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Llywodraeth Cymru
Welsh Government

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William Powell
Chair - Petitions Committee

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Dear William,

Thank you for your further correspondence regarding the Petitions Committee Inquiry into Bus and Community Transport Services.

I attach a detailed response to the questions put by the Committee, in addition to some further, supporting background information.

Edwina Hart

PETITIONS COMMITTEE INQUIRY INTO BUS AND COMMUNITY TRANSPORT

A Current levels of public financial support for bus and community transport services

I am satisfied that the current levels of public funding to support bus and community transport services are sufficient to secure an efficient network. Despite severe pressure on the Welsh Government's budget as a result of decisions by the UK Government, the following evidence of substantial investment demonstrates my commitment to this in the current financial year.

Bus Services Support Grant (BSSG)	£25m (maintained at 2013-14 levels)
Mandatory concessions reimbursement	£67.75m
Local Transport Fund	£4.8m
Local authorities concessions administration	£2.2m (estimated)
Traws Cymru network	£1.8m
Bwcabus	£120,000
Traveline Cymru	£1m
Integrated transport pilots in the Vale of Glamorgan and Ceredigion	£200,000
Cardiff Airport Express (T9)	£312,000
Cardiff Airport Shuttle	£128,000
Bus Users' Cymru	£230,000
Community Transport Association	£200,000
Metro Phase 1 (bus priority corridors)	£13.1m
Metro Phase 1 (Newport bus station)	£3.0m
Metro Phase 1 (Merthyr bus station)	£800,000
Metro Phase 1 (Integrated ticketing)	£800,000

In addition, the £4.3bn local authorities have received in 2014-15 includes unhypothecated local government revenue funding to enable them to support bus and community transport services, and to support concessionary travel. I will continue to urge local authorities to protect the funding that they allocate in support of bus and community transport, in particular, but those are decisions for each authority to take.

As far as each of our Programme for Government objectives for the bus and community transport sectors are concerned, I would refer the Committee to the published updates.

B The effect of recent changes, and proposed future changes, in public funding levels and mechanisms on bus and community transport services

One of my key objectives for the bus network is that it should be helped to reduce what has become a significant dependency on public funding.

In Wales, just under three quarters of local bus services are provided by private and municipal bus companies on a commercial basis. While they need to make sufficient, appropriate profits from their operations to enable them to invest in improving the services that they provide, those profits also need to reflect the fact that they receive taxpayers' support.

Given the low pressures we see on wage inflation and fuel, it would be surprising if those factors were to play a significant part in influencing operators' network decisions for the foreseeable future. It is more difficult to estimate changes in insurance and other costs, but I believe that overall there is little if any fare inflation currently in the Welsh bus market. The most recent figures show that between 2013 and 2014 bus fares rose in Wales by, on average, 1.6%. This was a lower increase than elsewhere in Great Britain, and a fall in real terms. A report by the TAS Partnership has identified that profit margins for six operators assessed in Wales were 8.3% overall.

In addition to our core funding of the Community Transport Association (CTA) in Wales, community transport projects benefit from local authority decisions arising from their BSSG allocations and authorities' own budgets. My officials review the performance of the CTA at regular intervals with the CTA and annual funding decisions are based on detailed Business Plans. Ahead of decisions about funding for 2015-16, the CTA has been asked to produce an updated "State of the Sector" report to highlight current issues. That report will help to inform future funding decisions and my officials have been advised that the CTA will publish it soon.

I am keen that future public investment in the bus network, in particular, should be coordinated with operators' own investment. In that way, we and our partners will achieve the maximum positive impact. It is for this reason that I am exploring the potential for route-based investment partnerships where we have identified the greatest potential for increasing the number of passengers. The longer-term viability of the bus industry will depend especially on attracting more fare-paying passengers and reducing the industry's dependence on public funding.

C The social and economic impact of recent and proposed future changes, in public funding levels and mechanisms for the bus and community transport sectors

In November 2014 the Public Policy Institute for Wales published its report "A fare deal? Regulation and Financing Bus Services in Wales". That exercise looked specifically at the impact of deregulation in Wales. The report identifies that fares have increased in Wales while operators' costs have reduced, and notes that "As a result, Wales is paying higher subsidies than the rest of Great Britain outside London without any noticeable added benefit". Though in part this reflects the more rural nature of Wales, meaning that buses carry fewer passengers for longer distances than elsewhere in Great Britain, I am pleased that the report endorses my emphasis on statutory Partnerships between local authorities and bus operators.

Inevitably, the Welsh Government and local authorities sometimes need to make difficult decisions about the level of services that can be supported. For my part, those decisions only follow careful review of the proposals and competing demands for funding. Where appropriate, Equality Impact Assessments are undertaken. As far as the funding that I provide to local authorities is concerned, I require that their decisions are taken only after their detailed consideration of local circumstances and priorities. In the same vein, I wish to encourage bus operators to consult the travelling public before implementing changes to their timetables and networks.

Local authorities are responsible for reimbursing operators for concessionary journeys undertaken on local bus services, and ensuring compliance with the legal obligation that operators are "no better or no worse off" as a result.

Work carried out in 2013-14 with local authorities and the bus industry to identify a new three-year funding package for the scheme established that £67.75m would be sufficient in 2014-15 to meet this obligation based on approximately 50m concessionary journeys a year.

The Welsh Government recently announced that, from September 2015, we will provide a discounted travel scheme for young people on buses. Detailed work is being taken forward on that. It is vital that we target public funding for this sort of initiative and at the same time encourage the private sector to work with us to grow the fare-paying part of the market.

The Welsh Government has funded Traveline Cymru since 1999 to provide public transport information through a variety of media including a contact centre, website and mobile telephone applications.

D The steps the Welsh Government should take to support bus and community transport services, given the overall reductions in Welsh Government budget since 2009-10

My future decisions will be aimed at helping to provide a period of stability within difficult funding constraints to enable the industry to develop and deploy its commercial acumen to grow the number of fare-paying passengers, and the proportion of those within the overall total. That is why I consider the use of statutory agreements between local authorities and bus operators to be so important.

The Metro initiative in south east Wales illustrates our commitment to provide integrated solutions. This will increase and improve access to education, healthcare and employment, supporting increased economic activity. The first phase of the project includes an investment of £13.1m to help the reliable movement of buses, including bus priority measures between Cardiff and St. Athan – Cardiff Enterprise Zone. Such initiatives will make bus travel more attractive to the public, and reduce operating costs and therefore subsidy through the more effective and efficient use of the network. In addition, £3.8m has been allocated to enhance bus interchanges at Newport and Merthyr Tydfil, and provide suitable waiting facilities.

An effective, integrated public transport network comprises several strands, and must achieve a balance between modes. For example, it would not be possible to carry all train passengers on buses or vice versa without unaffordable expenditure on their respective infrastructures. Nor would I wish to see either of those modes surrender its market to the other. The important thing is that public funding is affordable, effectively targeted and avoids costly duplication, offering people a number of practical and affordable alternatives.

The ability to facilitate integration between different modes and services will increase the geographical coverage of the public transport network and link desired origins and destinations.

I would like to see more local authorities considering the potential for voluntary agreements with bus operators, statutory bus Quality Partnership Schemes or Quality Contracts. One of the benefits of a binding, statutory scheme is that local authorities and operators would be required to deliver their commitments and investments. I would like to see Welsh Government funding for the bus network increasingly to be linked to statutory Partnerships so that, in perhaps five years, BSSG would be allocated only in support of those services which were in a Partnership.

From September 2015 I will have secured powers to enable the Welsh Government to contract direct with bus operators for subsidized services, rather than going through a local authority intermediary. I am confident that this will provide me with greater influence over which bus services are publicly funded and, as a result, what sort of bus and integrated public transport networks we have in Wales.

The ability to travel seamlessly between services is often determined by the availability of joint tickets, the primary example being the All-Wales concessionary bus travel scheme. This enables pass holders to travel on any local bus service anywhere in Wales. The deregulated market results in several commercial and practical constraints which have, historically, limited opportunities to provide fully integrated commercial ticketing. Notwithstanding these, progress is being made to implement smart ticketing, initially in the Metro area, to reduce complexity for bus users.

In addition, under Section 135 of the Transport Act 2000 a local authority or two or more authorities may make a ticketing scheme covering the whole or any part of their area, or combined area. I would like more local authorities in Wales to explore the potential for such schemes.

Bus passenger satisfaction levels are pleasingly high. Data for 2010 shows that Wales compared well with a representative selection of areas across England. In particular, across Wales:

- 88% of bus passengers were satisfied with their bus journey;
- 61% of fare-paying passengers were satisfied with the value for money of their journey; and
- 76% of bus passengers were satisfied with the punctuality of their bus service.

For a number of years the Welsh Government has funded Bus Users' Cymru to represent the interests of bus passengers. I am extremely pleased with the work that Bus Users' Cymru does, including its input to policy development and in organizing around 20 bus passenger surgeries throughout Wales. Bus Users' Cymru also employs three full-time Bus Compliance Officers (BCOs) funded by me to monitor the industry's performance so that more potential failures are prevented, and acted upon promptly where they exist.

The BCOs work closely with the Traffic Commissioner for the Wales Traffic Area, who is responsible for taking action against errant bus operators, and who may impose financial penalties – payable to the Welsh Government – where significant failures are proved.

You will remember that in April 2014 capital funding via the regional transport consortia ceased and was replaced by the Local Transport Fund, which is paid directly to local authorities to deliver schemes that are aligned to Welsh Government priorities. In 2014-15 the Local Transport Fund is supporting a number of public transport schemes across Wales, including in Newport, Cardiff, Carmarthenshire and Powys. These schemes will provide enhanced interchange and bus stop facilities for both local bus services and regional services such as TrawsCymru.

E Recent trends in bus and community transport in Wales

Almost half – 44% - of all local bus journeys in Wales are undertaken by some 725,000 concessionary pass holders, and that is not financially sustainable when compared with the rest of Great Britain, where the equivalent figure (also including travel by young people) is around 35%. That is not to say that I do not wish to see older or disabled pass holders make the most of their passes by getting out and about at every opportunity. I certainly do, knowing very well how important a contribution they make to wellbeing and establishing and maintaining social contacts. But we need to work with local authorities and the bus industry to increase the number of fare-paying journeys.

The recent decline in the number of bus passenger journeys in Wales is certainly disappointing, though not unique to Wales, as there have been similar falls in the past two or three years across the North of England and the Midlands.

F Potential impact of changes in levels of funding available

While it is true that, before last year, there was a 17% reduction in the Welsh Government's funding for subsidized services, it is not always possible to avoid difficult decisions. In addition, when determining the services that they wish to support using their own or Welsh Government funding, local authorities tend to prioritize those services that require the least subsidy. The most vulnerable subsidized services will be those that carry fewest passengers and therefore require the greatest subsidy for each passenger journey.

Nevertheless, my guidance to local authorities on spending BSSG allocations recommends that they should seek to ensure a minimum standard and frequency of service to all communities, and not concentrate simply on the largest and therefore least expensive settlements. Currently, each local authority is responsible for making those decisions.

It is easy but unhelpful to attempt to compare and contrast the level of public subsidy provided to the rail industry with that to the bus industry. There are significant differences between the funding and business models of these sectors. For example, the average journey length of train trips is significantly greater than that for buses, which also benefit from our investment in the road network.

G Development of Welsh Government bus and community transport policy

Increasingly, the public money that is spent in support of bus services must be linked to the delivery of specific quality outcomes. For example, improved driver training, enhanced audio visual announcements and better accessibility generally, the offer of discounted travel, and minimum standards of information. This approach is reflected in the work of my Bus Policy Advisory Group, which is advising me on future strategic priorities for the bus and community transport sectors.

I would also remind you that the new National Transport Plan is currently out to public consultation. The draft plan contains a number of interventions that clearly demonstrate my long term commitments to support and enhance bus and community transport services and facilities. The new National Transport Plan will be complemented by the new Local Transport Plans being developed at the same time by local authorities. The draft National Transport Plan can be found via the following link - <http://wales.gov.uk/consultations/transport/draft-national-transport-plan/?lang=en>

I am pleased to be providing an office for the Traffic Commissioner in Wales to help his work with local authorities, bus operators and others based here.

