BUS DEREGULATION MONITORING STUDY

Second report for the
Scottish Consumer Council

by
G.A. MACKAY and J.H. FARRINGTON
SCOTTISH CONSUMER COUNCIL

BUS DEREGULATION
MONITORING STUDY
***
SECOND REPORT

by
G A MACKAY
and
DR J H FARRINGTON

August 1988

Mackay Consultants
Balloan House
Inverness IV1 2AB

Department of Geography
University of Aberdeen
Aberdeen AB9 2UF
MACKAY CONSULTANTS

CONTENTS

Section 1 : Introduction

2 : The 1987 report

3 : Regional reports

4 : The main effects of deregulation

5 : Conclusions and recommendations
1.0 INTRODUCTION

1.1 This is the second report which we have submitted to the Scottish Consumer Council on the effects of bus deregulation in Scotland. The deregulation of local bus services was introduced in the 1985 Transport Act and came into effect in October 1986. Our first report covered the first six months of deregulation and was published on behalf of the Council in July 1987. This second report covers the 18 month period to March 1988, with particular emphasis on changes in the last year.

1.2 The Scottish Consumer Council (SCC) takes a very active interest in bus services, since buses are the most basic form of public transport which people use to go to work, go shopping and visit relatives and friends. Disadvantaged people are particularly dependent on buses and the Council has a special remit to represent the interests of the disadvantaged.

1.3 The SCC commissioned the current monitoring study in order to help identify as early as possible problems which may have arisen for bus users as a result of deregulation. The Council would then make appropriate representations to the bodies involved, as has happened. The SCC also wishes to be able to identify positive developments and good practices which should be encouraged.

1.4 Our first report was widely circulated and attracted a great deal of attention in the industry and the media. On the basis of it, the Council made various representations to the Scottish Office and other bodies. Some of the suggestions have been accepted, although not all.

1.5 Many of the points raised in the first report were referred to in a consultation paper, "Review of the Operation of Deregulated Bus Services under the Transport Act 1985", circulated in January by the Scottish Development Department to interested parties. The paper was prepared by the Department of Transport, in collaboration with the Scottish and Welsh Offices, but has no specific Scottish dimension. Comments were invited by the 11 March 1988 but we do not know when the Government will respond to them.

1.6 This monitoring study is not intended to be a "definitive" study of bus deregulation in Scotland. The Council has a limited research budget and has therefore to be very selective. Further, the Scottish Office and the Transport and Road Research Laboratory have established a research programme on the effects of deregulation. Our study does not intend to duplicate that research, which is being undertaken by academics with a longer term remit, but to focus on the key consumer issues and provide a type of "early warning" service.
1.7 Given the SCC's limited research budget, we have had to be selective and the terms of reference for the study identified six specific topics of interest to the Council:

(1) The quality and continuity of bus services for travellers.

(2) The fare structures and fare levels that emerge on different types of routes.

(3) The role of bus stations after deregulation, including the access of independent operators to bus stations.

(4) Any changes in the ability of disabled or elderly people to use public transport after deregulation.

(5) The distribution of public funds to operators on uneconomic routes through the local authority tendering system and rural transport innovation grants.

(6) The growth of possible anti-competitive practices in the market place, such as predatory pricing, price fixing and buy-outs of competitors, and the effectiveness of mechanisms to identify and tackle any such problems.

1.8 We have concentrated on these six issues although, as will be clear from what follows, we have interpreted our remit fairly widely. The fieldwork has mainly comprised interviews with bus operators, local authorities and other interested parties. This interview programme extended over the period to April 1988. These interviews were held in February and March, with mainly the same people who had been interviewed in 1987.

1.9 We have also drawn on reports from the SCC's Consumer Network of volunteers. This network was set up by the Council to provide it with a source of information at the local level throughout Scotland, and many of the volunteers have produced reports on how bus deregulation is working in their areas. For most areas three sets of reports were produced - in late 1986, early 1987 and early 1988. The analysis in this report concentrates on the last set.

1.10 We are very grateful for the help and cooperation of the bus companies, local authorities, the Consumer Network and the members and staff of the Scottish Consumer Council. However, any views expressed in this report are those of the authors, unless clearly indicated otherwise.
2.0 THE 1987 REPORT

2.1 It may be useful to give a brief summary of the results and conclusions given in the July 1987 report, as a foundation for the analysis in Sections 3 and 4.

2.2 The report concluded that there had been an increase in the supply of bus services. The Scottish Office estimated that following deregulation the total bus mileage in Scotland had increased from 177 million miles to 182 million miles, a 2.8% rise. They estimated that in Glasgow vehicle miles increased by 25%. In Lothian the increase was given as 9%, with 3% in Edinburgh itself and 24% in the surrounding districts. In the rural areas covered by the Scottish Office/Newcastle University study (Dumfries and Galloway region, North East Fife, Badenoch and Strathspey, and Inverness and Lochaber districts) a 3% increase in vehicle mileage was estimated.

2.3 However, much of this increase was attributable to a duplication of services, particularly in Glasgow and Edinburgh, so the benefits to consumers may not have been as great as might be inferred. Another point stressed in the report was that there had been a net increase in peak (daytime) services but a net decrease in offpeak (evening and weekend) services.

2.4 As far as rural services are concerned there appeared to have been little change. The main reason for this was the policies of most regional authorities to try to maintain such services at their pre-deregulation level and therefore "buy back" those services which were not registered commercially.

2.5 Continuity of services had been adversely affected in two main respects. Firstly, there had been a lot of changes and a lack of information about them. Specific examples were given in the regional reports. These were probably an inevitable consequence of deregulation, the purpose of which was radical change, and were expected to reduce over time as the new system of services settled down.

2.6 Secondly, there had been a marked deterioration in the quality of interchange journeys, ie those which involved more than one bus service or other transport modes. This was particularly true where a change of operator was necessary. There had been a marked fall in interavailble tickets which previously were very popular in some areas such as the Glasgow conurbation.

2.7 Fares had not changed much. The average increase since deregulation was in line with inflation, ie between 4% and 5%. Fares in Edinburgh had gone up by much more than this but they were very low pre-deregulation. Fares in some areas around Edinburgh, Glasgow and Aberdeen had been reduced but this had not happened on any large scale on basic fares. School children and passengers on journeys which involved a change of operator had experienced relatively large increases.
2.8 Deregulation had increased overall supply, though with decreases in offpeak and low patronage routes, and had reduced fare levels for those travelling frequently in the peak or in specific market segments in the offpeak. The supply increases, however, might have been temporary as operators moved their resources around an area to maintain competition. Supply levels might also decrease if, as had been alleged, some operators were financing their competitive effort from reserves in an "unfair" manner.

2.9 Cross subsidy continued to be vital in maintaining offpeak/weekend services and many low-patronage routes, particularly in rural areas. The further development of competition - perhaps by the entry of more independents - would put greater pressure on this cross subsidy and could result in a net consumer loss in these time periods and areas.

2.10 The notification period appeared to be too short, for entry at least. An extension to eight weeks could be beneficial in terms of consultation with the roads and police authorities, and in terms of public information. Passengers had undoubtedly suffered from a fall in the volume and quality of timetable and other information, although this was inevitable to some extent and the position was improving. Some local authorities, notably Central and Tayside, had made particular efforts to keep passengers well informed.

2.11 Most local authorities had adopted policies of trying to maintain services at their pre-deregulation levels and had therefore sought to "buy back" services which were not commercially registered. The financial implications of these policies were not clear, but there seemed to be increasing evidence of a rise in the subsidy required. However, there were a few examples, notably in the Highlands, where competitive tendering had generated savings.

2.12 Encouragingly, there appeared to have been no particular problems for disabled and elderly groups because of deregulation. Very few specific comments had been received. We remarked on the difficulties which some people had had in boarding some of the older, rear platform buses which have been reintroduced into service, but these difficulties need to be set against the welcome given to conductors and conductresses on such buses. On the negative side there were no signs of deregulation leading to further improvements in the design of buses which would benefit the disabled and elderly.

2.13 The system of "policing" the 1985 Transport Act appeared to be causing difficulties, apart from the safety aspects of bus operation. The Traffic Commissioner/Office of Fair Trading functions had been criticised as partially ineffective or too slow. There appeared to be particular problems because of the inability or reluctance of the OFT to investigate cases in Scotland.
2.14  Six recommendations were made for action by the SCC, if agreed. The Council subsequently approached the Ministry of Transport and the Scottish Office with requests to:

(i) extend the notification period for service changes from six to eight weeks;

(ii) consider making the regional and islands councils the registration bodies, rather than the Traffic Commissioner;

(iii) undertake an urgent review of the system for "policing" the Act and in particular the role of the Office of Fair Trading (OFT) in dealing with allegations of anti-competitive practices;

(iv) consider setting up a branch of the OFT in Scotland or a similar function within the Scottish Office, in order that problems can be more speedily resolved;

(v) publicize more widely the availability of the rural transport innovation grants and actively promote their use (as the Development Commission does in England and Wales);

and that the Council

(vi) encourages local authorities to improve the provision of timetable and other information for passengers.

2.15  A response from the Scottish Office Minister for Home Affairs and the Environment (Lord James Douglas-Hamilton) was received in September 1987 and is reproduced at the end of this section. As mentioned earlier, some of the points raised by the SCC were also included in the consultation paper circulated by the SDD in January 1988.
Thank you for your letter of 10 August enclosing a copy of the Scottish Consumer Council's report on bus deregulation.

As you may know, both the Department of Transport and ourselves have been monitoring closely various aspects of the deregulated bus market to see if any adjustments are needed. I welcome your report also as a further addition to our knowledge of how the new arrangements are working.

Turning to the specific recommendations in the report, I would offer the following comments.

Recommendation (i). The length of the notification period has been the subject of some debate. The arguments however appear to be evenly balanced between those of some local authorities, who would like increased notice of new services or changes to services, and those of operators who would like a shorter period in order to start up services quickly or to withdraw unprofitable services without incurring unreasonable further losses. Many of the arguments were aired during the consultations over the registration regulations, which led us to the conclusion that the 6 weeks notice was probably about right. We will, however, be considering this further as we continue to review the way in which the new arrangements are working.

For the system to work properly however, it is important that operators comply with the requirement in the regulations to copy their applications to local authorities at the same time as sending them to Traffic Area Offices. If this were done in all cases, the Regional and Island Councils should receive at least 42 days notice, and in most cases, considerably more than 42 days notice, of impending changes. This is because the 42 day period does not commence until the Traffic Commissioner has accepted, (not receives) the application, which must therefore be submitted well in advance of the starting point of the statutory notice period if the operator is to be sure of starting, varying or stopping services on the date given in the application form. While the requirement
that the Traffic Commissioner sends notice of the date of acceptance by
him of an application for registration (or for a variation or cancellation of
a registration) to both the applicant and to the appropriate local authority
acts as a safeguard, it does inevitably mean that local authorities have
less notice than they ought. As you may know, penalties do exist
against operators who fail to copy their application forms to local
authorities, through Section 127(3) of the 1985 Act. However we feel
that it is more effective to encourage operators to do this as a matter of
course. We are, therefore, amending the registration forms to give even
greater prominence to the copying requirement. We will continue to
monitor the position to see if this improves the situation.

Recommendation (ii) suggests that local authorities should be the
registration authority rather than the Traffic Commissioner. This issue
was thoroughly debated both in the context of the consultations on the
White Paper foreshadowing the Transport Act 1985, and during the
passage of the Act through Parliament. Certainly many Regional, Islands
and County Councils throughout the country felt that they should become
the Registration Authority and there was an argument for them to take on
this function. However, there were objections from operators and district
councils who felt that the complete independence of the Traffic
Commissioners, demonstrated over many years in their exercise of road
service licensing functions remained appropriate for the registration
function. We regard independence of the Commissioners as an important
part of the regulatory system. If the function were to be transferred to
Regional or Islands Councils, there would inevitably be suspicions and
complaints among operators (particularly in Regions where the council are
owners of the local public transport company) that in carrying out this
function councils were favouring one operator at the expense of another.
I should make it clear that this is not in any way a view of how councils
would actually carry out this function - which I have no doubt they
would in fact perform completely fairly - but a view of how it might be seen
by some operators. This is not a problem which arises with the Traffic
Commissioner.

There were also a number of operational reasons why the Government
decided to make the Traffic Commissioner the registration authority. In
the first place we considered that to provide that 65 County, Regional
and Islands Councils throughout Great Britain - rather than 9 Traffic
Areas - should be the registration authorities would create a system of
bus registration that was unduly complex. Moreover, it would tend to
mean that another of the Traffic Commissioner's present tasks - that of
taking action against operators who fail to run a service in accordance
with their registered details - would be carried out less effectively,
particularly in relation to services which cross one or more regional
boundaries. There were therefore, sound reasons why the legislation
placed these responsibilities on the Commissioners rather than the local
authorities.

Recommendation (iii) and (iv). The questions raised here concern the
role of the Office of Fair Trading (OFT) and it would therefore be
inappropriate for me to comment. I understand however that you sent a
copy of your report to the Director General of Fair Trading and that OFT
have responded to the criticism of the procedures adopted by them.

Recommendation (v). To date 7 applications for grant under the
provisions of the Rural Transport Innovation Grant scheme have been
approved. However to encourage greater interest in the scheme the
Scottish Development Department last month issued a new publicity poster and leaflet which has been given a very wide distribution. I hope that this will have the effect of generating greater interest in this scheme.

Recommendation (vi). On the provision of passenger information, there is an argument for saying that the industry should be persuaded to play a bigger part. However, powers are available for local authorities to take on the role of co-ordinating and publishing information about bus services if they wish - although there are, of course, resource implications. For this reason we take the view that it must be left to individual local authorities to decide the scope of their involvement. In most regions the supply of information is improving as the system stabilises and as authorities and operators become more attuned to the public's needs and the pace of change.

Finally, as your report recognises, the local bus industry is still in a state of change. I will therefore be interested to see the results of the further research which your consultants will be carrying out next year. Our own monitoring arrangements will of course also be continuing. Meanwhile I look forward to discussing these issues with you further when we meet.

James Swinney

JAMES DOUGLAS-HAMILTON
3.0 REGIONAL REPORTS

3.1 This section consists of brief reviews of what has happened in each of the regions:

* Strathclyde
* Lothian
* Grampian
* Tayside
* Fife
* Central
* Borders
* Dumfries and Galloway
* Highland
* The islands: Orkney, Shetland and the Western Isles

3.2 The reports are based on discussions with the local authority transport officers and the local bus operators, but as stressed earlier any views expressed are those of the authors unless clearly indicated otherwise.
Strathclyde

1. The largest of the Scottish regions, Strathclyde embraces a great variety of environments for bus operations, from 'deep rural' to 'intensive urban'. Although Glasgow, with its dense population, low car ownership and historically well-developed public transport system (bus, rail and underground) dominates the market scene, there is a large number of urban centres in the region which can effectively generate and support cells of competition between operators. The complex operator situation includes several SBG subsidiaries (Clydeside, Kelvin, Western and Midland being the main ones in the Region), the former PTE undertaking Strathclyde Buses and numerous independents including Magicbus (a Stagecoach subsidiary) and in Ayrshire, A1, AA and other vigorous independents.

2. Competition remains at a high level in most parts of the region and is increasing in many places outside Glasgow. We estimate that total bus mileage increased by 13% to 89 million in the first six months of deregulation, and since then has increased by a net 0.6 million. This increase in mileage has occurred against a 15% fall in average vehicle load factor to only 13.4 passengers/bus.

3. There has been an apparent reduction in revenue support to bus operators from £13 million in 1985-86 to c. £5 million in 1987-88. Strathclyde Regional Council (SRC) point out that this saving is offset by the requirement to meet debts in respect of assets transferred to Strathclyde Buses Ltd (SBL) and by the residual cost of accrued superannuation benefits. These two factors produce a 1987/88 expenditure figure of c £12.5 million, only £0.5 million below the 1985-86 level (without allowing for inflation).

4. The situation in Strathclyde in general is said by SRC to be 'volatile', and significant increases in subsidy requirements, though not materialising so far, are still expected by the Council.

Competition and service levels

5. The competitive situation on registered services remains complex and volatile, with SBL and SBG companies competing with each other and with an increasing number of Independents. This has kept a high proportion of services out of the tendering process as operators maintain their services for strategic purposes, but evening and Sunday services have been reduced in many areas. A significant amount of change is continuing as 'fine tuning' takes place in response to competitors' activity. For example, between 26th January and 2nd November 1987 there were 2,369 changes in registrations affecting 15 million bus miles.
Tendering and costs to SRC

6. The SRC Guidelines for subsidy have resulted in some losses particularly to evening, early morning and Sunday services. Competition for tenders has increased, notably due to increased independents' participation. In November 1986 there was an average of 2.2 bids per contract for local contracts, 2.7 for school contracts and 2.4 for combined contracts. In August 1987 the corresponding figures were 3.8, 3.3 and 2.3.

7. This competition has helped to keep down the costs of tendered mileage, contributing to the revenue support savings noted above. SRC continue to expect an increase in subsidy requirement. Factors contributing to this forecast include the following:

(a) Bus mileage remains at the high level of the immediate post-deregulation period when operators were competing fiercely for strategic gain.

(b) Direct revenue support remains at a low level.

(c) Patronage has probably increased by less than 5%.

(d) The efficiency savings encouraged by deregulation cannot be continue at the same rate and are probably largely achieved.

(e) Independents, who may have lower cost profiles, cannot take over more than a small proportion of the total mileage.

8. The SRC interpretation is that the present situation cannot continue indefinitely, so that subsidy requirement will increase at some stage.

Privatisation of SBG

9. It seems likely that the privatisation of the SBG will tend to lead to a reduction in registered mileage, at least in the case of some of the subsidiary companies. This would be due to their concentration on strong markets.

Schools transport

10. The adverse public reaction to changes from bus to rail for some school contracts, which was noted in the previous report to SCC, appears to have subsided, though it should be noted that a further (final) round of contracts falls due for renewal in August 1988.
11. From February 1988 an extended Dial-a-Bus network covers Glasgow, Clydebank, Clydesdale, Renfrew, East Kilbride, Eastwood and Hamilton Districts with prior bookings dealt with by the Social Work Department. The Chauffeur Car service is replaced by this network.

12. Fares on all major operators rose by about 10% in 1987, though single fares on subsidised services have remained the same. This is reported to cause confusion for passengers who may be charged different fares at different times of day. Future fares increases have been forecast at or about inflation, though of course this cannot be certain. A large operator has requested bus-operator specific Multimode Transcard, which would be more restrictive for the public and a disadvantage to the smaller operator.

13. Deregulation appears to have had little effect on other public transport modes, and if anything the bus services identifiable as competing with rail fell from 979 in October 1986 to 722 in April 1987. Rail and underground patronage is in general showing little effect from deregulation, with post-deregulation increases holding on the underground and some rail routes.

14. This is still seen by SRC as a problem with a feeling that many of the public have lost confidence in the bus system because of the many changes that continue to take place.

15. It appears that on non-competitive routes, some operators tend to allow gaps in service to occur and this is of concern to SRC.

16. Between October 1986 and September 1987 the SRC engineering inspector inspected 208 vehicles used by operators on SRC contracts; 27% of these vehicles had 'serious defects', although none warranted the prohibition of the vehicle from a contract.
Conclusions

17. A SRC Report of 10th December 1987 concludes as follows (summary):

(a) It is too soon to reach firm conclusions. Several of the pre-deregulation fears have not materialised but there are adverse effects which make invalid claims that deregulation has been wholly successful.

(b) In some parts of the region there is a greater choice of service during the day but the benefits are often offset by inadequate information.

(c) Early morning, evening and Sunday services in many areas are worse than before deregulation, and some areas have an inferior service at all times.

(d) Increased operator efficiency has to some extent masked the adverse effects of much of the wasteful competition which continues.

(e) It seems unlikely that operators can sustain the present pattern of services in the long term.

(f) The ability of SRC to continue to provide present levels of subsidised service depends on resource availability and future changes in registered services.
Lothian

1. Services in Lothian are dominated by Eastern Scottish (the SBG subsidiary) and Lothian Regional Transport. There are quite a few independent operators but none of a large size.

2. Our 1987 report showed that there had been a substantial rise in bus mileage as a consequence of Eastern Scottish (ES) expanding their services into the City of Edinburgh and LRT expanding their services into the hinterland. Despite the increased competition in Edinburgh, fares had risen (after a freeze on fares for two years) but those in the surrounding area had fallen.

Operators

3. Eastern Scottish implemented a large number of changes to their services in August 1987, which reduced their overall post-deregulation mileage, but since then there has been much more stability (eg an average of only three changes per month).

4. LRT services post-deregulation were about 10% lower. Since April 1987 the company has added 7.5% in terms of bus miles, mainly new routes rather than reinstatement. Evening and Sunday services account for the remaining 2.5% lost mileage.

5. There has been a little growth among the independents interviewed. Glastonbury was the main firm to expand post-deregulation and in the last year have added several new registrations. They believe that the services in East Lothian have improved.

Subsidized services

6. According to Lothian Regional Council, route mileage is considered not to have changed significantly since deregulation. Bus mileage has increased because of duplication of services in certain corridors. Lothian Regional Council's policy of filling in gaps with tendered services has meant that there have been very few routes completely lost following deregulation. Main gap filling has been in offpeak services, evenings and Sundays.

7. We are awaiting expenditure data from the Council. According to LRT they are now receiving from the Council "well in excess of the £3 million pre-deregulation".

16
Regarding tendering procedures ES are highly critical of the handling of the school contracts by the Education Department. Prior to deregulation all contracts were held by LRT. When the contracts were put out to tender (200 in all) insufficient detail was released regarding the contracts so that all but LRT who had previous experience of the runs were in effect tendering for an unknown quantity. LRT lost all the routes which went in the main to "low cost" operators.

In many cases notification of timings, numbers, requirements of special school runs and so on were only issued up to ten days prior to commencement of the contract. The result was described as a shambles with, for instance, operators being unaware as they started the contract of their requirement to provide attendants on special school runs. Several operators, learning the details of the contracts they had won, were unable to meet the requirements of the contracts and tenders had then to be reawarded.

ES would like to see school contracts being handled by the Transport Planning Department. As far as tendering procedures involving this department, they were quite happy with the way they are handled apart from the tendering of the LRT bank holiday network. LRT deregistered its entire network on bank holidays which was then put out to tender. ES among others tendered for parts of the network.

However, ES had unbeknown to them tendered for routes which several days prior to the closing date LRT had re-registered. ES feel that LRC were unreasonable in not informing them of the changed position. This would have given ES time to change its tenders to routes that were still available.

Registration procedures

LRT are strongly of the view that registration procedures should be reviewed. At present, because the withdrawal period equals the registration time there will always be a gap. The registration of additional services should be much shorter.

For example, every year there is a rush to find out from shops and businesses what are their holiday arrangements in order to decide on bus levels and register additional services. Unless a public holiday is an official bank holiday, six weeks notice must be given for any change in services. This is a costly procedure each year for operators and time consuming. Simplification of the system, i.e. with local holiday services being cleared by the Region, would be a benefit.

According to LRT, the bureaucracy now is much greater. In previous years licensed operators could adjust services according to demand without having to specify in advance. Public holidays could be exempt from the bureaucracy of registrations etc with bus operators left free to run levels of services appropriate to demand. Predatory activities would not be likely to occur as operators make little profit on public holidays with the costs of double time etc.
1. Tayside is a mainly rural region with one large urban market in Dundee and another significant market in Perth. The two largest operators in the region are Strathtay Scottish (SS, the SBG subsidiary) and Tayside Buses (ex-municipal), both based in Dundee. Stagecoach is a significant independent operator, based in Perth. Competition between these three operators plus other independents has varied in intensity and continues to do so. It has generally been focused on Dundee and Perth, and on the corridor between the two cities.

2. The general situation in Tayside has stabilised since July 1987, with few major changes in service levels since then, though there is a steady process of "fine tuning" going on constantly. Consumers are on the whole still getting service frequencies which are at or above pre-deregulation levels in urban areas and in most rural areas too.

3. Tayside Regional Council (TRC) Public Transport Unit reports a saving on subsidy requirement and are evaluating ways of using this money to help groups such as the disabled.

Regional Council - subsidies, tenders, etc

4. The expectation of an overspend on transport support budget, reported in our July 1987 Report has not materialised, and a saving of about £300,000 is reported now, compared with the 1985-86 outturn of £1.1 million (excluding concessions). The 1987-88 requirement is expected to be about £800,000. Concessionary fare costs remain much the same cf pre-deregulation, despite the inclusion of OAP concessions at quarter fare rather than the previous half fare.

5. Three points on this saving:

(i) competition between Strathtay Scottish (SS) and Tayside Buses in the Dundee area, and between SS and independents elsewhere, is keeping tender costs down and the registered network reasonably intact;

(ii) TRC's management of the tendering process has been very adroit, obtaining 'extra' services from operators at little or no cost to the Council. Operators have also shown a willingness to cooperate in this way;

(iii) there is an additional annual cost of about £100,000 to TRC because of the almost 50% increase in staffing (8 people) in April 1986 to deal with the workload brought by deregulation.
6. Tendering has seen increasing competition but still TRC would like to see. Information from TRC shows that service contracts awarded in July 1987, six had three, two had two tenders each. Of 26 contracts awarded in 1987, 14 (54%) had only one tender, the rest having two to three contracts awarded in November 1987, two had only tenders do not necessarily mean "below cost" to some operators may be able to operate the required service on a "below cost" basis while others have to recoup full costs.

7. Tendered costs vary widely between highest and lowest.

8. TRC are considering ways of applying the budget improvements of services, e.g. in developing the use of low-cost and in improving services for the disabled.

**Competition - registered services**

9. No cases of unfair competition were raised formally or running "duplicates" over parts of routes only are belief have occurred.

10. Competition appears to have been beneficial in saving $1,000 annually while retaining the network largely intact. Competition also appears to have been beneficial and the "road" seen as a way to twice hourly, every half-hour rather than that could have resulted. Operators appear to be acceptable approach and avoiding head-on confrontation on the road.

**Fares**

11. Fares are increasing in line with inflation. In general, increases have not increased fares since 1984. SS are also reducing fares to competitors' levels where there is An operator estimated that 95% of passengers are paying the deregulation, plus inflation. A fares war is unlikely.

**Frequencies**

12. In general, frequencies remain at or a little above the pre-deregulation level, the period since July 1987 having seen a gradual reduction in immediate post-deregulation increases. SS rationalised the levels in Perth in May 1987, having put too high a level of supply in 1986. The service level remains at or better than the pre-deregulation level following consultation with TRC.
Information

13. There is agreement that the steadying of the situation since July 1987 has eased the problems of providing up-to-date public information, though it was felt that the form of presentation traditionally used could be improved. For example, a timetable showing all variations on a large scale service was felt by an operator to be unnecessarily complex, and simplified versions with "exceptions" as footnotes would better suit the majority of passengers. The channelling of publicity material for Tayside Buses through TRC Public Transport Unit has benefits since the introduction of revised (subsidised and Tayside Buses) services can be planned and coordinated until the information is actually available to the public.

14. To reduce costs, SS closed enquiry offices in Perth and Montrose with a loss of 10 jobs.

Bus stations

15. Where these are owned by SS some independents have refused to pay the average 70p per bus charge and use nearby streets instead. The arrangement appears to work but could be seen as less convenient for the bus passenger.

Employment and wage levels

16. SS have shed 10 clerical jobs and say there have been a few recruitments and a few redundancies. Productivity agreements have achieved efficiencies without lowering take-home pay but hours worked may well have increased. An operator suggested that the efficiency savings made before and since deregulation have reached 90% of their potential and that savings from this direction cannot continue at the same rate in the future.

Minibuses

17. Few new minibus services have materialised. Tayside Buses have introduced 'Weebuses' feeding the Asda Superstore and serving Downfield. These are the only minibuses introduced by a large operator and it was suggested by others that they are not doing very well commercially.

School services

18. TRC made a heavy rationalisation of local bus services contracts in Perth from 18 August 1987 and removed lunchtime services. This was said to have given rise to few complaints, which were resolved by the end of the year. The process saved £58,000 per year.
Rural Transport Innovation Grants

19. One operator, encouraged by TRC, successfully applied for a grant for a minibus service connecting villages in Angus with Dundee - mainly for shopping and hospital visiting. The operator is Browns of Letham and the service began in summer 1987. A second service, also encouraged by TRC was introduced in March 1988 by Meffans Coaches of Kirriemuir, providing daytime plus three evenings per week links through Strathmore and again aimed mainly at shoppers and hospital visitors.

20. The conditions applied by Scottish Office to the award of the Rural Transport Innovation Grants are felt to be too restrictive, by operators and local authority officers alike.

21. The revenue support implications of the grant are not clear. The grant applies only to capital and not to ongoing subsidy requirement, who then pays the revenue support - Scottish Office or Regional Council. There appears to be a generating effect from an attractive new vehicle in an area as a result of the grant - eg popular for private hire. The subsidy requirement is likely to rise after a year or so.

Other Innovations

22. TRC is exploring the possibility of acting as a coordinating agency for Dial-A-Ride schemes, perhaps as operated in Fife and Central Regions, and also looking at Central Region's Taxicard.
Grampian

1. Grampian is a mainly rural region but it has a large urban centre in Aberdeen, with well established commuting patterns between the city and secondary settlements. The main rural operator is Northern Scottish (the SBG subsidiary SBG) and the main operator in Aberdeen is Grampian Regional Transport (ex-municipal). A large number of small to medium sized independents is based throughout the region, including Bains, Laws, Whytes and, until recently, Mairs who have been acquired by Grampian Regional Transport. Almost all of the post-deregulation competition has been in Aberdeen, as Northern Scottish entered the city in competition with Grampian, and on the Aberdeen commuter routes, as Grampian responded.

2. Competition (which is still mainly between Grampian Regional Transport (GRT) and Northern Scottish (NS) has subsided recently though it remains on some city and commuter routes. Commercially operated mileage is decreasing and Grampian Regional Council (GRC) Public Transport Unit are concerned about increasing charges on the revenue support budget, forecasting an excess over the budget "early in the financial year 1988-89". Choices would then have to be made about the possibility of not replacing some deregistered services.

3. Bus mileage shows a decline from the peak in Spring 1987, but still shows an overall increase cf pre-deregulation. This increase is about 3.5% in Aberdeen City and about 5% in 'rural' areas, the latter being almost entirely due to GRT's competition with NS on commuter routes (Westhill, Stonehaven, Banchory etc).

Regional Council - subsidies, tenders etc

4. GRC Public Transport Unit expect their revenue support budget of £1 million will, at the present rate, be exceeded by early in the financial year 1988-89, if the present policy of replacing deregistered services continues. This expectation was expressed in a report to the Transportation and Roads Committee dated 4th December 1987. It is based on the following:

(i) Since January 1987 subsidised mileage has increased by about 30% in absolute terms and from 5.5% to 9.5% as a proportion of total commercial mileage.

(ii) The annualised cost of support has therefore increased from £500,000 (in the October 1986 – January 1987 period) to about £850,000 in November 1987.

(iii) Average subsidy per mile for tendered services arising as a direct result of deregulation has increased from 43 pence per mile in October 1986 to 52 pence per mile in October 1987. Similarly, the replacement cost for each 1% contraction in commercial mileage has increased from £60,000 to £71,000.
5. Given these factors, a relatively minor contraction of just over 2% in the existing commercial network would absorb the 'remaining' £150,000 of the budget, if the present apportionment of £1 million to revenue support and £2 million to concessionary fares continues. The Public Transport Manager has asked the GRC T & R Committee to decide on methods of prioritising subsidy allocation, suggesting five possible approaches: demand based, cost based, purpose nased, accessibility based, and minimum service levels.

Services - frequency and network

6. The GRC Public Transport Unit report describes the situation in Aberdeen as 'extremely unstable'. Bus mileage increased by about 3.5% up to November 1987 but 'little in the way of significant network improvement has been achieved'. A number of service frequency reductions and route variations has been introduced in Aberdeen which are so marginal that subsidised replacement is 'difficult or impossible' within the legislative framework.

7. From discussions with operators, pressure to reduce evening and Sunday service is likely to continue, resulting in further reductions at these times. In particular, GRT estimate that each public holiday results in a loss of £15,000 and limited deregistration of such services has began.

8. In 'rural' areas total mileage has increased cf pre-deregulation by 5%. This may be misleading, however, since the increase is almost entirely due to GRT's introduction of competitive commuter services following NS's competitive moves in Aberdeen city.

9. The GRC report says there is a 'significant reduction in commercial mileage especially in deep rural areas'. These reductions are more thorough-going than those in the city, involving complete withdrawal of evening or Sunday services and/or severe route shortening, enabling more positive response in the form of tendered replacement. As a result, subsidised mileage has increased from 34,600 to 41,700 per week outwith the city.

10. GRT's competing 'commuter' services to Stonehaven and Newmachar were withdrawn after three months of operation.

Tenders

11. An analysis of number of tenders for each of 113 contracts shows that competition has occurred for the majority of contracts (including schools contracts):

<table>
<thead>
<tr>
<th>Number of contracts attracting</th>
<th>1 tender</th>
<th>2 tenders</th>
<th>3 tenders</th>
<th>4 tenders</th>
<th>5 tenders</th>
<th>6 tenders</th>
<th>7 tenders</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of contracts</td>
<td>113</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

However, almost one third of contracts still attracted only one tender.
Employment and fleet changes

12. It is reported that Northern Scottish have removed 40 buses from their operations, including 10 to 14 from Aberdeen city. There have been redundancies including mechanics and the marketing department.

Mini and midi bus services

13. GRT introduced a Sheddocksley Shopper service in December using minibuses as an experiment and to learn about the costs of operating such vehicles. This runs at a 20 minute frequency, 9am to 3.30 pm, Monday to Friday. It is poorly used and will probably be withdrawn in the near future. Also in December a midibus service into Footdee replaced part of the previous through service Footdee-Altens.

Efficiency and commercial cross-subsidy

14. A large operator told us that most of the 'once and for all' cost reduction encouraged by deregulation has been achieved in Scotland. Commercial cross-subsidy is still crucial in maintaining evening, Sunday, holiday and many rural services. If competition continues, and in the absence of significant further cost reductions, then the options for operators appear to consist mainly of reduction in cross-subsidy and/or reduction in fleet/staff, and/or deregistration of services.

Mergers/takeovers

15. In November 1987 GRT acquired Mairs Coaches of Bucksburn, a long-established intermediate-sized independent with a schools contract and private hire tradition and some new stage carriage operations. Vehicles continue to operate under the Mairs name and one city route is being operated by GRT vehicles transferred to Mairs Coaches. GRT has given assurances that there will be no redundancies as a result of the takeover.

16. The takeover may be interpreted in the following way:

(i) Mairs were at a stage where they had to expand their stage carriage operations to remain competitive;

(ii) Mairs had considerable coaching experience which would be useful to GRT;

(iii) GRT acquired Mairs as a strategic move to prevent other operators (eg Stagecoach, Northern Scottish) from doing so.

This could be interpreted as part of an underlying trend which might lead to the emergence of fewer, larger operators in Scotland, but at present the process is insufficiently advanced for clear trends to be identified.
Fife

1. Fife is a largely rural region with the exception of the coal mining and port areas in the south - Glenrothes, Kirkcaldy and Dunfermline areas. These centres are the main focus of urban-type bus operations and of competition between operators. The dominant operator in the region is Fife Scottish (the SBG subsidiary SBG) and it is estimated that 90% of the network mileage is run by this operator. Independents include Rennies, Moffat and Williamson, Armstrong and Glenrothes Executive. There is no ex-municipal operator in the region.

2. Fife Regional Council (FRC) report an increase in subsidy requirement and payments for schools transport and concessionary fares. The total increase in support of the 1984-86 period is about £1 million. This increase may be seen as an alternative to fares increases and is in line with the region's policy of encouraging the retention of existing fare levels, although the authority has no longer any powers to enforce this other than on tendered services. Fares have not increased since 1982.

3. There continues to be considerable change in the registered and supported networks, but no area has a reduced level of service cf pre October 1986. Bus use has increased appreciably since 1986 for a variety of reasons.

Competition and council policy (tendering etc)

4. In the last round of tendering (May 1987), FRC invited operators to register any of their own, previously contracted, services. Fife Scottish (FS) did so to quite a large extent, probably because of competitive pressures from Rennies. FRC then asked operators if they wished to register any previously contracted services run by other operators. This did not produce much more transfer from the supported network but then FS submitted many nil tenders. As a result of this process, relatively little of the service network (except for schools and works services) is supported. The total number of contracts at present is 105 (including schools and works), whereas in 1987 the number was 150.

5. The present breakdown of contracts among operators is as follows:

<table>
<thead>
<tr>
<th></th>
<th>1988</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dunfermline Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS</td>
<td>32</td>
<td>67</td>
</tr>
<tr>
<td>Rennies</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>67</td>
</tr>
<tr>
<td>Kirkcaldy Area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Moffat &amp; Williamson</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>59</td>
</tr>
<tr>
<td>North East Fife</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FS</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Moffat &amp; Williamson</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Overall total</td>
<td>105</td>
<td>150</td>
</tr>
</tbody>
</table>
6. There has been a clear increase in the independents' share of the tendered market, as shown in the following data on contract values (to the nearest £10,000, including schools and works):

<table>
<thead>
<tr>
<th></th>
<th>1987-88</th>
<th>1986-87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rennies</td>
<td>180,000</td>
<td>45,000</td>
</tr>
<tr>
<td>FS</td>
<td>800,000</td>
<td>750,000</td>
</tr>
<tr>
<td>Moffat &amp; Williamson</td>
<td>40,000</td>
<td>-</td>
</tr>
</tbody>
</table>

7. Notwithstanding this increased competition, the cost to FRC increased by about £150,000 and the direct subsidy bill now exceeds £1 million per year. The overall increase in support for bus services/travel, including concessions and all school transport provision has increased by about £1 million to £6 million compared with the 1984-86 period. This increased subsidy cost between May 1987 and the present appears to be similar to that noted in Grampian Region. However, it should be emphasised that in Fife the increase has in effect enabled a fares freeze to continue. This has now been the case since 1983 and is deliberate Regional Council Policy.

8. The issue of route packaging for tenders, which was noted in our previous report, has now disappeared and has had little effect on tendering since May 1987. Rennies introduced network packaging into their tendering and FS dropped network packaging.

9. The above pattern, with reduced mileage in the tendered network, resulting from the May 1987 exercise, may be about to change. On 12th February 1988, FS announced deregistration of many services, including most of those which were taken out of the tendered network in May 1987. FRC were to invite tenders in March/April 1988 (unless other operators were prepared to operate on a commercial basis) and would manage the contracts on an emergency contract basis for the relevant period. These sorts of changes, with possibly significant budget implications, illustrate the unstable nature of the support budget and of the registered network.

**Competition and service levels**

10. There has been an increase of 10% - 15% in overall bus mileage since October 1986. FRC report that no area has a reduced level of service. There is felt to be some wasteful duplication of services in Dunfermline but the majority of the increased mileage can probably be regarded as useful to the consumer.

11. Glenrothes Executive and Armstrong of Inverkeithing withdrew their registered services in late summer 1987. Competition in Dunfermline has increased, the main participants being Rennies and FS. In some areas the level of service has increased threefold, with FS using their 'BuzzBus' minibuses.
Fares and patronage

12. As previously noted, fares in Fife have remained constant since 1983. This is regarded by the Council as a very successful policy, and the increased subsidy costs noted above should be seen against the benefits of the fares freeze to the consumer.

13. Patronage has increased from an estimated 28 million in 1982 to nearly 39 million by the end of 1987 (including schoolchildren travelling on local services). The increase since deregulation has been estimated at just under four million passengers of which nearly half is estimated to be due to additional mileage operated, the rest being due to the fares freeze, larger use of concessionary travel and a transfer of school journeys onto local services.

14. All possible concession groups are now eligible, except for the 5-13 age group. There is half fare for 16-18 year olds in full time education, half fare for 14 and 15 year olds, free travel for the elderly and disabled except in peak periods, when half fare is available.

Information

15. Rapid changes in the network (400, 1987-88) have caused some difficulties but overall the information system is considered to be dealing well with these changes.
Central

1. In terms of physical area most of Central Region is rural but the bulk of the population lives in the urban centres such as Stirling, Falkirk and Grangemouth. The larger bus operator is the SBG subsidiary Midland Scottish (MS). The main independent operator is Mackies of Alloa and there are a few smaller ones.

2. Bus mileage is roughly the same as pre-deregulation, at about 8.6 million miles per year, with Central Regional Council subsidizing about 10% of this.

Operators

3. Neither of the two main operators has changed services substantially. Midland are running more commercial services, particularly with the Bluebird express services to Glasgow and Edinburgh. Weekly mileage has increased by about 6.4% since deregulation. The main increases have been on urban and inter-urban routes.

4. Mackies of Alloa believe that competition has settled down since the aggressive period immediately post-deregulation. Changes over the last year have been small.

Subsidized services

5. Central Regional Council's (CRC) expenditure since deregulation has definitely been reduced. The level of saving is difficult to determine accurately as prederegulation saw the region financing a great deal of extraordinary expenditure on maintenance etc. Also, savings have been made that were the result of an overall tightening up and the changes implemented under Scotmap.

6. After the first round of tendering a saving of £68,000 was made on the previous contracts. Target savings were £100,000. However, several tenders which had been accepted were not taken up by operators and others pulled out after an initial period. At the outturn of this year the Department was instructed to reduce expenditure by £200,000. This has not been possible and a likely saving is about £175,000, with total expenditure on the full year's operation of £914,000.

7. However, this saving will be affected by the Rural Bus grants. Last year a lesser than planned reduction in grant from 6p to 5p per mile rather than to 4p meant a considerable saving to the region. This year's reduction should be 5p to 2p but it remains to be seen what will happen.
8. A saving directly attributable to deregulation is that on concessionary fares, which has fallen from approximately £688,000 pre-deregulation to approximately £640,000 now. The Council is hoping to make more savings in this area.

Information

9. Problems remain regarding information. With changes to timetables currently running at approximately 500 a year in constant dribs and drabs, the Council does not have the facilities nor the manpower to keep up with the changes. The Public Transport Officer sees this as a serious problem and a definite degeneration in service to the consumer. In the past a change was made and it was considered permanent. Today, adjustments happen continually and many changes are catching up with themselves, ie a change is put to the Traffic Commissioner but by the time it is authorized another change has been made or proposed.

Fares

10. Fares have fallen in real terms on the routes where there is strong competition but risen at more than the rate of inflation on most other routes.

Other points

11. Midland have introduced minibuses in Linlithgow and say that these have been well received, particularly in parts of the town previously inaccessible to big buses.

12. Mackies have conductresses on some of their services and believe that they have attracted more older concessionary fares, because of a preference for this type of service.

13. Mackies are not happy with the arrangements at Stirling bus station, to which they do not have access at peak times.

14. Both CRC and the operators are disappointed with the system of rural innovation grants. They believe that the criteria used by the Scottish Office are far too restrictive, in contrast to the position south of the Border.
MACKAY CONSULTANTS

Borders

1. The Scottish Bus Group subsidiary Lowland Scottish Omnibuses Ltd (LSOL) are the largest operator. There are a few relatively small independents. The distribution of population in the region is unusual in that there is no single large town but a few of similar size - eg Galashiels, Hawick and Jedburgh.

2. Mileage has remained virtually unchanged since 1974. There has been a limited amount of deregistration which Borders Regional Council (BRC) have replaced with tendered services.

Operators

3. LSOL stage mileage has increased by 3-4% on prederegulation stage mileage. Targets for 1988 should bring it up by a further 2-3%.

4. The biggest change since April 1987 was LSOL's introduction of minibuses "Berwick Beavers" on routes in Berwick town. This was in response to Northumbria's intimation to introduce them following their success in Whitley Bay. Prior to deregulation, Northumbria controlled 60% of the Berwick market running two buses to LSOL's one. Post-deregulation LSOL's share of the market increased considerably with the introduction of the "Beavers". Although costs increased on their introduction, LSOL with their increased presence and share of the market say they are getting a fair return on their investment which is sufficient to cover replacement costs.

5. Express commuter services were introduced on the Dunbar-Haddington-Edinburgh route in response to demand, which was already being covered by Glass of Haddington and British Rail. LSOL are pleased with the response to this service.

6. The main growth in the independent sector has been by Taxibus of Berwick. They were established in August 1986 in response to pending deregulation. The fleet is currently four eight-seater taxibuses and the firm employs the equivalent of eight full-time staff. The firm's commercial/tender ratio is 70%/30% with a total of 340,000 miles.

7. The firm do not see themselves as being in direct competition on any routes. Their role is more of a supplement to existing services. Taxibus provides rapid transit between centres and supplementary routes to villages in between. Travelling times have been cut by a half to a third. A supplement is paid on fares for the direct routes.
Subsidized services

8. Mileage has remained unchanged since April 1974. There has been a limited amount of deregistration which the Council has replaced with tendered services. One, however, was withdrawn which ran into Strathclyde and Strathclyde were not prepared to support. Changes to routes have been minimal with only one route being subject to numerous alterations. Overall the position has been steady.

9. Total expenditure 1985-86: £1,826,900
Projected expenditure 1987-88: £1,974,470

This is an increase of £77,500. However, after an allowance for inflation is subtracted (approx. £100,000) an actual saving of about £21,000 has been made.

10. The 18th of April was promoted by BRC as a "change date" and they had the cooperation of the operators. This was in response to the changes that would result from the opening of the new Galashiels Hospital on that date. With the opening of the new hospital the Council will be increasing contracted services in response to demand at a cost of about £50,000.

11. In the future LSOL will be deregistering more services as they tighten up the efficiency of the operation. They expect that 80% of these services will probably be picked up by the Regional Council.

Information

12. BRC published the Borders Travel Guide last year followed by nine area guides which proved very popular. The area guides' pack is equivalent to the original guide but is more easily updated. The Council have increased expenditure on publicity from £6,000 in 1985-86 to £14,000 in 1987-88.

Fares

13. Fares were increased by 3.5% in April 1987 on all services in the Borders except some town services. Following increases on fares by other operators in the Lothian corridors, LSOL increased theirs accordingly by 10%. Town services will have fare increases of 4% this year in response to inflation.

Rural Innovation Grants

14. Through his involvement with COSIRA, Mr Wylie of Taxibus has experience of rural innovation grants in England. There, COSIRA's consultants advise applicants on the efficient use of the grant and also promote RIG through videos, which are shown to groups of taxi and bus operators. Combined with a greater flexibility in the conditions of grant aid, these measures would help to promote RIG in Scotland and probably lead to a greater uptake.
Dumfries and Galloway

1. As in many other rural regions, local services are dominated by the SBG subsidiary Western Scottish with the others being provided by a few small independent operators. Dumfries is the only large town and there is a network of services linking the smaller communities and cities such as Glasgow, Edinburgh and Carlisle.

2. Of the network in the region an estimated 50% of mileage is tendered and 50% commercially registered. The proportions of the travelling public using commercial and subsidized services are estimated at 70% and 30% respectively.

Operators

3. Competition in the area has been fairly strong with nine independents competing against Western Scottish. Overall, the network was maintained at its previous level with several frequencies increased but the majority remaining unchanged. Competition on registered routes is strongest in Dumfries where Dicksons compete with Western Scottish on three routes charging slightly lower fares. Western Scottish introduced minibuses (Western Scottish "Buzzers") on six town centre routes and doubled frequency on two routes in response to the competition.

4. Competition also exists on the Dumfries-Kilmarnock via Cumnock route where six operators have registered and four are operating. Problems have arisen with through ticketing as this is a braided route with different sections being covered by different operators.

Subsidized services

5. In the spirit of the Act tenders were broken down to a size to be attractive to open the market up to independents. Western Scottish came off worst having, as a result of this policy, lost the advantage of the economies of scale of their operation. Independents were able to tender for off peak routes as they had a base in their ensured peak time school contracts which remain untendered being the responsibility of the Education Department. Dr Allanson, the public transport officer, sees with hindsight positive advantages of breaking up the tenders into small contracts because it gives the Council greater flexibility and control over the subsidized routes.

6. Because of concerns over the ability of the budget to cope with tendering post-deregulation, the Council opted for a tiered tendering system in three stages. In Stage 1 the Roads and Transport Department designed a network covering 50% of the pre-deregulation system which was identified as covering the areas of priority and maximum benefit. This was then followed by two more rounds of tendering which brought the network up to what it was before, except for a few alterations.
7. Expenditure is quoted by the Council as being 84% of what it was pre-deregulation. This reduction will, however, most probably be affected by the phasing out of the rural bus grant, the loss of which could reduce any savings by approximately 50%. Dr Allanson also expects tender prices to rise over the next few years to accommodate depreciation/replacement of vehicles etc.

8. The budget pre-deregulation was approximately £1.1 million which included £280,000 of concessionary fares. It is now estimated to be approximately £710,000, an estimated saving of £110,000.

Fares

9. Western Scottish also froze prices in Dumfries, increasing fares elsewhere in line with inflation and on subsidized routes up to the maximum allowable under contracts. Most of the other operators have followed suit.

Information

10. Publicity has been done inhouse by DGRC and therefore cheaply, making changes to the leaflets produced easy. A comprehensive timetable booklet is not considered a priority as it would not be flexible enough to accommodate the frequent changes. Leaflets are currently distributed to operators, community councils and tourist offices.

Rural innovation grants

11. Rural Innovation grants were sought by five operators of whom three were successful. One was used to help establish Dumfries and Galloway Minibuses, Dalbeattie, which was set up with grant and revenue funding. The operator is running four buses in direct competition to Western Scottish subsidised services in the Stewartry area. Although the operation's economic viability is uncertain, the operator receives good support locally and has reintroduced an evening run that had been withdrawn ten years ago. A rural innovation grant was also given to Annan Motors for the establishment of a shopping run to Carlisle. This appears to be going well at weekends but very quietly during the week.

Other issues

12. The "buzzers" have reportedly proved very popular especially with the middle classes, perhaps as a result of the better more personal service afforded by the minibuses.

13. The local independents are awaiting with considerable interest the Secretary of State's decision on the form of the Scottish Bus Group privatization. They would not like to see an "aggressive" company like Stagecoach moving into the region.
Highland

1. Geographically this is the largest region in the country but with a population of only 300,000 the density is by far the lowest. Car ownership is above the Scottish average but there is an extensive network of local bus services. "Town" services are mainly limited to the five main towns - Inverness, Wick, Thurso, Fort William and Nairn - and the remainder of the network could be described as rural.

2. Pre-deregulation services in the region were dominated by the local SBG subsidiary Highland Omnibuses, with a relatively large number of small independents serving local markets. Total bus mileage was about 6 million miles per year of which Highland Omnibuses (HO) accounted for about 4.4 million miles (73%).

3. In our July 1987 report we identified the main post-deregulation changes:

   (i) a slight reduction in total services, with the cuts being concentrated on the offpeak sector;

   (ii) increased competition for HO in a few areas, with "bus wars" in the Castletown area and Fort William;

   (iii) the loss by HO of quite a few tendered services to independent operators.

Changes in 1987-88

4. These trends have continued since our first report. There have been additional changes and 1988 is likely to see a radical reorganization of services in the region's capital Inverness. Thus, as elsewhere, bus services are in a state of flux and it will be some time yet before they settle down.

5. Although it is difficult to obtain accurate statistics, it appears that total bus mileage has fallen by about 5% over the last year, ie:

   1985    6.2 million
   1986    6.1 million
   1987    5.8 million

6. In terms of commercial services, 18 new services were registered in 1987 and four so far in 1988; 40 services were withdrawn in 1987 and a further eight so far in 1988. Figures for the subsidized services are given below.
Operators

7. Highland Omnibuses have reduced their services by about 350,000 bus miles to around 4 million in 1987. This suggests that their overall market share has fallen to about 69%. Some of the independents have increased their operations, whereas others have contracted. There has been a net reduction in both commercial and subsidized (tendered) services, although neither could be regarded as substantial.

8. Rapsons of Alness and Gaelicbus of Ballachulish are the two main operators who have expanded since deregulation, although it should be said that the former were already expanding steadily. They have been competing vigorously with HO who have also faced strong competition in Caithness from Dunnets, eg in the Castletown bus war (which has now been settled through the withdrawal of HO).

9. The independents have largely established themselves by winning local authority tenders by undercutting HO. It is widely thought in the Highlands that HO were taken by surprise but it is undoubtedly true that the overheads and costs of HO are substantially higher than those of competitors - at least at present.

10. HO have reduced their fleet by 20% over the last twelve months and their employees by 12%, both through greater efficiency and because of the reduction in their services.

11. In contrast, Rapsons of Brora have increased their fleet from 9 to 27 and their employment from 12 to 34 since deregulation. Gaelicbus’ fleet has grown from two to ten.

12. Highland Omnibuses face new competition in 1988 in the largest market, Inverness, from two sources:

(i) Rapsons who introduced services in March;

(ii) Inverness Traction from May.

The latter is a new firm formed by drivers and other staff from HO. They intend to lease 15 midibuses and provide a network of town services at a flat fare of 30 pence.

13. Elsewhere there has been little change. There has been strong competition in Sutherland between the Sutherland Transport and Trading Company (STTC) and Rapsons of Brora, which has led to the closure of the former’s operations. We also believe that there is now an overprovision of services in Fort William and that will also be the case soon in Inverness. Thus reductions in these areas are also expected in 1988.
Local authority subsidized services

14. Highland Regional Council's general policy has been to maintain services at the pre-deregulation level if there was sufficient demand for them. Although there have been quite a few withdrawals of commercial services not all of these have been replaced by the Council because

(a) there were available, alternative services;

(b) the passenger carryings did not justify support.

15. Since August 1986, HRC have awarded 18 new contracts and 22 have been cancelled. The Council's transport officer, Archie Roberts, says that the overall effect has been to maintain pre-deregulation level of services with minor changes. He stressed that some changes would have occurred in any case because of changing population distributions and falling school rolls.

16. The main effect for HRC has been a significant reduction in the subsidy they pay for bus services. Bearing in mind the difficulties of comparing like with like and that deregulation took place part way through a financial year, the annual figures given by Mr Roberts are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-87</td>
<td>£1,391,000</td>
</tr>
<tr>
<td>1987-88</td>
<td>£ 974,000</td>
</tr>
<tr>
<td>1988-89</td>
<td>£1,181,000</td>
</tr>
</tbody>
</table>

17. The above figure for 1987-88 is 18% less than the original budget estimate of £1,136,000 and that may give a reasonable estimate of the savings to the local authority. The council expected the tenders to be much higher and has been surprised at the strong competition for contracts.

18. The next round of tenders will be from August 1989 and the Council will be inviting bids in May.

Fares

19. Most fares have risen in line with inflation. For example, Highland Omnibuses increased their fares by 5% in February 1988. Competition in Fort William has forced prices down there and that may also happen in Inverness in the near future.
Information

20. There continue to be problems with lack of information on service changes. The bus companies interviewed recognize that, particularly for the tourist season when there are many visitors to the area. The companies have suggested to HRC that they provide timetable display boards at bus stops.

21. The Council provide 115 display cases but said that they are expensive and also time-consuming. There have been problems with vandalism, particularly in the Fort William area. They would like to do more but are limited by budget and staff (only two). The HIDB produce a comprehensive transport timetable each year which includes bus services.
Orkney, Shetland and the Western Isles

1. The budget for the study precluded any fieldwork in the islands but we have had telephone discussions with the transport officers of the three islands councils and have kept an eye on any developments through the local newspapers. There have in fact been very few changes and the general opinion of officials in the three councils is that deregulation has had little effect on bus services in the islands, where there are relatively few services in any case.

2. In Orkney in pre-deregulation days James D. Peace and Co (of Kirkwall) had a virtual monopoly of local bus services. There are now three bus companies competing on the main Kirkwall-Stromness route: Peace, Rosie Coaches and Shalder Coaches (a new firm from Shetland). Fares on this route have come down and service frequencies have been increased substantially. There is also new competition on the Kirkwall-Tingwall route, previously operated by Peace but where Rosie Coaches won an Orkney Islands Council subsidy when the service went out to tender. Elsewhere there have been very few changes.

3. In Shetland, there appears to have been only one minor change, with the Lerwick-Hillswick service changing on tender from Shalder Coaches to Bolts. All other tender services have been retained by the existing operators and Shetland Islands Council's spending on bus subsidies has stayed at around £170,000 per year. There have been local rumours of one or two new operators entering the market but that has not happened yet.

4. In the Western Isles there have also been very few changes. There was a local "bus war" on the Stornoway-Point route and there has been competition on the Stornoway-Carroway and Stornoway-Tong routes. A few of the subsidized services have different operators but without any significant changes in the services involved. We know of one new firm in Lewis and another in the Ulists who has withdrawn from providing local bus services.
4.0 THE MAIN EFFECTS OF DEREGULATION TO DATE

4.1 In our 1987 report we concluded that the effects of bus deregulation in Scotland had varied substantially throughout the country and also that the industry was still in the process of adapting to the new legislation. To some extent that remains the case, although certain issues - such as the scale of local authority subsidies - have become much clearer. Nevertheless it should be clear from the regional reports that we expect further substantial changes in 1988 and it will therefore be some time yet before long term conclusions can be drawn about the effects of deregulation.

4.2 In this section we set out our current views on the main issues covered in the study, namely:

* the supply of bus services
* passenger demand
* fares
* quality
* local authority subsidies
* vehicles
* information
* disabled and elderly
* operators
* rural innovation grants
* bus stations
* anti-competitive practices
* other issues.

Supply of services

4.3 It is difficult to obtain accurate and comprehensive statistics on the supply of bus services but it seems to be generally believed that there has been an increase. Last year the Scottish Office estimated that following deregulation the total bus mileage in Scotland increased from 177 million miles to 182 million miles, a 2.8% rise. They estimated that in Glasgow vehicle miles had increased by 25%. In Lothian the increase was given as 9%, with 3% in Edinburgh itself and 24% in the surrounding districts. In the rural areas covered by the Scottish Office/Newcastle University study (Dumfries and Galloway region, North East Fife, Badenoch and Strathspey, and Inverness and Lochaber districts) a 3% increase in vehicle mileage was estimated.

4.4 The latest report from the Scottish Office* (March 1988) estimates vehicle mileage in May 1987 as 190.3 million, a 4% rise on the November 1986 quoted above. Over that six month period, the geographical pattern was more uniform, although there were relatively large percentage increases in Fife (12%), Highland (9%) and the three islands authorities (11%). These changes are shown in Table 4.1.

---

* "Bus deregulation in Scotland: a study of the early effects of the 1985 Transport Act on local bus services"
Table 4.1
Vehicle mileage (annual equivalent)
(£ millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>November 1986</th>
<th>May 1987</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borders</td>
<td>3.298</td>
<td>3.369</td>
<td>+ 2</td>
</tr>
<tr>
<td>Central</td>
<td>7.353</td>
<td>7.721</td>
<td>+ 5</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>3.260</td>
<td>3.420</td>
<td>+ 5</td>
</tr>
<tr>
<td>Fife</td>
<td>9.074</td>
<td>10.121</td>
<td>+ 12</td>
</tr>
<tr>
<td>Grampian</td>
<td>16.648</td>
<td>16.732</td>
<td>+ 1</td>
</tr>
<tr>
<td>Highland</td>
<td>5.884</td>
<td>6.397</td>
<td>+ 9</td>
</tr>
<tr>
<td>Lothian</td>
<td>31.726</td>
<td>33.407</td>
<td>+ 5</td>
</tr>
<tr>
<td>Strathclyde</td>
<td>91.043</td>
<td>95.342</td>
<td>+ 4</td>
</tr>
<tr>
<td>Tayside</td>
<td>11.614</td>
<td>12.168</td>
<td>+ 5</td>
</tr>
<tr>
<td>Islands</td>
<td>1.420</td>
<td>1.576</td>
<td>+ 11</td>
</tr>
<tr>
<td>Scotland</td>
<td>182.200</td>
<td>190.300</td>
<td>+ 4</td>
</tr>
</tbody>
</table>

Source: Scottish Office from the TRRL Bus Registration Index

4.5
Unfortunately this data is not available for the pre-deregulation period, except in the case study areas mentioned above. Also, the position has changed since May 1987. Since our last report, more services have been withdrawn than introduced so there will have been a slight reduction but the total figure is likely to be still above the pre-deregulation level, eg about 179 million miles per year. We expect that 1988 will experience a further fall. That should be seen in the context of the slow decline in mileage pre-deregulation which suggests that the change in legislation resulted in an once-and-for-all increase in services but no reversal of the long term trend of a slow decline.

4.6
The pattern has varied geographically. In both Dumfries and Galloway and the Borders there have been slight increases. For Strathclyde we estimate a gross increase in bus mileage of about 14%. Lothian experienced a similar increase initially, followed by a reduction of about 10% but some of the latter has been reintroduced recently. Highland region has had a net fall of about 5%, although there may be a net increase in 1988 as a result of new competition in Inverness.

4.7
The general picture is one of

* increased services in the cities
* reduction in offpeak services (evenings and weekends)
* a slight decline in rural services.
Regarding the services in and around the cities it should be pointed out that much of the increase has been in the form of a duplication of services, as a consequence of the new competition between the old municipal operators and the Scottish Bus Group subsidiaries. Thus the benefits to passengers may not be as great as the raw statistics on bus mileage suggest.

There has been a substantial reduction in commercially registered offpeak services, both in the cities and elsewhere. Some of these have been "bought back" by the local authorities but not all, and many of the newly subsidized services are on much reduced frequencies.

Regarding the rural services, it may be useful to distinguish between:

(a) commuter services to/from the towns and cities;
(b) other rural services;
(c) remote services, including post bus services.

There has been a substantial increase in category (a) services, notably in Lothian. There is little evidence of any major changes in the remote services (c), most of which are subsidized. Thus the reductions appear to have been concentrated on (b).

**Passenger demand**

Bus vehicle mileage is only one measure of supply. If route mileage figures were available on the same basis as in Table 4.1 - which unfortunately they are not - they would almost certainly show a smaller increase.

On the demand side, our discussions and the returns from the Consumer Network suggest that despite the increase in supply, passenger demand (as measured by journeys or mileage) has in fact declined since deregulation. Again, it is difficult to give precise figures but our judgment is that there has been a fall in passenger journeys of about 6.5% since deregulation, including a fall of 5% over the last twelve months.

The recent Scottish Office report presents some data for their case study areas and these suggest an average fall in demand of between 4% and 5% on an annual basis, although there were incomplete data for the independent sector which has probably done better than the SBG and the ex-municipal companies.

The decline of 6.5% (or 5% on an annual basis) should be seen in the context of the long term decline in passenger carryings by local bus operators, which has averaged about 3% a year since 1977. One of the principal objectives of deregulation was to reverse this decline but there are no signs yet of that happening.
Fares

4.16 Most fares have risen in line with inflation, i.e. by about 6.5% since October 1986. There are quite a few instances of higher increases, in excess of 10%, but these are generally in areas where there had been freezes on fares pre-deregulation, notably in Lothian.

4.17 There are more cases of decreases than increases so that overall in Scotland there has been a slight fall in fares (in real terms, i.e. taking account of inflation). Fife has maintained a fares freeze on the subsidized services. In some areas where there has been strong competition, e.g. in the Edinburgh commuter area and in Alloa, there have been reductions.

4.18 It is probably fair to conclude that the main savings have gone to the local authorities (see below) rather than bus passengers. The lower fares or costs are a consequence of two main factors:

(i) the lower overheads and operating costs of the independent operators;

(ii) rationalizations by Scottish Bus Group subsidiaries and some of the ex-municipal operators.

4.19 Some of the financial savings, particularly under (ii), can be regarded as once-and-for-all and might not be repeated again. Some of the firms interviewed thought that the costs of the independents would in fact rise over time as they had to invest in garage and repair facilities. There is also feeling in some quarters that the costs of running the new mini and midibus services have been underestimated and that when the vehicles have to be replaced the fares will rise substantially.

4.20 On the other hand it seems generally recognized that there have been improvements in efficiency and productivity, particularly within the Scottish Bus Group, as a consequence of deregulation. These have led to redundancies and reductions in vehicles, e.g. in the Highlands, and that process is clearly not yet complete throughout Scotland.

Quality of services

4.21 There have been few changes in quality. The overall increase in the number of buses is a mixture of old vehicles, previously withdrawn from service, and new vehicles. The former are mainly seen in Glasgow, where there have been complaints about the age and state of some vehicles. On the other hand, other people have welcomed the reintroduction of the rear platform type of bus with "clippies".
Many passengers have also welcomed the introduction of the various mini and midibus services, mentioned in the regional reports. These are seen as providing a friendlier and more convenient service, although they can be difficult for elderly and/or disabled people and their introduction into housing areas has attracted some criticism in relation to the safety of children on the streets.

The SCC's Consumer Network has provided three successive sets of reports on local services and how these have changed. These cannot be regarded as a representative statistical sample but the network provides a good geographical coverage throughout Scotland. Respondents were provided with a standard form to complete, which covered both factual information on services and subjective judgments.

In the first round reports were provided on 58 services. The overall responses to the changes in services were:

- improved: 9
- worsened: 19
- stayed the same: 30

Thus although the majority of people thought that the quality of the services covered had remained the same, of those who felt that they had changed twice as many thought that they had deteriorated than improved.

In terms of route changes, 21 services had changed and 37 stayed the same. Regarding the former the consumer network thought that 9 services had been improved and 12 worsened.

The main criticisms concerned reductions in frequencies, particularly in off-peak periods such as evenings and Sundays. Other criticisms were:

* loss of connections
* lack of information on new services and changes
* buses not keeping to timetables
* poor standard of some buses.

In the second round of monitoring the Consumer Network provided written reports on 49 services. This time the overall responses were:

- improved: 4
- worsened: 12
- stayed the same: 33

Thus the pattern of responses appears to be much the same as for the first round. Route changes were reported on 11 services, nine of which were believed to have worsened the service.
The third round of reports were prepared in March and April of this year. The Consumer Network was asked what had happened since they last reported (in early 1987). Thirty nine returns were comparable with the two previous rounds and the overall responses were:

- improved: 11
- worsened: 6
- stayed the same: 22

The general picture given by the Consumer Network responses is that most services (about 50%) have stayed the same. Of the others there have been more responses in the "worsened" category than the "improved", although the latter were significantly greater in the last set. It may be necessary to qualify these responses by the comment that people are likelier to complain than compliment but we have no reason to believe that the Consumer Network has given a biased response.

The Scottish Office report includes a summary of the results of a postal survey of 2000 households in Scotland on "Passenger Attitudes to Deregulation". This was conducted in Spring 1987. Some of the results are of interest in the present context. For example, one of the questions was: "As a result of service changes do you use buses more or less often?"; and the answers were:

- more often: 8.9%
- the same: 75.8%
- less often: 15.3%

A further question was: "What do you think of the changes since last autumn? Are the new services better or worse?". The answers were:

- much better: 11%
- better: 20%
- the same: 43%
- worse: 18%
- much worse: 6%

These answers suggest a more positive response to the deregulation changes than those of the Consumer Network but the two sources of information are very different and comparisons are therefore difficult.

**Local authority subsidies**

At the time of deregulation, there were strong complaints from some local authorities, notably Fife and Lothian, about the implications for local authority finances. It was claimed that there would have to be a massive rise in subsidies to compensate for the withdrawal of commercially registered services.
4.34 In the event that has not happened and most local authorities have been able to maintain the services in their regions with a lower level of subsidy. The precise financial savings are difficult to estimate and there is the complication of not being able to compare a full financial year post-deregulation with an equivalent pre-deregulation period.

4.35 Dumfries and Galloway estimate that they have saved about 16% of their budget (equivalent to a saving of about £980,000 per year) but the loss of the rural bus grant may change the picture. The Borders report a small saving of about 1%, taking inflation into account. In Central the figure is about 5% but that is also expected to disappear with the withdrawal of the rural bus grant. Highland estimate an 18% saving. For Tayside the figure quoted was 30% although about a third of that has been eliminated through a need for extra staff. Strathclyde have also probably made savings although we have not yet been able to obtain the figures from them.

4.36 In contrast Grampian estimate that their subsidy payments have increased by about 70% (see regional report) because of a substantial rise in the subsidized mileage. Fife estimate an increase of about 30% in their expenditure but the picture there is complicated by the fares freeze, concessionary fares and school transport.

4.37 It is extremely difficult to obtain accurate and comparable statistics on local authority expenditure. The Scottish Office have produced their own estimates, which are reproduced as Table 4.2. These are very different from the figures given to us by the councils themselves.

<table>
<thead>
<tr>
<th></th>
<th>1985-86 outturn</th>
<th>1986-87 estimates</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borders</td>
<td>0.51</td>
<td>0.521</td>
<td>2</td>
</tr>
<tr>
<td>Central</td>
<td>1.271</td>
<td>0.847</td>
<td>-33</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>1.116</td>
<td>0.825</td>
<td>-26</td>
</tr>
<tr>
<td>Fife</td>
<td>0.446</td>
<td>0.973</td>
<td>118</td>
</tr>
<tr>
<td>Grampian</td>
<td>1.037</td>
<td>0.63</td>
<td>-39</td>
</tr>
<tr>
<td>Highland</td>
<td>1.156</td>
<td>1.057</td>
<td>-9</td>
</tr>
<tr>
<td>Lothian</td>
<td>3.736</td>
<td>3.1</td>
<td>-17</td>
</tr>
<tr>
<td>Strathclyde</td>
<td>15.787</td>
<td>5.81</td>
<td>-63</td>
</tr>
<tr>
<td>Tayside</td>
<td>1.504</td>
<td>0.857</td>
<td>-43</td>
</tr>
<tr>
<td>Orkney</td>
<td>0.038</td>
<td>0.04</td>
<td>5</td>
</tr>
<tr>
<td>Shetland</td>
<td>0.244</td>
<td>0.231</td>
<td>-5</td>
</tr>
<tr>
<td>Western Isles</td>
<td>0.416</td>
<td>0.433</td>
<td>4</td>
</tr>
<tr>
<td>Scotland</td>
<td>27.261</td>
<td>15.324</td>
<td>-44</td>
</tr>
</tbody>
</table>
Although these figures may not present an accurate picture, both ourselves and the Scottish Office are in agreement that on the whole revenue support has declined. The four main explanations are:

(i) increased registration of services as commercial;
(ii) lower tenders;
(iii) reduction in subsidized services, particularly offpeak;
(iv) the skill of local authority transport officers in maintaining a particular level of service at lower cost.

However, most of the local authority transport officers are expecting subsidy requirements to increase in the near future. They foresee significant withdrawals of commercial services and believe that some operators have underpriced their tenders in order to establish themselves in the market (or discourage their competitors). As with other aspects of the industry, therefore, it may be another 12-18 months before a stable picture emerges.

**Vehicles**

The main change in vehicles has been the introduction of various mini and midibus services, as described in the regional reports. These include the "City Sprinters" in Edinburgh, "Weebuses" in Dundee, "Buzzers" in Dumfries and Galloway and the "Berwick Beavers".

There are mixed feelings in the bus industry about the long term future of these services. Most of the companies operating them are very enthusiastic. Others point to the relatively high costs, with one driver being needed whether there are six or sixty seats in a bus, and short life, in comparison with the traditional larger buses. The telling period will be when the smaller buses need to be replaced.

**Information**

This continues to be a problem for passengers in some areas. The main difficulties have been the large number and frequency of the changes in services and timings. The cost of reprinting timetables has discouraged operators from providing up-to-date information and comprehensive timetables have largely been replaced by leaflets.

One of the transport officers interviewed thought that the public has "lost confidence" in bus services because of the frequent changes. The extent and quality of information available to passengers has undoubtedly declined since deregulation. There are particular concerns about tourists in certain areas.
Some local authorities see an important role in providing the necessary information but their involvement varies widely in Scotland. The Borders Regional Council is probably the best example with its Borders Travel Guide and the HIDB produces a similar guide annually for the Highlands and Islands. Some authorities would like to produce something similar but are constrained by finance and manpower; others do not seem interested.

Bus operators would like to provide or have provided more information at bus stops. However, there is a reluctance on the part of some local authorities.

**Disabled and elderly**

Encouragingly, there appear to have been no particular problems for these groups because of deregulation. Very few specific comments have been received. In our first report we remarked on the difficulties which some people had in boarding some of the older, rear platform buses which have been reintroduced into service, but these difficulties need to be set against the welcome given to conductors and conductresses on such buses.

Minibuses are obviously more difficult to board and disembark from. On the other hand, they may go closer to people's homes and reduce the distance to be walked to bus stops.

A point to stress is that the disabled and elderly do not appear to have received any particular benefits from deregulation. Encouraging progress was being made before with vehicle improvements but this appears to have been stalled, at least temporarily, as the bus companies endeavour to reduce their costs. The Chauffeur Car service in Strathclyde has been replaced (from February 1988) by an extended Dial-a-Bus network with prior bookings dealt with by the Social Work Department.

**Operators**

Among our interviews only one operator new to the industry has emerged since deregulation - Taxibus in Berwickshire, who diversified into local bus services. The lack of new operators is undoubtedly a disappointment to the Government in light of their stated objectives. On the whole, the companies are of a similar size and operating similar services to those pre-deregulation.

We noted with interest the statement in the Scottish Office report that "in the six months following the introduction of registration in February 1986, the Department of Transport recorded 60 operators in Scotland, new to local services, registering their intentions to provide these services. Since deregulation the situation has been more stable. In Strathclyde TRRL report that between November 1985 and November 1986 20 operators entered the local service market for the first time - the largest increase of any county or region in Britain taking the regional total up to 83".

47
4.51 These observations are in contradiction to our own knowledge. However, the differences may be a matter of definition. For example, apart from Taxibus the two examples quoted in the report are Magicibus (the Stagecoach subsidiary) and Ian Glass of Haddington, both well established bus operators pre-deregulation.

4.52 Of the independents Stagecoach has expanded fastest, primarily through acquisitions south of the Border. There are a few examples of modest growth among other independents, eg Gaelicbus (Ballachulish), Glass (Haddington) and Rapsons (Alness). On the other hand, a few independents have retired or withdrawn from stage carriage services to concentrate on the more stable hire market.

4.53 There have been two interesting acquisitions:

(i) Highland Omnibuses' purchase of Newtons, immediately prior to deregulation;

(ii) Grampian Regional Council's takeover of Mairs Coaches.

Both of these "removed" independents from the scene who might have expanded their services.

4.54 Obviously the impending privatization of the Scottish Bus Group will have a major effect on the industry and the form of that privatization will substantially influence future structure.

4.55 We have tried to obtain data on the financial performances of the main bus operators but the delays in completing and submitting annual accounts create difficulties. We believe though that the overall profitability of the industry has declined, since the increase in bus mileage has not been matched by a similar increase in passengers or revenue.

4.56 The marked reductions in tender prices suggest that some operators were making "excess" profits pre-deregulation. Increased efficiency will also have made a contribution, particularly in SBG, but the evidence available suggests an overall reduction in the industry's profitability. It would not surprise us if there were a few closures or major contractions in the near future.

Rural transport innovation grants

4.57 In our last report we commented on the very poor take-up of these grants. The Minister for Home Affairs and the Environment recognized this in his response to the SCC and said that SDD were going to increase publicity about the scheme. However, that has had little effect and the number of grants awarded continues to be very disappointing. When we met SDD officials in May to discuss the scheme, only eight grants had been awarded and one offer was outstanding.

4.58 Operators and local authorities are generally of the view that the criteria applied by the SDD are too strict, particularly in relation to revenue support for experimental schemes. We share that view and believe that SDD should alter its policy. Much more has been done in England and Wales, where officials have taken a more pro-active approach.
Bus stations

4.59 No major problems have occurred, largely because of regional council control over access to most bus stations. There are minor problems over allocations of stances, usually with independents feeling they are getting a raw deal compared with 'incumbents' such as the SBG. No new problems appear to have emerged in the last year.

Anti-competitive practices

4.60 In the last report we identified various cases which it had been suggested might be anti-competitive practices. The SCC raised these with the Office of Fair Trading and the Scottish Office. There appears to have been a satisfactory resolution of most of these cases with a few remaining "not proven".

4.61 We have had further discussions with the Traffic Commissioner and the OFT, both of whom believe that the initial "teething" problems have been resolved. The OFT now appears to be more vigilant and has more knowledge of the Scottish bus industry, which should reduce the delays in dealing with cases. No new problems were identified in the course of the latest round of interviews.

Other issues

4.62 There remains dissatisfaction among some operators about local authority tendering procedures. Specific cases were quoted in the regional reports.

4.63 There is also unhappiness about some of the concessionary schemes. Some of the smaller independents do not believe they are receiving a "fair share" of the support given because they lack sophisticated information and monitoring systems to be able to estimate the actual use of concessionary tickets.
5.0 CONCLUSIONS

5.1 The main conclusion must be that most bus services and passengers have been unaffected by deregulation. There have been many minor changes and the industry is undoubtedly in a continuing state of flux and uncertainty but about 60% of the local bus network has remained unchanged over the last two years.

5.2 We believe that there will be important changes in services in 1988 and that therefore it will be some time yet before the industry settles down to a relatively stable pattern. In particular, the Government's decision on the form of privatization of the Scottish Bus Group will have far-reaching implications for competition in the industry. Further, there is increasing evidence of an excess supply of bus services which suggests that there will be contractions in the near future. These and other factors make it impossible to reach definitive conclusions on the effects of deregulation.

5.3 In terms of passenger perceptions, the responses from the Consumer Network indicate that more people (about 30%) believe that services have worsened than improved (about 20%) since deregulation, but both these groups numbered less than those reporting "no change". Research for the Scottish Office suggests a higher proportion in the improved category (31%) than worsened (24%) with about 43% reporting "no change".

5.4 The supply of services, as measured by bus vehicle mileage, has increased. We estimate that it increased by about 5% in the first six months after deregulation, since when there has been a fall to about 3%. Most of the increases have been in the cities and on commuter routes, as a consequence of the competition between the Scottish Bus Group subsidiaries and the four ex-municipal operators. In contrast there have been declines in offpeak services (ie early mornings, evenings and weekends) and some rural services.

5.5 The original terms of reference for the SCC monitoring study highlighted six issues and our comments on these are given below.

**Quality and continuity of bus services**

5.6 No major changes on the whole. The main supply changes were noted above and more details are given in the regional reports. New investment has been concentrated on mini and midibuses, which seem popular with passengers but are subject to doubts about their long term commercial viability. The older, platform-type buses have generated mixed feelings.
5.7 Two problems identified in the course of the study are:

* loss of connections and through services
* lack of information on timetables and other changes

We believe that there is considerable scope for improvements in these and related areas.

Fare structures and fare levels

5.8 Again, no major changes. Most fares have risen in line with inflation. Competition has only taken the form of fare reductions in a few areas. The main difficulties reported concerned the loss of interavailability tickets and increased costs of school travel.

Bus stations

5.9 Very few problems and most were resolved after the initial deregulation period. There are a few examples of continuing tensions between independents and the SBG/ex-municipals who operate certain stations.

Disabled and elderly

5.10 Again, few significant changes. However, there is an increasing worry that the operators' ability and/or willingness to invest in special facilities have been reduced.

Local authority support and rural innovation grants

5.11 The financial sums required from the local authorities to support uneconomic services have undoubtedly been reduced. It is very difficult to obtain accurate and objective statistics but for most regions there have been "significant savings". The four main reasons are:

(i) increased registration of services as commercial;
(ii) lower tenders;
(iii) reduction in subsidized services, particularly offpeak;
(iv) the skill of local authority transport officers in maintaining a particular level of service at lower cost.
However, most of the local authority transport officers are expecting subsidy requirements to increase in the near future. They foresee significant withdrawals of commercial services and believe that some operators have underpriced their tenders in order to establish themselves in the market (or discourage their competitors). As with other aspects of the industry, therefore, it may be another 12-18 months before a stable picture emerges.

The Scottish Office's handling of the rural innovation grants system has been very disappointing. The number of grants awarded has been very poor, in marked contrast to the experience in England and Wales. In response to suggestions made last year by the SCC, the Scottish Office promised to improve the system and knowledge of it but that does not appear to have been the case.

**Anti-competitive practices**

Various examples were raised in last year's report and these were taken up by the Council with the Scottish Office and the Office of Fair Trading. Most appear to have been resolved satisfactorily. A key issue in the near future will be the form of the privatization of the Scottish Bus Group and the SCC has made known its views on this.

**Recommendations**

The Scottish Consumer Council considered this report at their May meeting and the following recommendations were agreed.
Bus Deregulation - Monitoring Study - Second Report

Recommendations

1. Rural Transport Innovation Grants

The take-up of these grants continues to be disappointingly low. From June 1986 until March 31, 1988 only 9 grants were awarded to operators in Scotland who wished to run new bus services in rural areas. £170,000 is available yearly for grants. Expenditure so far has been about £40,000 for each year of the scheme.

Were the Scottish Development Department to issue grants at the same rate per head of population as does the Development Commission in England, 15 grants would have been awarded in this period. Indeed, because much of Scotland consists of sparsely populated rural areas, one might have expected an even larger number of grants to have been awarded.

A relative lack of publicity and promotion has been suggested as a reason for the low up-take of grants. Unlike the SDD the Development Commission is able to employ transport officers (jointly with local authorities) to promote the equivalent English grant scheme and an advisory service to help operators with applications.

Other evidence suggest that awareness of the grant scheme is not the main problem. Following the Scottish Consumer Council's call for more publicity in 1987, the SDD launched a campaign in August 1987 to publicise rural transport innovation grants. As a result there was an increase in enquiries about the scheme, but there was no corresponding increase in applications.

The implication is that the rules of the scheme may be inhibiting operators from applying for grants. Indeed this is the message we received from a number of operators who had enquired about the scheme. They believed that the criteria for awarding revenue support in addition to a capital grant was too strict and therefore a deterrent to potential applicants.

Given that the number of grants awarded is very low and that the reasons for this are not clear, we recommend that:

1. The Scottish Development Department, in consultation with local authorities and bus operators, should examine the low take-up of rural transport innovation grants and find ways of increasing the number of grants awarded each year.
Local Authority Accounting

Our report highlights the difficulties of obtaining accurate and comparable statistics on local authority public transport spending. (For instance, we found wide disparities between Scottish Office figures and those provided by the Councils themselves.) The main reason for this seems to be that local authorities do not operate a common accounting procedure. They differ in their definitions of the various items of spending: subsidies, school transport, concessionary fares, superannuation and so forth and they do not all include these items in the same accounts.

A uniform accounting system would allow not just researchers but also bus-users and ratepayers or community charge payers to compare the public transport spending of different local authorities.

Scottish local authorities will shortly be able to consider a uniform accounting system for all their expenditure, including public transport, drawn up jointly by the Scottish Branch of the Chartered Institute of Public Finance Accounts and the Local Authority (Scotland) Accounts Advisory Committee. Their guidance notes for local authority accounts are currently in draft and are due to be published later in 1988.

In view of this development we recommend that:

2. Local authorities should adopt the forthcoming uniform system of accounting advocated by the Chartered Institute of Public Finance Accounts and the Local Authority (Scotland) Accounts Advisory Committee.

Information

In our 1987 report we recommended that local authorities improve the provision of timetable and other information for passengers. The quality and quantity of information on bus services continues to be a problem for passengers in parts of Scotland. Borders Regional Council and the Highlands and Islands Development Board can be commended for the information they produce for passengers, but generally work still needs to be done to improve the provision of information.

The importance of information on services cannot be overstated. Unless passengers can keep abreast of change in services, they may lose confidence in buses and patronage may decline, even when service changes are for the better. We recognise that Regional Councils are hindered by limited resources in providing information on an ever changing network. Nevertheless, given that information is so important, we recommend that:
3. Regional Councils should give priority to improving their provision of bus information for passengers, including information at bus-stops.

Local service networks

We were impressed by Tayside Regional Council's adroit handling of the tendering process. The Council has been able to persuade operators to increase certain subsidised services for little or no extra cost. Operators of commercially registered services have also been persuaded to alter some of these services in the interests of a better integrated network, despite there being no statutory obligation to do so.

Clearly, there are lessons that other Regional Councils could learn from this good practice and we recommend that:

4. Regional Councils should try to adopt the methods used by Tayside Regional Council to improve the co-ordination of bus services.

SCOTTISH CONSUMER COUNCIL

May 1988