A Statutory Quality Partnership (SQP) allows for a binding agreement to be entered into between a local transport authority and a bus operator. Under an SQP a Local Transport Authority (LTA) can provide improved infrastructure (such as bus priority measures) on a corridor and negotiate the arrangements for the use of that infrastructure by bus operators. These agreements can now cover maximum fares, frequencies and timings. Following a slow start SQPs are now becoming more prevalent in England
- 4.7. A Qualifying Agreement allows an LTA to certificate partnership arrangements to protect participating operators against potential prosecution by the competition authorities. This has allowed more co-ordination on fares and timetables where they have been introduced.
- 4.8. A Quality Contract (QC) allows an LTA to franchise routes or networks of services. The LTA specifies the bus service it wishes to be provided and the private sector competes to provide the service. In essence (although covered by different legislation) franchising is the same system that is used in London to provide bus services, the same system that the Government uses to provide national rail services, and the same system that is used to provide many other public services. A QC is usually what people mean when they say 're-regulation', or a London-style system. As yet no QC has been implemented in the UK although several PTEs have well advanced plans.
- 4.9. Many LTAs (and indeed passengers and their elected representatives) would like the outcomes that a franchising system can bring. A contractualised system that is based on the delivery of concrete outcomes (fares levels and integration, service stability, customer satisfaction, service quality and so on). Yet so far no QCs have yet been delivered. What is the explanation for this paradox?
- 4.10. The main difficulty is moving from a deregulated environment (nominally a free market but in reality mainly dominated by large multi-nationals operating local monopolies through informal cartels), to a franchised environment.
- 4.11. It's difficult because:
  - It's unknown territory, as usually the transition to franchising is from public ownership to franchising
  - The incumbent operator has the vehicles, staff, depots and market information thus giving them a considerable advantage in a franchise contest and also the option of non-corporation before a QC came into force
  - Incumbent operators are naturally reluctant to give up a poorly regulated (and often highly profitable) local monopoly for a franchise which they may not win and where some form of profit capping may well be operated
  - Incumbent operators have deep pockets and some have threatened to frustrate any moves to a QC through all avenues of legal challenge and through 'scorched earth' tactics like closing depots and withdrawing services
  - Operators make offers of improvements to services as an alternative to QC. These offers may fall short of what a QC would provide (and may not be fully delivered in practice) but come with less risks attached than that of a QC

- Both the former, and current Government, has been agnostic rather than supportive of any QC first movers
  - When local government funding is being cut there can be a tendency towards caution in pursuing anything perceived as having risks attached
- 4.12. Overall then there are considerable 'first mover disadvantages' on QCs. This often leads to politicians and transport planners seeking to achieve the ends of a QC whilst not being prepared to adopt the means to those ends (the QC process itself). That is not to say that bus services can't be improved without a QC - they can. However, if all the benefits of a QC are sought across a large area (including simple and fully integrated ticketing, service stability, integration across the modes) then you need a Quality Contract. Twenty five years of bus deregulation's failure to achieve these basic objectives prove the point.
- 4.13. In Wales the situation is complicated by the fact that Cardiff is a municipal operation (owned by the local authority) though still operating within a deregulated market. The Local Transport Act 2008 does not allow for the extension of municipal operation although if statute was in place then further municipal operations could be introduced (or new variants like cooperatives, mutual and not-for-profits). This would also reflect thinking on the not-for-profit Rail Cymru proposal (see section 5). Although all these options for bus provision would work best in a regulated market - to prevent predatory attacks from the big groups (through short term fares cuts and service duplication).
- 4.14. One of the most pressing examples of the benefits of applying a QC would be the Cardiff Valleys. With the rail network being upgraded now is surely the time to ensure that bus services are fully integrated both via feeder services and through fully integrated ticketing. To upgrade the rail network without maximising the benefits by fully (rather than partially) integrating it with local bus services would be a major missed opportunity.
- 4.15. Although QCs are usually associated with conurbations and city regions there are good, though slightly different reasons, why QCs would be a good way forward in rural areas. In most rural areas the vast majority of bus and rail services require a subsidy - not to mention healthcare, education and social services transport. Yet all these different services are subsidised separately (usually route by route on bus) each with their own administrative / bureaucratic costs, each with their own profit margin for the provider, and with little cross subsidy from more profitable to less profitable services. As well as being a costly way of providing the totality of collective transport provision in a rural area it also delivers sub-optimal outcomes for users with different fares, booking arrangements and poor coordination. It would be more cost effective to procure more of these services as part of a single or series of interlocking contracts which could then be presented to the public as an integrated and legible offer. They've been doing this kind of thing for years in some rural areas in Mainland Europe. For example in rural Friesland, in the Netherlands, budgets for public transport, social, health and education transport have been pooled to provide a single service to all residents through a mix of fixed, semi-fixed and demand responsive transport to a common and integrated fares structure. Where a passenger has particular social or healthcare needs the appropriate vehicle is allocated to provide the service.



- 4.16. We have made case for wider adoption of this 'Total Transport' approach in a publication we published last year.<sup>2</sup>
- 4.17. Even if healthcare, education and social services transport is left out of the equation the logic of having a single contract for a rural bus network instead of procuring them all separately is robust (this is all a Quality Contract is). There is also a case for adding in any local rural rail route. Again this is a not uncommon approach in mainland Europe.
- 4.18. Implementing these measures as part of a wider strategy for transport provision in rural areas is a reason why the PTE / ITA model (or a variant of) can also be appropriate for rural areas.
- 4.19. So how might Welsh transport policy on buses develop to achieve, better results at less cost to the taxpayer? The default option is to muddle on and stick with bus deregulation whilst imploring operators and local transport authorities to do better at making it work by invoking the 'partnership' word as if it's frequent repetition bestowed it with magical qualities capable of dissolving the fundamental and structural challenges of providing a public service through a deregulated free market which in most cases operates as an informal cartel. This has been the default approach across England (outside London), Scotland and Wales over the last 25 years. By and large it hasn't worked.
- 4.20. The next level up of policy options would all require greater assertion of ambition and leadership. They include seeking giving Local Transport Authorities the full range of tools (equivalent to those in England) and setting those LTAs some objectives as to what overall outcomes the WAG is looking for (on patronage, fares, integration and so on). The most assertive option would be to require LTAs to introduce QCs through rolling out 'Deregulation Exemption Zones' across the country.

## 5. How does rail fit in?

- 5.1. It is clearly sensible to retain a single and unified rail operation in Wales and the not for profit model suggested by the recent Cooperatives UK report on a People's Railway for Wales<sup>3</sup> is well argued and persuasive. It's well thought through ideas on how to get the right mix of accountability and responsiveness to the elected WAG, to staff, users and local interests move the debate about Rail Cymru beyond the rhetorical to the practical. The one weakness in the document is that it has a tendency to treat the rail network in isolation from the wider public transport network of which it is part (although this is understandable given the remit of the report was rail), whereas many of its users are primarily concerned not about the Welsh rail network as a whole but about the local journeys (be they rural or urban) that they make on public transport (bus and rail) in their own area. If a PTE / ITA model were to be adopted for part, or all of Wales, then those parts of the rail network (be it the Cardiff Valleys or Mid-Wales) that served a market primarily within that area might well be better branded as such and developed as such (for example in terms of integrated ticketing, service coordination and marketing).

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<sup>2</sup> <http://www.pteg.net/NR/rdonlyres/E963D5DA-346A-4CBA-B7DB-569488F07AF7/0/20110627ptegTotalTransportforWebFINAL.pdf>

<sup>3</sup> People's Railway for Wales, Prof Paul Salvesson, Co-operatives UK, November 2012  
<http://www.uk.coop/rail-cymru>

## 6. Transport policy in Wales - time to think bigger, time to go Dutch?

- 6.1. In 2010 we produced a report<sup>4</sup> - looking at what the Netherlands has achieved on public transport, and it's both instructive and replicable. As a small country the Netherlands has similarities with Wales yet in the Netherlands there is:
- A zonal smart ticketing system covering all modes
  - A very strong commitment to integrated public transport networks with an inter-connecting hierarchies of public transport services supported by integrated fares
  - Local public transport decision making has been devolved to local government with services outside the largest cities
  - A land use planning system that promotes linkages with transport planning
- 6.2. Funding is always a challenge (it would be under any system) but there is no reason why Wales shouldn't emulate the basic elements that underpin the success of transport policy in the Netherlands. Locally appropriate and accountable transport authorities with the powers they need to properly plan, oversee, integrate and develop public transport services. But a local public transport system which links up across a nation to provide the country as a whole with a service that citizens can understand and rely on.

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<sup>4</sup> <http://www.pteg.net/NR/rdonlyres/7760B2F2-E2C5-4372-88AA-E43378AB5431/0/PTtenderinginNL20100723small.pdf>

# Agenda Item 4

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