BUS DEREGLATION MONITORING STUDY

A report for the
Scottish Consumer Council

by

G. A. MACKAY and J. H. FARRINGTON
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EXECUTIVE SUMMARY

1. This is the second in a series of reports to the Scottish Consumer Council as part of the bus deregulation monitoring study. It covers the first six months of deregulation since October 1986.

2. Section 2 covers the six key issues identified by the SCC in the terms of reference for the study, namely:

   (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.

3. Section 3 gives a set of regional reports on what has happened to date in the nine mainland regions. No fieldwork has been undertaken in the islands but there have been few changes there so far. The main conclusions and recommendations are set out in section 4. The following is a very brief summary.

4. There has been an increase in the supply of bus services. The Scottish Office estimates that following deregulation the total bus mileage in Scotland has increased from 177 million miles to 182 million miles, a 2.8% rise. They estimate that in Lothian vehicle miles have increased by 25%. In Lothian the increase is 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 is estimated.

5. However, much of this increase is attributable to a duplication of services, particularly in Glasgow and Edinburgh, so the benefits to consumers may not be as great as might be inferred. Another point to stress is that there has been a net increase in peak (daytime) services but a net decrease in offpeak (evening and weekend) services.
6. As far as rural services are concerned there appears to have been little change. The main reason for this has been 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.

7. Continuity of services has been adversely affected in two main respects. Firstly, there have been a lot of changes and a lack of information about them. Specific examples are given in the regional reports. This was probably an inevitable problem of deregulation, the purpose of which was radical change, and should reduce over time as the new system of services settles down.

8. Secondly, there has been a marked deterioration in the quality of interchange journeys, i.e. those which involve more than one bus service or other transport modes. This is particularly true where a change of operator is necessary. There has been a marked fall in interavailable tickets which previously were very popular in some areas such as the Glasgow conurbation.

9. Fares have not changed much. The average increase since deregulation seems to be in line with inflation, i.e. between 4% and 5%. Fares in Edinburgh have gone up by much more than this but they were very low pre-deregulation. Fares in some areas around Edinburgh, Glasgow and Aberdeen have been reduced but this has not happened on any large scale so far, on basic fares. Season tickets do offer reductions. School children and passengers on journeys which involve a change of operator have experienced relatively large increases.

10. Overall, we would summarise the effects of deregulation on supply and fare levels as being to increase overall supply, though with decreases in offpeak and low patronage routes, and to reduce fare levels for those travelling frequently in the peak or in specific market segments in the offpeak. The supply increases, however, may be temporary as operators move their resources around an area to maintain competition. Supply levels may also decrease if, as has been alleged, some operators are financing their competitive effort from reserves in an "unfair" manner.

11. Cross subsidy continues 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.

12. The notification period appears 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 have 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 is improving. Some local authorities, notably Central and Tayside, have made particular efforts to keep passengers well informed.
13. Most local authorities have adopted policies of trying to maintain services at their pre-deregulation levels and have therefore sought to "buy back" services which were not commercially registered. The financial implications of these policies are not yet clear, but there seems to be increasing evidence of a rise in the subsidy required. However, there are a few examples, notably in the Highlands, where competitive tendering has generated savings.

14. Encouragingly, there appear to have been no particular problems for disabled and elderly groups because of deregulation. Very few specific comments have been received. In our first report 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 is no sign of deregulation leading to further improvements in the design of buses which would benefit the disabled and elderly.

15. The system of "policing" the 1985 Transport Act appears to be causing difficulties, apart from the safety aspects of bus operation. The Traffic Commissioner/Office of Fair Trading functions have been criticised as partially ineffective or too slow. There appear to be particular problems because of the inability or reluctance of the OFT to investigate cases in Scotland.

16. Six recommendations are made for action by the SCC, if agreed. It is suggested that the Council approach the Ministry of Transport and/or 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.
1.0 INTRODUCTION

1.1 We were commissioned by the Scottish Consumer Council in July 1986 to undertake for them a monitoring study of the effects of bus deregulation in Scotland. This follows the 1985 Transport Act which deregulated local bus services as from October 1986.

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 arise for bus users as a result of deregulation. The Council would then make appropriate representations to the bodies involved. The SCC also wishes to be able to identify positive developments and good practices which should be encouraged.

1.4 An earlier study of the likely effects of the 1985 Transport Act was also commissioned by the Council. This identified certain problems in the original Bill and the SCC made representations about these. Some of these were accepted by the Government and amendments were made in Parliament to the Bill, but some of the Council's concerns about possible negative effects for bus passengers remain.

1.5 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.

1.6 A first monitoring report was submitted to the SCC in November 1986, covering the initial post-deregulation changes. This second report describes and analyzes changes since then. The Council felt that the report would be of wider interest and decided to make it available to interested parties.
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 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 preliminary reports on how bus deregulation is working in their areas.

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

1.11 The photograph on the cover, of buses in Glasgow, has been reproduced with the kind permission of the Glasgow Herald.

1.12 The Council and the authors would welcome any comments on the report. The monitoring study will continue for another year and it is intended to produce another report in 1988.
2.0 PROGRESS TO DATE

2.1 The official date for the start of the new deregulated services was Sunday 26th October. In practice in the Highlands and the Borders the new system came into operation in August because the regional councils wanted it to coincide with the start of the new school years (11th August in the Highlands). Also, in Glasgow the Traffic Commissioner allowed some bus operators to begin new services in advance of the 26th October. However, for most of Scotland the changes came into effect on that date. Thus there has been about six months of actual operations, up to our reporting date.

2.2 As will be clear from our report, it is much too early to make any firm judgments about the long term effects of deregulation. This report gives our initial impressions, which will inevitably be modified in the future. However, in line with the SCC's wish to try to identify problems as soon as possible, and seek appropriate solutions, we comment in Section 4 on certain issues which appear to us to merit early action.

2.3 The three key dates in the deregulation process have been:

28th February 1986 : deadline for registrations
26th October 1986 : initial deregulation and start of standstill period
25th January 1987 : full deregulation

2.4 By the end of February 1986 bus operators had to notify the Traffic Commissioner of what services they intended to operate on a commercial basis from the 26th October. In the intervening period registrations could only be made, varied or cancelled in limited circumstances.

2.5 Local authorities could then decide what additional services they wished to have provided in their regions/islands. Such services were put out to tender and in the intervening period local authorities awarded these additional contracts to the successful tenderers. As mentioned above, in Highland and Borders regions and in Glasgow these new services were introduced in summer 1986 but for most of Scotland it was October.

2.6 The period 26th October 1986 to 25th January 1987 was known as the standstill period. Services during these three months could only be altered in exceptional circumstances. In particular there were strict limits on the introduction of new services.

2.7 From the 25th January the normal deregulated arrangements have applied. Operators are required to give six weeks notice of new services or changes to existing services.
The objectives of deregulation

2.8 At this point, before beginning our account of what has happened, it may be helpful to set out the main objectives of bus deregulation and the 1985 Transport Act. These may provide a framework against which to assess the effects. The Government's basic thinking was set out in the White Paper in 1984:

"For 50 years from 1930 to 1980 local bus services were subject to a highly restrictive licensing system. Within this system the belief grew up that the way to provide comprehensive public transport is to protect the existing operators so that their profits from popular routes can cross-subsidise services for which there is less demand. The result of these worthy intentions has been to maintain a pattern of services developed for a different age and to neglect the best parts of the market. There has been too little incentive to develop markets, to woo the customer. Operators have been hampered by a philosophy that is defensive and inward-looking. For too long they have been placed in the highly discouraging position of having to argue with the traffic commissioners about every new service which might affect some part of the existing network. In 1980 Parliament began to remove the barriers to competition by making it easier for operators to run new services. The last four years have shown that the industry has able and energetic managers who are ready to take advantage of new opportunities and that there is life in the bus market where operators have been prepared to try new ventures. It is now time to go further."

2.9 Further (para 1.5):

"There is good evidence that services could be improved and costs reduced if we went about it in a different way. Without the dead hand of restrictive regulation fares could be reduced now on many bus routes and the operator would still make a good profit. New and better services would be provided. More people would travel. This is not idle speculation. In 1980 the Government removed regulation from the long-distance coach services. As a result fares have come down, new services have been provided, the number of people travelling has gone up, new vehicles with greater comfort provided for custom. Competition has done all this - and the customer is the beneficiary."

2.10 The consumer interest is identified specifically. For example (Annex I, para 5):

"The general case against regulation is that of consumer sovereignty. In principle, consumers should be free to choose what they will buy and existing producers should not be protected from competition from those who believe they can offer services that give better value for money to consumers. With control over entry existing high cost operators are protected from challenge by cheaper operators and innovation is discouraged. Critics of regulation argue that the results of this have proved especially damaging in the period of the declining market that has characterised the bus industry for over two decades."
"Against this, defenders of the present system argue that the disadvantages are outweighed by the support the system gives to the provision of a network of services and, in particular, to the ability to sustain many unremunerative services through cross-subsidy." However, "regulatory systems cost money and resources to run. Apart from the direct costs of public administration, they impose costs and delays on operators, which have eventually to be paid by users through subsidy. There should therefore be a general presumption that it is up to the defenders of regulation to show that its benefits exceed its costs and the evidence indicates that the disbenefits of regulation are so substantial that they far outweigh any risks and transitional costs associated with implementing the change".

First report

In our first monitoring report (November 1986) we reached a number of provisional conclusions. Most services had not been affected and most changes had been relatively minor ones of timings and routeings. However, there had been reductions in some offpeak services, particularly in the evenings and on Sundays, and a few areas had lost or had a substantial cutback in their bus services.

Fares had also mainly stayed at the same level. We reported more increases than reductions but some of the increases would probably have occurred in any case.

There had been very few new operators. The main increase in competition had been concentrated in the four major cities, particularly Glasgow and Edinburgh, as a consequence of the Scottish Bus Group expanding its services in competition with the four local authority operations which are now limited companies. In Glasgow there had been considerable and much publicized congestion as a result of the increase in the number of buses. The Aberdeen area, and to a lesser extent Dundee, have also emerged since January 1987 as locations of strong competition.

The main criticisms made of the new system there and elsewhere were:

* loss of connections
* lack of information on new services and changes
* buses not keeping to timetables
* poor standard of some buses.
2.16 It was expected that some of the problems would undoubtedly diminish over time. However, we suggested some action, eg that the local authorities should produce and distribute comprehensive timetables of services in their areas.

2.17 The local authorities had tried to maintain services at roughly the pre-deregulation level by subsidizing services which the commercial operators did not register. In some regions the new system had resulted in savings but Fife and Lothian regional councils said that their subsidy expenditure has had to be increased.

2.18 We concluded that the issue of anti-competitive practices required careful monitoring. There are indications of problems with subsidized services. We did not think that there was an adequate system for taking action in cases where there is clear evidence of anti-competitive practices.

2.19 In the remainder of this section we provide our updated views on these issues, in the light of actual experience over the last few months and our second round of interviews.

General approach

2.20 As far as the commercial services are concerned, we expect there to be major changes throughout 1987. It is likely that some operators will drop certain services in the light of their actual experience over the first year. It is possible that new operators will emerge and that some existing operators will want to increase or modify their services. Such changes are therefore a major reason why it would be misleading to draw firm conclusions from the experience so far.

2.21 Changes up to April 1987 have been less far-reaching than expected by many of those who have commented on the 1985 Act. We estimate that at least 75% of services have remained unchanged or have seen only minor changes (such as less than 5-minute change in frequency, or less than a few hundred metres change in route). There have, however, been a significant number of changes including increased frequencies (especially in areas of greatest competition) and withdrawals (especially in the off-peak). The latter have attracted a lot of local attention and criticism. However, it should be recognized that to the individual passenger even a minor change can cause a great deal of inconvenience.

2.22 The main justification of the new, deregulated system is that increased competition will result in benefits to bus passengers. The increased competition so far has been largely confined to the Scottish Bus Group (SBG) subsidiaries and the four local authority operators which have become limited companies under the new legislation.
In the past the latter had virtual monopolies of the city services in the Glasgow conurbation, Edinburgh, Dundee and Aberdeen. The SBG dominated the out-of-town and rural services, except in a few areas like Ayrshire where there were well-established independent operators. The SBG subsidiaries have now moved extensively into Glasgow, Edinburgh and Perth, but on a much more limited scale in Aberdeen and Dundee.

Glasgow has undoubtedly attracted most of the media attention, primarily because of the congestion in Renfield Street and other parts of the city centre. The main aspects of the developments there are discussed below and in the Strathclyde part of Section 3.

Surprisingly, Caithness is probably the area which has attracted the next most attention, primarily because of certain unusual developments there. The "man on the Castletown omnibus" may become as famous as his brother in Clapham. Again, the main implications are outlined below and in the Highlands part of Section 3.

**Competition**

Very few new operators have emerged so far. We believe that the strength of the Scottish Bus Group and the four local authority operators has deterred many of the independents from taking advantage of deregulation until they see the "rough shape" of the new system. That is not surprising but it reinforces our caution that it is too early to make firm judgments on deregulation.

It is worth noting that Strathclyde is the most competitive area in Britain and also that other regions (based on the Grampian and Tayside experience) are now emerging with stronger competition. It is important to appreciate that in as much as the 'success' of deregulation depends on competition, and the operation of competition depends on the existence of operators who can compete, then the framework of operators is crucial.

The difficulty has been to 'create' operators who can compete with the Scottish Bus Group (SBG) and the ability to compete appears to depend largely on size, including financial strength of course. Where there are strong and large ex-municipals, or independents, then fierce competition can ensue. This has been the pattern in Strathclyde and Lothian from the outset and is now emerging as the pattern in Grampian and Tayside.

Within Scotland, Fife may be 'the exception that proves the rule'. Fife Scottish (the local SBG subsidiary) are heavily dominant and have been able to exert an influence on competition both on registered and tendered services.
2.30 The allegations, made in the press and elsewhere, about SBG use of reserves may be crucial to the long term public interest, for if competition were being financed in this way it could lead to a monopoly by either competitor (perhaps in two or three years). Either the SBG subsidiary could go under, leaving the field to the ex-municipal (unless, as is likely, SBG regrouped to cover the lost subsidiary), or the ex-municipal could go under, leaving the field to the SBG with no prospect whatever of an effective competitor.

2.31 It is also important from the consumer point of view to recognize that cross-subsidy is far from being eliminated from large operators' networks. It is supporting off-peak and weekend services and unprofitable sections of routes. If there is little scope for further increases in efficiency and competitive pressures remain high, then either costs must be reduced (eg through wage levels) or the unprofitable services must be cut back. This is happening quite widely and looks like continuing.

2.32 In urban/suburban areas, there may still be coverage of a route by other services at a lower frequency. In rural areas, operators are clearly reluctant to abandon routes to competitors but this must be an option if competitive pressures continue at high levels.

2.33 Elsewhere the involvement of independents has presumably been much less than expected by the Government and other supporters of deregulation. There are a few exceptions, notably Stagecoach, but not many. Stagecoach also responded vigorously to the deregulation of the express bus services.

2.34 Ian Glass of Haddington has expanded his operations in East Lothian but his total fleet is only 28 buses, with about nine buses dedicated to the new services. The Highlands have seen the expansion of a few independents, albeit on an even smaller scale, as has Dumfries and Galloway.

2.35 One independent told us that it was virtually impossible to compete with the SBG subsidiaries because of the scale of operation required. He suggested that 'at least 30 buses' would be required, which is outwith the capabilities of most of the independents in Scotland.

2.36 On the other hand, one of the SBG subsidiaries said that they were not surprised by the lack of interest by independents, since the latter were much happier with contract hires and school bus services. There appears to be a widespread feeling that the tendering processes favour the larger companies because they can require a lot of data and analysis, for which only the SBG and the ex-municipal operators have the resources. This may be particularly true in the rural areas where the SBG have traditionally provided most of the services.
Quality of services

2.37 Turning to the six specific topics listed in paragraph 1.7, the terms of reference for the monitoring study listed "the quality and continuity of bus services for travellers" as one of the main concerns of the Scottish Consumer Council. Fares and other aspects are discussed below. These terms are defined to include service frequency and time-spread through the day/week, network connections, vehicle standards, service, reliability and stability over a period of time.

2.38 In assessing the overall impact of deregulation on consumers in Scotland, it must be remembered that by definition the majority of the population lives in the urban areas where competition (and hence increased supply of services) is most intense. It is our assessment that the majority of people have experienced either little or no change in services, or an increased frequency of services in the peak/daytime periods, though often with a reduction in off-peak and weekend services. On the other hand, a large minority of people have experienced 'negative' effects such as service losses, route truncations, frequency reductions, connection losses etc. These can be particularly serious for people with no access to a car or with disability.

2.39 The SCC's Consumer Network has provided two 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.

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

<table>
<thead>
<tr>
<th>Service State</th>
<th>Count</th>
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<tbody>
<tr>
<td>Improved</td>
<td>9</td>
</tr>
<tr>
<td>Worsened</td>
<td>19</td>
</tr>
<tr>
<td>Stayed the same</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
</tr>
</tbody>
</table>

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.

2.41 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.
2.42 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.

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

<p>| | |</p>
<table>
<thead>
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</thead>
<tbody>
<tr>
<td>improved</td>
<td>4</td>
</tr>
<tr>
<td>worsened</td>
<td>12</td>
</tr>
<tr>
<td>stayed the same</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>49</td>
</tr>
</tbody>
</table>

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.

2.44 Most of the services covered in the two rounds were the same but there were a few differences. On average, about 59% of the responses were that services had stayed the same, 29% had worsened and 12% had improved. 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.

2.45 A recent paper from the Scottish Office’s Central Research Unit estimates that following deregulation the total bus mileage in Scotland has increased from 177 million miles to 182 million miles, a 2.8% rise. They estimate that in Glasgow vehicle miles have increased by 25%. In Lothian the increase is 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 is estimated.

2.46 The Scottish Office stress that these are provisional estimates. They do not take account of service changes since January. We certainly agree that most of the increases are in the cities as a consequence of the SBG expansions. It might be argued that the consumer derives relatively little benefit from a simple duplication of services. In any case, we believe that the present levels of city services are unsustainable on a long term basis, particularly in Glasgow, and expect substantial reductions in the near future.
Another point to stress is that there has been a net increase in peak (daytime) services but a net decrease in offpeak (evening and weekend) services. Details for the various regions are given in Section 3.

As far as rural services are concerned there appears to have been little change. The main reason for this has been 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.

Continuity of services has been adversely affected in two main respects. Firstly, there have been a lot of changes and a lack of information about them. Specific examples are given in the regional reports. This was probably an inevitable problem of deregulation, the purpose of which was radical change, and should reduce over time as the new system of services settles down.

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

In areas of greatest competition, particularly in the Glasgow area, lack of stability in services has been a major characteristic of many routes, and this appears likely to continue. This has two implications for consumers: firstly, an accurate and readily available supply of information is needed; secondly the travel patterns of individuals and households may need to be adapted to changed bus services, particularly where services or connections are lost. There is evidence from published sources that people’s travel patterns can take months or even years to adapt fully to new transport supply characteristics. Since bus services can change over six week periods, adaptation could remain a problem as long as instability continues. The provision of information is discussed further below.

There has been a mixed effect in terms of the quality of buses. There has been some investment in new buses, notably mini or midibuses of the type introduced in Edinburgh on the new Citysprinter 5 service. On the other hand, some fleet expansions have been achieved by buying old, secondhand buses of the rear platform type. The quality of these is clearly inferior, although many passengers have welcomed the reappearance of conductors and conductresses.
Fares

2.53 An overall increase in the supply of bus services and/or lower fares ('consumer benefits') could arise from: expansion in operators' activities (fleets, staff); or increases in efficiency, including better use of assets (vehicles, depots, overheads) and/or lower wage costs; or a combination of both. We can see expansion by the SBG subsidiaries, which has been alleged to be financed by their use of reserves and has been described as "unfair competition". This could also be, in part at least, financed by savings made since about 1980/81 through the application of SCOTMAP, leading to greater efficiency and a pre-deregulation adjustment of supply to fit demand better than it previously did.

2.54 We can also see expansion by some independents though this is still not on a large scale compared with SBG and the ex-municipal operators. Nevertheless, the independents' competition could be disproportionately significant in attacking the cross-subsidy which maintains the ability of large operators to sustain high supply levels and to move their resources from one area to another and thus maintain competition.

2.55 Increases in efficiency are difficult to measure but reports from operators confirm that this is taking place. Wage levels appear to be under great pressure and real wages are probably falling in many instances. The entry of independents would, following the White Paper arguments, also lead to lower costs but it is not clear that this has happened. SBG subsidiaries at least were already increasingly efficient as a result of SCOTMAP. Competition appears to have brought about strong pressure for increased efficiency among ex-municipals but a detailed assessment is not possible at this stage.

2.56 Specific area increases in supply of bus services can and does occur on a large scale, but only a portion of this can come from overall increases in supply as outlined above. The rest of the increases come from 'within the system', ie by redistributing resources and reducing supply elsewhere. This appears to be the major source of change in Scotland and from the consumer point of view it is therefore a case of 'swings and roundabouts'.

2.57 Fares have not been the subject of all-out competition which has taken the form of level of supply competition. However, there have been real reductions, on a network basis, for regular travellers (season ticket discounts) and on a specific basis for market segments (shoppers, OAPs, etc). Unless costs can be reduced (eg by lower wage levels or cutbacks in services) there is considerable pressure for fares increases, though no operator wants to be the first to do this.
2.58 Lothian Region probably provides the most interesting case study of fares. Lothian Regional Transport (LRT) actually increased fares in Edinburgh by 18% on deregulation day and these were matched shortly afterwards by Eastern Scottish (the local SBG subsidiary). However, Edinburgh fares were low by Scottish standards pre-deregulation. Despite this increase, where LRT moved out into the country their fares were generally about one third lower than those of the SBG who were then forced to cut their fares to retain custom. Thus there have been fare reductions in some of the suburban, commuter areas around Edinburgh.

2.59 Elsewhere, on average, fares appear to have increased by between 4% and 5%, which is in line with inflation. However, we are fairly certain that in some areas, notably Edinburgh and Glasgow, the SBG will either have to increase its fares or reduce its services.

2.60 Concessionary fare schemes have continued in general, though the costs of these to regional councils are causing concern. Some concessions have been withdrawn. Two groups of passengers have experienced increases in travel costs: schoolchildren in Strathclyde and elsewhere, where concessionary fares have been withdrawn for lunchtime journeys; and people making journeys involving more than one operator where through tickets are not available due to withdrawal of inter-operator ticketing.

**Bus stations and stances**

2.61 No major problems have appeared, largely because of regional council control over access to most bus stations. There are many minor problems over allocations of stances, usually with independents feeling they are getting a raw deal compared with 'incumbents' such as the SBG.

2.62 The consumer interest may be best served by having a single stance for competing operators on the same route and this is often not the case. However, the practical difficulties of competing vying for the same stances probably make it wiser to separate them.

2.63 Dumfries and Galloway appears to have peculiar problems because of the closure of certain Western Scottish depots as part of a rationalization programme. Dumfries itself does not have a bus station and since deregulation the present arrangements by the river have caused problems for passengers, particularly during bad weather.

**Disabled and elderly**

2.64 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 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. Also, some of the innovative schemes in Strathclyde - such as chauffeur care - appear to be under financial threat, particularly if there is an increasing subsidy requirement for other services.

**Local authority subsidized services**

Detailed accounts of these are given in the regional reviews in Section 3. This issue has been of great political debate. One of the main justifications for the new legislation was the belief that competition would result in a reduction in the subsidy required for unprofitable but socially desirable services.

Some local authorities have reported savings. Others have said that they have had to increase their subsidy spending. It is difficult to make a firm judgment because:

(a) services may change during 1987;

(b) the expenditure figures of the various local authorities are not on the same basis.

In the first monitoring report we stated that four authorities (Grampian, Highland, Tayside and Borders) had reported savings in their operations and two had reported increases (Fife and Lothian). Since then the financial picture appears to have worsened as additional services have had to be supported. Fife, for example, now maintain that the net cost to them is now £850,000 and not £400,000.

Central Regional Council provide an interesting example of how difficult it is to arrive at a single, accurate figure. The net cost taking into account revenue from other authorities, the education department, etc. is about £805,000 in a full financial year. The previous budget was £1.113 million. The revenue support figure of £1.063 million is more comparable with the current £805,000, but there have been substantial changes in the concessionary fare system. This cost £806,000 before deregulation and now about £514,000. There has therefore been a notional saving of about £135,000 but it must be remembered that the rural bus grant in the region amounts to about £62,000 in a full year and this should really be deducted from any savings.
However, CRC expenditure on bus services immediately pre-deregulation was unusually high. The Ministry of Transport insisted that Midland Scottish close two depots. The company were forced to hire in extra buses etc and reckon to have spent about £602,000 extra on this problem, most of which was reimbursed to them by CRC. In addition the Scotmap changes have probably resulted in savings of about £400,000. Overall it is believed that deregulation has cost the Council between £162,000-£200,000.

A complicating factor is the payment of rural bus grant. This is a transitional grant for a period of four years paid by the Ministry of Transport in addition to the usual fuel duty grant. It is being operated under cash limits with a ceiling of £20 million (for the UK) in the financial year 1986-87, £15 million in 1987-88, £10 million in 1988-89, £5 million in 1989-90 and nothing thereafter. According to the Ministry the grant was the equivalent of about 6 pence per bus mile in 1986-87.

Scotland received just over £4 million in rural bus grant in 1986-87, broken down as follows:

<table>
<thead>
<tr>
<th></th>
<th>£</th>
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</thead>
<tbody>
<tr>
<td>Scottish Bus Group</td>
<td>3,164,546</td>
</tr>
<tr>
<td>private sector</td>
<td>704,649</td>
</tr>
<tr>
<td>Post Office</td>
<td>125,449</td>
</tr>
<tr>
<td>passenger transport authority</td>
<td>29,069</td>
</tr>
<tr>
<td>local authorities</td>
<td>22,730</td>
</tr>
<tr>
<td></td>
<td><strong>4,046,443</strong></td>
</tr>
</tbody>
</table>

These figures suggest that Scotland will receive a grant of about £3 million in the financial year 1987-88, £2 million in 1988-89, £1 million in 1989-90 and nothing thereafter. Thus for each of the next four years an additional £1 million will have to be found from

- higher fares  
- increased efficiency  
- local authority subsidies

or some combination of these.

Concessionary fares are included in some of the financial figures quoted by certain local authorities but not in others. Lothian pointed out to us that the separation of functions in the four cities means that other costs may be hidden or forgotten, eg the provision of publicity, maintenance of bus stations and bus stops etc. It seems clear that deregulation has generated a lot of additional work for the local authorities in operating the tender services. Some reported increases in staff to cope.
There is evidence from regional councils that the notification period is not long enough to allow proper police and roads department consultation plus public information and possible discussion with operators. Some of the difficulty may lie in the turnaround time of registrations at the Traffic Commissioner. There can be some delay because some operators' registrations contain 'mistakes' which have to be clarified within the six weeks. We believe it would be worthwhile considering a recommendation that an eight weeks period be allowed for entry at least.

**Rural transport innovation grants**

2.77 The Transport Act 1985 recognized the special needs of rural areas faced by declining services. Another form of assistance introduced was the rural transport innovation grant, which is intended to help start up and develop new and innovative approaches to providing local services in rural areas.

2.78 To quote from the explanatory leaflet, "applications for grant will not be restricted to a particular category of public transport. The most obvious example is a community minibus service (which may at present be operating on a voluntary basis), but there may well be other forms of service designed to meet the particular transport requirements of a rural or island community. The community may have been serviced by conventional public transport in the past which failed because it was not appropriate to the needs of the community at large. If so, an applicant should endeavour to show how his proposed service will cater for those needs which previously were not met".

2.79 "A successful application for grant is one which will meet the criteria for the Scheme. Under the terms of the 1985 Act, grants may be paid to assist:

- the establishment of a new public passenger transport service;

- the continuance of a service established by means of a grant under the Scheme (for example, further support in the form of short-term revenue payment, or further capital grant essential to maintain a service);

- the improvement of an existing service (ie in existence before the establishment of the Scheme) perhaps to provide a range of travel opportunities through an innovative approach to the use of equipment or vehicles in meeting the particular transport requirements of a rural area."

2.80 The budget for Scotland was set at £170,000 for the financial year 1986-87, with a similar sum for 1987-88. At the time the Scottish Consumer Council criticized these allocations for being far too low.
2.81 Surprisingly, actual expenditure in 1986-87 was only £40,000, less than a quarter of the budget. Only five projects have received grant offers. However, the total number of applications received was only nine.

2.82 The five successful projects are:

1. a community bus service in Roxburghshire
2. a community bus service in Kirkcudbright
3. Beith circular bus service
4. new service from the Angus area to Ninewells Hospital in Dundee and Strathcathro Hospital near Brechin
5. new service in Lewis (Tong/Laxdale to/from Stornoway).

2.83 In two of these cases the grants were for replacement vehicles and in another for the purchase of a secondhand vehicle. It is difficult therefore to identify the "innovative" elements of the projects. The Scottish Office themselves have been disappointed by the poor response and are currently considering ways of increasing publicity and generating more interest.

2.84 There has been a lot more interest south of the Border, where the grants are handled by the Development Commission on behalf of the Department of Transport. The Commission also provides a rural transport advisory service and have linked up with county councils to finance a network of "brokers" to encourage a more proactive approach to the development of rural transport.

Anti-competitive practices etc

2.85 This is a difficult area to investigate and also to reach firm conclusions. It is nevertheless very important and requires some comment by us, however provisional and tentative.

2.86 The regional reports which follow mention various allegations of anti-competitive practices. In all cases the companies criticized would presumably reject the allegations and we have not investigated any of them so we are not in a position to make other than general comments. The SCC itself raised with the Office of Fair Trading the Castletown case in which Highland Omnibuses ran services in competition with Dunnet's who had successfully tendered for the services in question. After the OFT investigation Highland Omnibuses announced its intention to withdraw.

2.87 There have been at least two instances of operators who had made unsuccessful bids running free services in competition, presumably to try to force the new operators out of business. These cases were in Sutherland (see the Highland part of Section 3) and in the Western Isles. Both of these cases were raised with the OFT but we do not yet know their response.
Elsewhere, there have been allegations of companies retiming services to run a few minutes before their competitors, or of putting on duplicate services or deliberate late running to achieve the similar objective of taking away passengers. Again, specific examples are given in Section 3.

There is the major issue of whether or not the tactics of the Scottish Bus Group in increasing its services in Glasgow (and, to a lesser extent, in the other cities) might be "unfair", in the sense that it has been alleged that they are not seeking to operate such services profitably but rather to drive out the competition. Strathclyde Buses' referral of SBG to the OFT is a vital test case. If this were proved and SBG competition decreased then it could be argued that the short term consumer interest would not be well-served since fares might increase and service levels decrease. On the other hand, the long term consumer interest might be better served, in as much as "unfair competition" might well lead to monopoly.

The inability of the Traffic Commissioner (TC) to penalise effectively an operator running services in contravention of regulations has been commented on by independents, ex-municipals and regional council officers. If withdrawal of an operator's licence is considered too harsh (as it appears to be) then the other main penalty is withdrawal of fuel tax rebate but this is ineffective for independents entering the market because they have no rebate due to them from previous operations.

The regional report on Strathclyde refers to the issue of congestion in central Glasgow which resulted in a public inquiry being held by the Traffic Commissioner who decided that there was no need for him to take action. Commonsense tells us that an increase in vehicle numbers must cause greater congestion, particularly when those vehicles are large and stop/start frequently. Casual observation in Glasgow, Dundee, Dunfermline and Aberdeen, and driving experience, indicates a clear increase in congestion particularly on streets where buses are 'funnelled'. Central Glasgow is well known. Union Street, Aberdeen, is a similar case and will get worse with increasing competition.

We have had a meeting with Mr McNamara the TC who accepts that current legislation for dealing with such complaints is very unclear. In particular the words 'public interest' have disappeared from the new Act. There are few grounds on which the TC can now take action and many of the issues mentioned above (and in Section 3) are now no longer his responsibility. They probably fall within the remit of the Office of Fair Trading but there is a widespread view that the OFT are too slow and too understaffed to deal with any short term problems.

To date the TC has had four applications from local authorities for public hearings: two in Glasgow, one in Lothian and one in Aberdeen. The Glasgow cases related to the congestion problems. In Lothian there were problems in Livingston regarding bus stops, because the town has a strict segregation of pedestrians and traffic. The latest enquiry concerns Aberdeen and relates to the Old Aberdeen area where Northern Scottish wish to run buses on the traditional Grampian Regional Council routes. There are problems with the narrow roads and possible damage to nearby buildings. The Regional Council have pre-empted the Traffic Commissioner's decision by setting a temporary closure notice which will apply for three months.
2.94 Mr McNamara is unwilling to encourage voluntary agreements in such cases because they might be interpreted as anti-competitive. If he imposes regulations on particular operators or in particular areas this takes it out of the OFT remit, so he prefers to do it that way. However, as mentioned above, he has yet to impose any regulations in the eligible cases raised with him so far.

2.95 Regarding complaints from the public, these have not been as many as expected. The TC had under a hundred since deregulation (ie after the 26th October). Of those 64 have been about routes, Sunday services, etc which are completely outwith the TC remit and these have been passed to the local authorities or the operators concerned. It seems that many of these complaints have come from what might be regarded as middle class areas where new bus services have been introduced into residential areas and some of the residents are unhappy about that. The Traffic Commissioner could only act if the local authorities asked for traffic regulation, eg in housing estates. He cannot act on complaints from an individual or a community council for example.

2.96 Seven complaints have concerned reliability of services. Ten complaints have concerned the conditions of buses, behaviour of drivers etc and in the former instances he has sent engineers to inspect the buses concerned. Fifteen complaints have been about "illegal" operations (usually from other operators), eg not operating on authorized routes, and these have been or are being examined. Finally, there have been two complaints about fares, again which are outwith the TC remit.

2.97 TC employment has gone up a little. There was a lot of work in processing applications. This work should decline because registrations do not need to be renewed. The number of operators' licenses has increased slightly but there are very few new operators in local services. Many of the new licenses are for private hire for Sunday School outings etc. However, at present there is a lot of extra work regarding variations and a lot of paperwork involved, eg there were 300 minor changes in Strathclyde alone in March. We do not think it is necessary for the Traffic Commissioner to know all these details and believe that the local authority might be a more appropriate body for dealing with registrations.

2.98 Regarding taxi services, many districts and one region have refused to licence taxis. This makes it more difficult to introduce some of the proposals in the Act.

2.99 It seems to us that the main problems regarding regulation of the new system lie with the Office of Fair Trading (OFT). Although they appear to have resolved the Castletown case this took a long time during which the offended operator might have been forced to withdraw. As mentioned above, many people in the industry in Scotland believe that the OFT cannot cope with problems requiring a quick or urgent solution.

2.100 We believe that there is a general problem in relation to competition on tendered services. We recommend that the SCC raise this with the Scottish Office and the Department of Transport.
Other Issues

2.101 School transport is a major public concern in Strathclyde, due to the shifting of schools contracts onto registered services. Pupils may have to walk further to/from the bus stop, and may experience longer waiting times. There is also parental concern over the full fares now payable by pupils for lunchtime travel. Another problem is the use of rail for school journeys - a result of the Regional Council's acceptance (as per legislation) of the lowest tenders for school contracts, many of which have been from ScotRail. Parents complain of extra walking distances and lack of supervision.

2.102 The moving of school contracts onto service buses is a trend which may be expected in other regions (eg Grampian) as operators' tenders for school services reflect the high marginal costs of such operations (due to competitive forces), and as budget pressures increase for regional councils. However, it should be remembered the pre-deregulation school services were heavily subsidized, including lunchtime travel, but the real costs of that may not have been clear.

2.103 In Strathclyde rail and underground services benefited from deregulation, probably because consumers knew the service pattern, in contrast with their confusion over changing bus services. It is likely that bus competition developing in 1987 will have an adverse effect on rail patronage in other areas, notably Grampian (with new bus services from 27 April between Aberdeen and Inverurie, Portlethen, Stonehaven) Tayside (Dundee-Arbroath) and East Lothian. It is too early to make an estimate of the size of this impact or of its implications.

2.104 Wage levels in the bus industry appear to have fallen, at least in terms of take-home pay, because of deregulation. Operators are under cost pressures and seek to avoid overtime payments. Minibus drivers tend to be paid at a lower rate than their big bus colleagues, and two person crews are paid at a lower individual rate than one man operations.

2.105 There has been an increase in operating staff, mainly in drivers and conductors, with a small increase in fitters, but also continuing rationalisation in depots with consequent redundancies. There has been a net gain in employment, of the order of 300-400 staff, in our estimation.

2.106 Information is an important consumer issue and, as long as service changes continue at frequent intervals, it is likely to continue to be so. Regional council public transport officers have understandably had difficulties in coping with the deluge of information on changes and there have been delays in putting out information. On the other hand, all the officers and councils are very anxious to provide this service to the public and see it as a priority. A problem is the 42 day period and any extension of this, or speeding up of the notification and roads/police consultation process, would be of help. Notwithstanding these difficulties, operators and council officers are making great efforts to inform the public but inevitably short notice of change is fairly common.
Some regions appear to be able to put out information more quickly than others, possibly due to historical circumstances which have resulted in their public transport officers physically dealing with publicity for operators, as in Tayside. Local newspaper supplements have also been extensively used and appear to be a successful method. Most regions are aiming to produce comprehensive timetables if an appropriate lull in changes occurs. Central Region use a computer-based system to generate up-to-date information, which appears to be very successful.
3.0 REGIONAL REPORTS

Strathclyde Region

1. The situation has in relative terms settled down somewhat since the hectic changes preceding and during the transition period. However, there is still considerable change in levels of supply, routes etc as operators manoeuvre their resources in order to maximise revenue and minimise costs. There were about 300 changed registrations on or about 26th January and many more since.

2. The major 'test case' reference to OFT by Strathclyde Buses (SB) on alleged Scottish Bus Group (SBG) use of reserves to finance competition was made in mid January. This is still being dealt with (see 'Unfair Competition' below).

3. The major 'test case' public inquiry held by the Traffic Commissioner (TC) in February to review alleged over-provision of bus services in Central Glasgow and consequent congestion did not result in any action to reduce the number of buses on the streets (decision announced 17.2.87). TC appears reluctant to be seen to be interfering with competition in any way.

4. Strathclyde Regional Council (SRC) policy on deregulation may affect their disposition towards schools transport, replacement of deregistered services, data availability etc.

5. Cross-subsidy remains a major element in operators' networks but competition (being slowly increased by independents also) is putting great pressure on cross-subsidy. Hence there is a trend to reduce off-peak services and unprofitable sections of routes in the peak, reducing some frequencies.

6. Overall, competition remains at a very high level, with consumer benefits on routes identified by operators for increased services but consumer losses elsewhere. Instability of supply is a characteristic which looks set to continue for the foreseeable future.

7. All-out fares competition has not occurred but selective discounting and pricing has benefited some groups, eg shoppers off peak and OAPs.

8. We are of the view that up to the end of January there had been a transport budget saving 'so far'. This does not in itself mean very much, as there are so many unknowns in the next twelve months or so.
9. It is generally recognized (though not acknowledged by SBG) that in Strathclyde deregulation has led to considerable over provision of services, and that previously marginal services (off peak, rural, weekend, some urban route sections) will continue to be cut back. It seems unlikely that deregulation will in the long term result in lower subsidy costs, unless a lower level of social service is accepted by SRC.

Strathclyde Regional Council - subsidies, tenders etc

10. SRC policy of opposition to deregulation continues to affect the process of supporting non-registered services in various ways. There was a saving from deregulation as of late January 1987 but not much can be taken from this. The view has been expressed to us that in the long term deregulation will not show savings unless councils accept a reduction in social services.

11. SRC appears to allow gaps to occur after deregistration of services before replacing by tender. This makes the point about SRC having to 'pick up the tab'. SRC reacted to Central Scottish threatened withdrawal of 45 Sunday services in Lanarkshire and South Glasgow in March by refusing to 'bow to pressure' by replacing the services at a cost of '£1 million per year'. Central 'climbed down' saying that it was merely a rejigging exercise and few services would actually be withdrawn.

12. SRC specify maximum fares on schools tenders. Operators thus minimise the tender price by maximising fares. Many schools contracts have been shifted to registered services, which is cheaper for SRC but may be less reliable, more crowded and children may have to walk further and wait longer than before. This has given rise to many public complaints. A similar policy has put some children on rail services, since these have often been the lowest tender. Again, public complaints have been common, due to safety and walking distance. (See 'Schools Transport' below.)

13. SRC say that their slow response to 'gap filling' is due to slow forwarding of information from the TC. Doubt has been expressed about this from other quarters.

14. No data are available about overall 'costs of deregulation', though they have been promised in due course. We have been invited to attend briefings for the consultants monitoring deregulation (TRRL etc) but none has been notified as yet. We have been offered access to the fortnightly summaries of service changes, by electoral divisions, but analysis would require considerable resources.

15. SRC does invite tenders for frequency restoration if frequency has fallen by about one third or more cf October 1986 and if frequency is below October 1985 level. Recent (March onwards) SRC policy on 'gaps' is to direct consumers to use bus services to feed into rail or underground services where possible. Tendering also seeks this objective where possible. This certainly fits the 'integration' function of PTE but may give rise to questions about convenience, safety and feasibility - eg for OAPs and young mothers with children.
Competition (tendered services)

16. The SBG subsidiaries and Strathclyde Buses (SB) continue to move resources around in order to maintain competitive pressure, develop markets and minimise costs. Independents are, since 26th January, entering the market on an increasing scale, though are relatively small compared with SBG and SB.

17. Ayrshire has seen some of this activity, with for example Wynter-M minibuses of Irvine operating a new route in Irvine from March 16th but also withdrawing their Fullarton service on March 12th. It has been observed by a large operator that increased independent activity will merely put more pressure on the cross-subsidy in existing systems. Stagecoach (Magicbus) have moved resources around by cutting East Kilbride services and increasing Easterhouse services. Kelvin Scottish have taken seven buses per hour out of Drumchapel and put them into Summerston with a service number 61, identical to the SB Summerston service with which they are competing.

18. SB continue to tune their network and made changes from 1st March. Another package of changes occurred on 12th April. These result in a redistribution of vehicle miles so that the overall total remains the same with increased frequencies on some routes and reductions on others. Route sections are cut out if unprofitable. This leaves other services covering the route but obviously at reduced frequency. For example, the Kirkintilloch-Glasgow service is to be made a direct service, with losses on 'diversion sections'.

19. SRC would like to see more independents entering the market, both for registered and tendered services, but recognize that short-term 'gap filling' or 'emergency' contracts are unattractive to such operators. The comments made by the large operator above would, however, suggest that more independent activity may not be in the wider public interest in the longer term.

Competition (tendered services)

20. See paras 11 - 15 and 19 above.

Fares and ticketing

21. There have been few changes since the transition period and no general 'fares war' has developed, but many discounts are available. There are several fares systems offering discounts which are operator-specific and designed to foster operator loyalty. SB's Grancard is reported as being very successful. The card costs £3 for one month. Kelvin Scottish offer a 15p OAP fare. Multi-mode Transcard has remained popular and Super Transcard (SB) has been successful. Clydeside Scottish have 'Hop-On' fares - a zonal card offering unlimited travel, varying from one week to one year validity, and a 25p shoppers' (off peak) ticket.
22. The general observation has been made to us that Glasgow bus fares were ripe for reduction because fares were high before deregulation, due to SRC policy. Comparison with some other PTE areas tends to support this view.

Routes and frequencies

23. Instability in levels of supply remains a strong characteristic. The effects of operators' strategies, in moving resources around, vary considerably and detailed monitoring would be needed to measure the out-turn supply levels. The data are available but our resources do not allow analysis. As an example of change, Kelvin Scottish proposed cutting commercial services in Dumbarton from mid April (Lennox Herald, 20.3.87).

24. SRC policy appears to be not to enter into immediate agreements to fill gaps in the short term. Some time may therefore elapse before gaps are filled. This is probably not in the direct consumer interest.

25. It has already been noted that some frequency reduction is allowed by SRC policy. It has also been said to us that if a service gap has arisen, it is as a result of SRC policy, meaning that a decision has been taken that the service was unnecessary. Where possible, tendered replacement services are tailored to the rail network. This is in one way good housekeeping and appears sensible, but may also cause inconvenience or even hardship to consumers.

Public information

26. This is acknowledged by SRC to be 'a problem' - understandable in view of the frequent changes. Operators are naturally careful to publicise increased services or fare discounts, but notice of withdrawals has, on press evidence, sometimes been very short. We suspect that a general wariness and battle-hardened attitude is common among bus users in Strathclyde but detailed monitoring of the performance of public information systems is needed before firm comment can be made on this.

27. Operators appear to work on the basis of giving one week's notice of change to households. This may be regarded as inadequate by the Consumer Council. It reflects the six weeks' notification period. Information is acknowledged to be a problem by operators on less frequent services in particular, where the user has to know a specific departure time.

Unfair competition

28. This is still seen as a major issue in the Region. SB has made a complaint to OFT about alleged financing of competition by SBG out of reserves.
29. The present position (1.4.87) on the complaint is as follows. OFT have told SB that they have spoken to Scottish Office (SO) about it. SO replied that they have been given assurances about the situation by SBG. OFT have asked SB if this is helpful and have asked SB to provide details on alleged 'overprovision of services' by SBG. SB are replying to OFT that the SBG assurances are not helpful and that SB will provide written evidence to support their case.

30. The system is clearly ponderous but this may be understandable as one government agency is being asked to censure (or more) a nationalized operator whose framework was established by the Scottish Office.

### Congestion

31. SRC's complaints to TC about congestion in Central Glasgow was subject to a public inquiry in February 1987. The TC did not accept the case on congestion and refused to take action. TC and SBG (latter alleged to be causing congestion) claim that a new traffic management scheme in Central Glasgow would alleviate congestion. SRC are publicly baulking at the cost of the scheme. It is not clear what the outcome will be.

### Safety

32. Some concern has been expressed about the safety of passengers boarding/alighting from rear platform buses, as now commonly used by SBG subsidiaries and Magicbus. Operators tell us that rear platform buses are no worse than front loaders. Passengers falling off the latter can be injured by rear wheels, which is not the case with rear platform vehicles. It was also stated that insurance companies applied the same costs of cover to both types of vehicle.

33. Residents in Rozelle estate, Ayr, are opposed to Western "Scottish minibus services on grounds of safety. (Ayr Advertiser, 26.3.87).

### Rail

34. It is generally accepted that rail services have held or increased their share of the market in deregulation. This is because consumers know the rail system and favour its 'stability'. This also applies to the Underground. This is not to say that the Section 20 Rail Network is not under continued pressure due to SRC shortage of resources. A fresh review of Section 20 is under way by PTE at present. SRC is attempting to route tendered bus services into the rail network, (para. 25).

35. Opening of the Ayr electrified line has clearly resulted in loss of traffic from competing bus services, with reduction in bus services.

### Wage levels

36. Discussions with bus operators suggest that net wages have fallen as a result of deregulation.
Schools transport

37. This continues to be a source of public complaint (press) due to SRC policy of shifting schools transport onto registered services and rail. Some of the financial difficulties on this issue are a reflection of the high cost to operators of running schools services. SB are pulling back from their previous operation, as part of their network, of 'schools services' which were not contracted, because they were costing c £200,000 (Glasgow Herald, 29.1.87). It appears that to reflect peak marginal costs, the average school fare should be around twice the adult fare.

38. SRC say they saved £1.2 million before October 1986 by re-tendering schools contracts and thus have done their best to make savings. Policy is to accept the lowest tender (for pupils with a cumulative walk distance of one mile (primary) or two miles (secondary)) - hence rail contracts have entered the scene. Departure from this policy, eg to alleviate public complaints on rail travel etc, would cost £1 million a year and the Education budget is already overstretched. One third of schools contracts are renewed each August.

Innovation

39. Minibus services continue to expand. Western Scottish are developing their 'Ayr Buzzers' in Ayr from 23rd March, with full services from 3rd May. Ten minute frequencies, a smoking ban, and 'hail and stop' are features.
Lothian Region

1. We are still awaiting some statistics from Lothian Regional Council (LRC) but clearly there has been a substantial increase in bus mileage in the region as a consequence of Eastern Scottish (ES, the local SBG subsidiary) increasing its operations in Edinburgh and Lothian Regional Transport (LRT) moving into some of the country areas. One of the independents, Ian Glass of Haddington, has increased his operations by about 30%; but another independent interviewed had suffered badly from the increased competition between ES and LRT.

Competition

2. Increased competition has mainly been between ES and LRT. Elsewhere there has been little interest by independents who seem content with their traditional contract hire operations.

3. ES (SBG) have put about 2.5 million miles into the city, compared with LRT's 16 million. LRT put about 647,000 miles into the country areas, compared with ES' 12 million. However, LRT reduced its offpeak services in Edinburgh, amounting to about 10% of their total mileage.

4. An ES innovation which has attracted a lot of attention is their City Sprinter minibus service in Edinburgh, which is a high frequency (5 minute) service which does away with the need for a timetable. There is also a hail and ride service in some of the housing estates which it serves, ie passengers can be picked up and let off at their front doors. ES say that this service is very successful and popular, but others in the industry are very sceptical of the economics of minibus services in busy cities.

5. The only independent who appears to have taken advantage of deregulation is Ian Glass of Haddington. Their operation has increased in size by about 30% and the company has added stage carriage services to their traditional hire activities. Their two main routes are Haddington-Edinburgh and Longniddry-Edinburgh where they compete with both ES and LRT. It has been suggested that ES have adopted "spoling tactics" and if so a small operator would find it difficult to respond.

6. LRT also believe that they are competing with ES on an unequal footing, since the SBG financial reserves are much greater than the non-existent ones of LRT.

Fares, frequencies etc

7. On average fares in Edinburgh city have increased substantially, despite the increased competition, and fares in some parts of the commuter belt have fallen. The rural parts of Lothian have experienced little or no change.
8. In the city LRT fares went up by an average of 18% on D Day. However there had been a freeze on fares for the last two years because of the Regional Council's low fare policy and therefore there would have been fare increases in any case. LRT fares are on the same basis throughout the network and this meant that on the country routes they were about one third lower than the green bus (SBG) fares, particularly in Midlothian and East Lothian. SBG reacted by cutting their fares. LRT have standard fares throughout the network which means that cross-subsidy is still in operation. There have been no changes in fares since D Day and LRT think that the present level of fares is reasonably stable.

9. Similarly, ES' city fares have increased. In Midlothian they were reduced by up to 25% in line with the LRT fares. One of the reasons for the reduction in the Midlothian fares was that they previously had high fares on loss making routes which now receive LRC assistance. Eastern Scottish fares in the city were kept at the same level for two months after deregulation. They were lower than those of LRT and the company decided to increase them. There is an advantage to passengers in knowing that fares are the same on Eastern Scottish and LRT routes. Elsewhere there have been very few changes. Mr Mitchell sees no need for any major changes in fares and simply expects them to rise on average by the rate of inflation.

10. Competition has had more effect on multi-ride tickets: the companies are keen to attract loyalty, eg Eastern Scottish charge £5 per week from Penicuik, which works out at about 30p per journey to the city. For four weeks the fare is £17 and for one year £175.

Inflation

11. In our first report we commented on the difficulties which passengers had in obtaining information on new services, particularly in Edinburgh. The position has improved as services have settled into a reasonably stable pattern.

12. ES have maintained their traditional style of leaflets for individual services with minor improvements. These are a compromise between cost and effectiveness. They supplied large quantities to Lothian Bus Line who provide a central information service. These have been supplemented by bus bills, press releases, advertisements, etc. An initial brochure describing Eastern Scottish services was posted through every mailbox in the region. They are not keen on the timetable book type of information because of the many, small changes which are necessary.

13. One minor improvement has been in the design of bus stops in Edinburgh. Lothian RC's Highways department now provide these. They are hoping to introduce timetables etc into the bus shelters. Eastern Scottish have cooperated with Bartholomews regarding the new city tourist map. The operators say that Lothian Regional Council are very keen to promote bus services and have been very helpful.
Grampian Region

1. Competition has increased post January 1987. March and April saw registrations, with a big increase in Grampian Transport services outwith Aberdeen as from 27th April. There are also withdrawals of commercial services in Aberdeen. The result is a shifting pattern of services for the consumer especially in parts of Aberdeen and an increase on commuter routes. Competition is likely to increase if anything in the next few months.

2. There could be implications for rural and offpeak services and for ultimate subsidy costs, but there can be no confirmation of that at present. In general, pressures are building up on operators and may lead to cost-cutting such as fares increases (unlikely), real wage reductions or service reductions. At present the consumer is getting benefits from competition - more choice on some routes, reduced season fares etc. Small numbers have experienced disbenefits.

Regional Council - subsidies, tenders etc

3. The costs of subsidy are expected to show a saving equivalent to 'inflation since 1985/86' - that is, the costs will be similar to those incurred in 1985/86. These figures would be approximately:

- £2 million concessionary fares
- £1 million subsidy

4. Grampian Public Transport Unit were in February 1987 satisfied that the pre-October 26th network had been 'restored', though some 'non-useful' sections of routes or services had gone. Note, however, that this position was stated before withdrawals began in the city in March. The withdrawal by Grampian Transport (GT) of Service 5 has led to Grampian Regional Council (GRC) buying back the service on an emergency contract. Clearly, much more in the way of withdrawals of less remunerative services, which are very expensive to reinstate, would soon lead to a real increase in subsidy costs.

5. There have been delays in the procedures for notification of registration changes, collapsing the six weeks period to ten days, including police and roads department consultation.
6. From late March competition has increased dramatically. Until this time it was confined largely to Aberdeen city with the Ellon route under competition between Grampian Transport (GT) and Northern Scottish (NS). On 31st March GT announced new services as follows, beginning on 27th April:

- Aberdeen - Inverurie (Service 30)
- - Westhill (33)
- - Stonehaven (31) (via Portlethen)
- - Banchory (35)
- - Newmachar (34)

These are generally with two to four commuter services and a one hourly or two hourly off peak frequency Monday to Friday, Saturday services but no Sunday services. These routes all compete directly with NS and often roughly double the supply.

7. An interpretation of this move by GT is as an effort to dilute NS revenue on these routes which is important in supporting NS city competition. It may be just a stage in the process of attempting to restore the status quo ante - ie GT on city routes, NS outside the city. It may also be forecast that NS will next 'retaliate' by increasing competition in the city, or on these commuter routes.

8. Elsewhere, Northern Scottish appear to be reshuffling their supply levels. Services 9 and 10, Northfield - Torry, are being reduced, also Faulds Gate - Heathryfold peak and Sunday services. A new service 60, Airyhall-Hillhead, was introduced in April in direct competition with GT. There appears to be a saving in vehicle resources for NS, which they may employ elsewhere, and Scatterburn - Cove is thought a possibility, with Bridge of Don less likely. The NS Westhill - Portlethen service, a product of deregulation, continues.

9. Grampian Transport have reduced services in the Hilton area in order to improve Heathryfold services and to protect the latter market. Elderly people in Hilton have been organizing petitions in protest. GT have discontinued their 'new' service 5 in the Danestone (Bridge of Don) area, amid protests. They have rerouted their Ellon service via Meiklemill (an improvement) and have increased their Torry services to become dominant in that area after apparent NS retreat.

10. There is pressure for increased fares among operators but it is expected that these will be avoided if at all possible. The price of avoiding fare rises is inevitably losses in services - hence deregistrations (see below).
Competition (tendered services)

11. No significant changes cf pre-January 1987. There have been no major rounds of contract awards.

Fares

12. The consumer on GT services is getting greater discounts on season (City Wide, City Ride) tickets as from 1st April. The 3-month ticket drops by £7 to £43; monthly ticket drops £3 to £16; weekly ticket drops £1 to £4.80. GT have also been offering £7 discount on student tickets (normal price £22.50 to £46.50) if bought before the end of Spring Term. NS have countered by offering a new system of city concessions, said to undercut GT, from 13th April.

13. Ticket availability remains operator-specific. As mentioned above there is pressure for fare increases due to competition and inflation. Operators are keen to avoid increases, but it seems unlikely that general fare reductions can continue indefinitely given the present, and increasing, level of competition.

14. Concessionary fares continue as previously. It may be observed that, in Grampian as elsewhere, concessionary fares payments are keeping many services out of the supported (tendered) system, effectively subsidizing many registered services.

Routes, services, frequencies

15. Detailed assessments of the changes noted above have not been made. There has generally been approximate maintenance by each operator of service levels in the main areas of competition hitherto (public housing areas, Torry etc), so that such areas, with those served by new routes, have higher service levels than pre-October 26th. This includes Aberdeen - Ellon and Westhill - Portlethen.

16. However, services are fluctuating in detail as the two competitors shift their resources around the city, protecting markets and launching new offensives. This instability is expected to continue and may well increase. Service reductions in the off-peak and on Sundays are taking place, as well as in less remunerative services but so far it is probably true to say that the main effect has been to reduce services that were themselves an 'extra supply' after October 26th. Continued competitive pressures, however, may see cuts elsewhere in the networks, which could reduce beyond pre-October 26th service levels.

Public information

17. Grampian Public Transport Unit are finding some difficulty in ensuring adequate coordinated information supply, especially because of the squeezing of the six weeks notification period (see above). It is proposed to issue a new combined timetable when pressure of changes allows. Press coverage (Press and Journal) does not suggest that lack of information per se is a public concern. Most attention focusses on change in services, notably withdrawals, reductions or rerouting.
Other issues

18. No problems reported on bus stations, unfair competition etc. No changes regarding innovations, disabled passengers, minibuses etc.

19. No changes in wage levels or recruitment, although commercial pressures are forcing operators to seek ways of reducing wage bills.

20. Service unreliability has been mentioned as a result of deregulation pressures but, in the absence of more detailed performance monitoring, a definitive statement on this topic cannot be made.
Tayside Region

1. The level of competition has increased slightly and patchily since January 26th. The main competition remains between Strathay Scottish (SS) and Tayside Buses (TB) in parts of Dundee but there is also some with independents involved on the Dundee - Perth and Newburgh - Perth routes.

2. Consumers have to date, in general, got a better service level on competing routes and some fares reductions (in the Carse and Newburgh areas). Generalization is very difficult, with no very obvious patterns emerging.

Regional Council - subsidies, tenders etc

3. It is expected that TRC will be 'overspent' on support costs, not in the 1986/87 financial year but on trends running on through 1987/88. This suggests an increased cost of pre-October 26th. It is a reflection of the competition summarized below, involving TB, SS and independents.

4. There have been complaints about the bus services linking with rail at Dunblane. TRC are going to increase this service by diverting a Perth-Stirling service and also by a City Link service.

5. TRC are working with SS to add more services in the Crieff area.

Competition (registered services)

6. This is increasing in a patchy but significant way. It remains primarily between TB and SS in Dundee city but there is also competition elsewhere and including independents. This could be significant for ultimate increase in support costs.

7. The result of a complex series of changes in Dundee has been that commercial services are now providing a pattern similar to that pre-October 26th, but with a greater level of TB/SS competition in the west end of the city than in the transition period. Other competition in the city is via the 'Weebus' midibus service Asda - Trottick - Downfield and from Strathmartine Hospital - Downfield. Competition now operates in the Carse (Errol - Perth) from Highwayman Coaches, against SS Perth-Dundee service. This will abstract revenue from the latter. There is also competition in this area between Highwayman and Stagecoach, with fare reductions.

8. Stagecoach started a Newburgh - Perth service on 22nd March in competition with Fife Scottish, operating a tendered service (Fife Region). The Fife Regional Council response is awaited. Smith of Coupar Angus is competing with SS Blairgowrie - Perth, from 2nd March - an hourly service, added to SS hourly service.

9. It has been confirmed that cross-subsidy remains an important part of large operators' systems. It is used to finance competition.
Competition (tendered services)

10. No changes to report. The next 'round' is August 1987.

Fares

11. Concessionary fares remain basically as before but with some extra benefits. These include, from 1st April, a 10p concessionary fare on any adult fare up to 60p. Another change has been the extension of concessionary fares to those who have lost drivers licence for medical reasons. TRC are concerned about the costs of concessionary fares, especially as the Council has less influence on services which are 'kept out' of the tendered system by such payments.

12. Fares reductions have resulted from competition on Errol - Perth services (Highwayman/Stagecoach/SS). Stagecoach are also reported to be reducing fares in their area north of Perth, for reasons which are not clear - possibly just to stimulate the market.

Routes, frequencies etc

13. As noted above, there have been and continue to be quite large-scale changes in services, but without a large volume of public complaints. The process of change in Dundee appears to have resulted in a sensible reduction of perceived 'over supply' (Lochee Road) and some tidying up of services. There is, however, no guarantee of stability either in the city or in other areas and TRC anticipate continuing changes for the foreseeable future in many areas.

Public information

14. One reason for the apparently low level of complaints in general appears to be the high level of efficiency in information dissemination by TRC, partly for historical reasons. They handle publicity for both TB and SS, both commercial and tendered services, though both companies also do their own publicity leaflet drops etc. This pattern, with the Regional Council handling information for competitors, might be a useful model for other regions.

Unfair competition etc

15. It was reported to us that SS were running unregistered journeys before and after Smith of Coupar Angus (Blairgowrie - Perth) services. TRC are adopting a policy of not directly reporting such practices but it raises the question of who is policing the system. Presumably it is expected that the operator affected will report to the Traffic Commissioner.

16. An important point about the role of the Traffic Commissioner in 'policing' deregulation was made by TRC. In effect, the Comissioner is unable to enforce anything on operators who are entering the fuel tax rebate system for the first time (since loss of rebate is one of the main penalties). For example, a premature withdrawal cannot be prevented. The penalties are not effective.
Employment

17. SS report an additional 70 drivers and conductors have been taken on, the latter for Dundee - Perth services.

Bus stances

18. Some problems arose at the High Street, Dundee, stances but TRC have been sorting this out and have the matter in hand. No other problems reported under this heading.
Fife Region

1. The situation in Fife as a whole is one of increasing competition though on a much smaller scale than in Grampian, Tayside or Strathclyde. There is significant change in the Dunfermline area and in Glenrothes where competition has arisen. The issue of network tendering remains significant.

2. The absence of competition in much of the region may be a matter for concern and is due to the dominance of one large operator (Fife Scottish, FS) with no competitor of comparable size. There have been allegations of unfair competition, in terms of SBG reserves, in the running of 'duplicates' to sandwich competing services and in the network packaging policy of Fife Regional Council (FRC). Traffic Commissioner 'policing' appears ineffective but safety checks have increased.

Regional Council - tenders etc

3. The costs of deregulation now stated by FRC are of the order of £850,000, the increase of £450,000 since transition being due to FS returning this amount from pre-deregulation subsidy.

4. The tender packaging employed by FS and permitted by FRC is causing concern to FRC officers. As from October 26th, FS were awarded six out of seven packages, each one being for 15 to 30 contracts. It has been asserted that each package would need at least 25 vehicles. This size of package, with its discount for complete acceptance, prevents smaller operators from competing.

5. FRC Public Transport Unit proposed (February 1987) to limit packages to about five contracts (about £50 - 70,000). However, this was rejected by FRC.

6. The future for encouraging smaller operators to break into tendering does not look bright. New contracts (August 1987) will be on a three year cycle: NE Fife, three year contracts; Kirkcaldy area, two years and West Fife, one year.

Competition (registered services)

7. This has developed since 26th January in two areas, Glenrothes and Dunfermline between FS and two independents. In Glenrothes, the Glenrothes Executive minibuses are being challenged by FS minibuses (three services). In the Dunfermline area, Rennies came in on 26th January with a registered hourly Dunfermline - Ballingry service and with registered rural services.

8. Rennies are now cutting back from rural areas by truncating routes and limiting them to urban, mining areas and increasing frequencies. FS have responded on the Dunfermline - Ballingry route by increasing their frequency to five per hour. Rennies are responding in turn during the peak but will decrease their off peak and early week frequencies. Passengers on this route therefore have a nominal six buses per hour with more during the peak, and a clear benefit has resulted. It has been observed that passengers simply get on the first bus available and show no preference/loyalty. (FS were the 'incumbents'.)
9. Rennies appear to be capable of stepping up competition (note they have reduced costs by cutting back new rural services). No doubt FS can maintain competition indefinitely vis a vis Rennies, in the absence of significant competition elsewhere in the region.

**Competition (tendered services)**

10. No changes - no new round of awards.

**Fares**

11. FS are continuing to finance 14 and 15 year old 'half fare at all times' concession, at a cost of about £200,000 per year. This is in effect being paid for by FRC as part of the 'extra cost of deregulation' (see para 3). The same applies to FS' 'unemployed' concession.

12. FRC are financing other concessionary fares as before and extending categories to include companions of elderly and disabled, plus those without driving licence on medical grounds and students in FE, Monday-Friday term time (half fare).

13. There has been no significant fares competition vis a vis Rennies/FS/Glenrothes Executive. Rennies are meantime applying the FRC standard fares. Future fares competition cannot be ruled out.

**Routes, frequencies etc**

14. This topic covered in paras 7 - 9 above. Scottish Citylink have withdrawn their registered Leven - Ayr service and reduced their St Andrews - Edinburgh/Ayr frequency.

**Public information**

15. No problems reported.

**Bus stations**

16. No access problems at Dunfermline Bus Station but Rennies feel the separately located FS and Rennies stances for Ballingry service favour FS. Not a serious consumer problem.

**Recruitment**

17. Rennies report 12 full-time drivers and one fitter recruited as a result of their increased activities.

**Innovation**

18. Rennies tried executive-style coaches on the Ballingry route. Toilets were systematically destroyed and the experiment will not be repeated.
Unfair competition etc

19. It appears to be difficult for independents to get information for tenders. This appears due to operators' lack of information to FRC, inhibiting effective tendering.

Safety

20. Safety spot checks on independents have been stepped up.
Highland Region

1. Highland Regional Council was the first local authority in Scotland to adopt the new system when it decided that it would be sensible to introduce the new subsidized services from the start of the school year, the 11th August. Thus these services were in operation for ten weeks prior to the official 'D Day' on the 25th October.

2. A few new private operators have emerged in the remoter parts of the region and some of the existing private operators have increased their services to compete with the local SBG subsidiary Highland Scottish. Highland Scottish' (HS) reaction to this increased competition has attracted a lot of attention, particularly the Castletown case mentioned in the main text.

3. Nevertheless changes in services have not been substantial so far and there are few signs of significant improvements or deteriorations. There were a few minor changes after the 26th January with a slight net increase in services. The cutbacks were mainly confined to routes with competition (see below) and do not appear to have caused serious problems.

Local authority assisted services

4. The population and geography of the Highlands are such that many of the rural services could never be commercial. There is, for example, an extensive postbus network and many other passenger services are linked to the delivery of freight and newspapers.

5. At the end of May Highland Regional Council became the first local authority in Scotland to award tenders under the new Act. These covered 59 routes which had not been registered plus 14 others which had but which the Council felt were inadequate. The Council estimates that it has saved about £137,000 in the cost of bus subsidies while being able to retain virtually the same level of service as pre-deregulation.

6. HRC's timetable was as follows:

(1) 28 February 1986: Operators registered their commercial networks

(2) 13 March 1986: Roads and Transport Committee considered the registered commercial networks and decided what additional services were required

(3) 19 March 1986: Invitations to tender were sent out to operators for additional services required by Roads and Transport Committee. Tenders were invited for three years commencing 11 August 1986.
(4) 23 April 1986: Closing date for tenders
(5) 29 May 1986: Roads and Transport Committee decided which tenders to accept. In all cases, the lowest tender was accepted.
(6) 4 June 1986: Successful tenderers were notified
(7) 11 August 1986: Tendered services started.

7. 68 services were commercially registered, as follows:

- identical to previous services: 25
- different from previous services: 25
  - but acceptable to Roads & Transport Committee: 14
  - "topping up" services: 4
  - new services: 68

8. Invitations to tender were issued for 73 services, including the 14 "topping up" services mentioned above. In 24 cases, the successful tenderer was a different operator from the existing operator of the route. Highland Scottish the local Scottish Bus Group subsidiary lost 17 services to various independent operators and gained two services from independents. The other five services 'changed hands' between independent operators.

9. As a result of the tendering process, Mr Roberts, the Council's Transport Officer, estimates that the following changes in annual subsidy payments will occur:

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<tr>
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<th>Former subsidy</th>
<th>New subsidy</th>
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<td></td>
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<tr>
<td>Highland Scottish</td>
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<td>-26</td>
</tr>
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10. However, Mr Roberts stressed that it is very difficult to estimate the costs or savings of deregulation at the present time because of the difficulties of comparing 'like with like'. In particular there is the complication of the rural bus grant, which is discussed elsewhere in this report.
11. Three tender services provide interesting examples. The Fort William lunchtime services used to cost HRC about £150,000 per year in subsidy. The operator's (HS) successful tender was for a £20,000 subsidy, giving the Council an apparent saving of £130,000 per year. Also in Lochaber, Gaelicbus won other lunchtime contracts with a tender of £7,829, almost one tenth of the HS bid of £75,490. We have not discussed these particular cases with Highland Scottish so we do not know their views, but the above figures could be interpreted as evidence that (a) the company were inefficient pre-deregulation or (b) were taking advantage of their monopoly or near monopoly position.

12. In Wester Ross, Bain of Gairloch won a contract with a tender for a £1,800 subsidy. The company subsequently withdrew saying that it was losing money on the service in question. HRC invited new tenders but Bain were again the only bidder, this time asking for a £18,000 subsidy, ten times their initial bid! At the time of writing HRC had not decided what to do about this service, but these examples highlight some of the issues which can arise in the remoter areas where there are monopoly operators.

**Competition**

13. 68 commercial services in the region were initially registered with the Traffic Commissioner. Most of these came from Highland Scottish. Notable expansions by independent operators were those of Dunnet's Motors in Caithness, Gaelicbus of Ballachulish, Rapson Coaches of Alness and SPA Motors of Strathpeffer. It is interesting to note that earlier in the year Highland Scottish took over its main competitor Newton's of Dingwall so that competition in the Inverness/Easter Ross area is much less than might have been the case.

14. Although most of the independents operate on a very small scale by Scottish standards, the expansions have been quite substantial for the companies concerned. For example, Dunnet's have increased their bus fleet from 11 to 16 and their employment by a similar proportion.

15. A consequence of Highland Regional Council (HRC)'s decision to introduce deregulation early was that in some cases where the successful tenderers for subsidized services were different from the previous operators, the old operator refused to give up the service and continued to run without subsidy alongside the new contractor, presumably hoping to 'see off' the competition and win back the contract eventually. This would have had to have been achieved by the 25th October for services not registered commercially by the old operators.
16. Highland Scottish, the local SBG subsidiary, duly applied to the Traffic Commissioner for licences which were approved despite objections from HRC that these would undermine the position of those operators who had won tender contracts in good faith. Thus in August HS began competing on the Thurso-Castletown route, in Dingwall and in Nairn against Dunnet's Motors, SPA Motors and Rapson of Alness respectively.

17. The Castletown case was dealt with in detail in our first report. At one time the village, with a population of about 1500, had 52 services a day, a massive increase on the pre-deregulation position.

18. The Scottish Consumer Council raised the Castletown case with the Office of Fair Trading (OFT) in case it involved anti-competitive practices. It is not clear what the OFT actually did but HS decided to withdraw the Thurso-Castletown services from April 1987 after correspondence with the OFT. We understand that the OFT took the view that the operation was anti-competitive.

19. An important issue, discussed elsewhere in this report, is the reluctance of the Office of Fair Trading to consider this case and the length of time once they came involved. The SCC wrote to the OFT on the 4th September 1986; the OFT reply, intimating that they had completed their enquiries, was sent on the 23rd February 1987, nearly six months later.

20. The small scale of many bus operators in Rural Scotland is such that if they were faced with unfair competition they could be forced out of business during that timescale. Under the HRC tender contracts operators have to give three months notice of withdrawal. A substantial and unforeseen loss of revenue over a few months could be disastrous.

21. A similar case arose in Sutherland where Rapson of Brora won the HRC tenders for the routes between Lairg and Lochinver/Durness, previously operated by Sutherland Transport who continue to have the mail contract. The latter responded by providing free passenger transport during the three month standstill period. Rapson reported the company to the OFT. The managing director of Sutherland Transport was quoted as saying "the company would obviously lose money on the routes over the next three months but it was a long term strategy to win passengers ... Sutherland Transport have always provided a service in this part of the world and will fight to maintain our presence". The outcome of this particular case is not yet know.

22. Faced with the loss of some tender contract services and increased competition in certain areas, HS have had to cut their employment by about 10% in order to reduce costs. At the time of writing they are having difficulties with the trade unions, eg over the use of mechanics as part-time drivers, but it is clear that they are endeavouring to increase efficiency in order to respond to the new competition.
Fares, frequencies etc

23. Apart from the free travel in Sutherland mentioned above, deregulation appears to have had little effect on fares. Where there has been increased competition it has generally been in terms of increased frequencies. As elsewhere, the cost of lunchtime travel by schoolchildren has increased substantially, although this practice is inevitably limited to a few of the larger towns. There have been a few small reductions in areas with competition and taking account of inflation in real terms fares have probably fallen by about 4% on average given that most fares have remained unchanged.

24. Although we do not have detailed statistics yet we believe that there has been a slight increase in bus mileage in Highland Region (up to 5%). HRC assisted services have been maintained at roughly the pre-deregulation level.

Complaints

25. Our monitoring of the local press has revealed quite a few complaints, mainly about minor changes in timings and routes, eg in Grantown-on-Spey and Wick/Fulteney. There have been problems with lunchtime travel for schoolchildren, as elsewhere.

26. HRC have received only one direct complaint - from a community council. The service in the new contract included an additional evening run not previously operated. The bus company forgot to tell the driver!

Bus stations

27. Bus stations are not common in the Highlands and only Inverness could claim to have a "real" bus station. Highland Omnibuses had an exclusive lease on this from HRC. When the express services were deregulated, independents such as Newtons and Stagecoach had to operate from stances in adjacent streets, which was unsatisfactory for passengers and caused traffic problems.

28. Since deregulation HRC have expanded the Farraline Park bus station in Inverness (by removing public car parking) so that there is space for independents. There were initial complaints about the charges levied by HS but the present arrangements appear amicable and satisfactory for passengers.
Post-January 1987 changes

29. As elsewhere in Scotland, it is clear that the current pattern of services is likely to be changed substantially over the next six months or so. The relatively high proportion of HRC tender services gives considerable stability to the overall network but we expect a lot of changes, particularly as the independents assess the implications of the first year of deregulation.

30. The Council's Transport Officer informed us of 20 changes (other than minor retimings and normal seasonal changes) so far in 1987. Five of these are new services; two are withdrawals. The latter are on routes where there are competing services - i.e. Castletown/Thurso - so it is unlikely that HRC will issue tenders to replace them. There are quite a few augmented services by independents, such as Gaelicbus and Rapson's Coaches, which suggests that they are encouraged by their experience so far.
Central Region

1. Central Regional Council (CRC) estimate that bus mileage in the region has increased from 7.25 million miles to 8.55m. (+18%). Of this about 0.7m. are on new express services and if they were discounted the increase would be about 600,000 miles (+8%). However, these figures are much higher than those reported to us by the bus operators, with for example Midland Scottish (MS, the local SBG subsidiary) mentioning an increase of only 9,000 bus miles (+0.33%).

2. Peak services have increased at the expense of off peak. Some geographical areas have benefited, eg Alloa, Bo'ness and Grangemouth, but others have experienced a cut in services, eg Cambus and some of the remoter rural areas.

Competition

3. Most services are provided by Midland Scottish (commonly referred to locally by its old name Alexanders). The only significant competition in the region is with Mackies of Alloa. The latter have increased their services by about 10%, with similar increases in bus numbers and employees.

4. MS have retaliated by introducing four 25 seat minibuses in Alloa, Tullibody and Sauchie. Mackies have complained to the Traffic Commissioner about alleged MS tactics of running buses either side of their services "to soak up the custom".

Local authority services

5. Central Regional Council (CRC) have virtually put back everything that was not commercially registered, although comparisons are difficult because of minor route/frequency changes. Within specific areas, eg Bo'ness and rural Stirling district, there has been a lot of change. Since the original registrations in April 1986 there have been more than 220 new registrations or changes.

6. There have consequently been tremendous problems with information and publicity. CRC believed that they had the best publicity system in Scotland, eg they had timetables at 800 bus stops. Midland Scottish (MS) have agreed to look after 250 of these. So far CRC and MS have managed to cover about 450 but it is difficult to complete the others. They are now trying to computerize the system. Most timetables have already been changed at least twice since deregulation.
7. The initial tendering was hectic. There was not enough time to do it properly because of so many minor changes in the registered services. CRC had to tender about 20% of the total route mileage and this was packaged into 66 contracts. Mr Lindsay (the Public Transport Officer) believes that this saved the Council a lot of money. They had to negotiate some contracts very quickly and the timing was far too tight for CRC.

8. They put out over 600 documents to interested companies but were disappointed by the response. There has been very little competition in the Region.

9. Regarding finances, the net cost taking into account revenue from other authorities, the education department, etc. is about £805,000 in a full financial year. The previous budget was £1.113 million. The revenue support figure of £1.063 million is more comparable with the current £805,000, but there have been substantial changes in the concessionary fare system. This cost £806,000 before deregulation and now about £614,000. There has therefore been a notional saving of about £135,000 but it must be remembered that the rural bus grant amounts to about £62,000 in a full year and this should really be deducted from any savings.

10. However, CRC expenditure on bus services immediately pre-deregulation was unusually high. The Ministry of Transport insisted that Midland Scottish closed two depots. The company were forced to hire in extra buses etc and reckon to have spent about £602,000 extra on this problem, most of which was reimbursed to them by CRC. In addition the Scotmap changes have probably resulted in savings of about £400,000. Overall Mr Lindsay believes that deregulation has cost the Council between £162,000 - £200,000.

11. He also pointed out that the Government has paid directly to operators in Scotland at least £200,000 in rural bus grant. When this finishes operators will have to reclaim this from local authorities or increase their fares. He believes that the rural bus grant should therefore be deducted from any estimated savings.

Fares, frequencies etc

12. There have been no significant changes in Central Region, apart from minor ones of rounding up fares, eg to 15p/20p etc. MS say that they have reduced their fares only where there was substantial competition, eg by up to 30% in Alloa and on the commuter services to Edinburgh. Mackies also dropped their local fares by 7p and 15p to match the MS cuts.
13. Frequencies have increased in the Alloa area, with services going into housing estates where there had been no previous operations. MS have also increased the limited stop "Bluebird Express" services between Central Region towns and Edinburgh and Glasgow. However, in order to compete with Mackies on the Alloa-Stirling route they had to take a service away from the village of Cambus. This example was quoted to us "as a classic example of how deregulation and competition has hit a small community badly".

14. Given the CRC policy of maintaining services at pre-deregulation levels as far as possible, the changes have been very small. Regarding passenger complaints, there were quite a few early on, particularly where interchange of bus was necessary, eg in the Balfron and Aberfoyle areas. There have also been complaints from parents where school routes have changed. CRC have managed to fill in most of the gaps in the registered services and very few people have been seriously inconvenienced. Ticketing arrangements are difficult, eg zonal cards and rural rambler tickets have virtually stopped. There are also problems with return tickets where two operators are involved.
**Borders**

1. The Borders has seen a slight increase in overall mileage in the region. Lowland Scottish provide most of the services but there is a relatively large number of established independents and there has been a noticeable increase in competition on the east coast.

2. The registered services covered an estimated 70% of previous operations. New services were registered by Taxibus Services Ltd of Berwick to operate between Berwick and Eyemouth using new provisions of the Transport Act which enable licenced taxi operators to provide a local scheduled service without a full PSV operators licence. The only other new public services offered were journeys which had previously operated exclusively for mill workers and which were now to be made available to the general public. Some minor improvements to existing timetables were made by the existing operator of Hawick and Peebles town services.

**Local authority services**

3. The gaps in commercial services were principally to be found in Berwickshire, Upper Tweeddale and south of Hawick, but a small number of gaps also arose in other areas, especially in the evenings. During the autumn of 1985 the Borders Regional Council (BRC) had carried out extensive surveys of passenger travel within most of the areas affected and during March 1986 every Community Council was consulted about their requirements. As a result of these studies and consultations, the Regional Council entered into five agreements to extend or vary commercially registered services and invited tenders for 35 services to run on contract. The contract specifications took full account of observations received so that the contracts let in some cases reflected reduced demand or in other cases met new requirements. Overall the total level of service is broadly unchanged.

4. Of the 35 contracts, 17 were contested by more than one operator and six changed hands. Amongst the 18 uncontested bids there was one case where the existing operator made no bid. Overall Lowland Scottish are operating about 90% of all local bus mileage compared with 94% prior to deregulation.

5. The overall saving in subsidy is estimated as £27,000. The gross contract cost for 1986/87 was £621,921 for 1,466,200 bus miles. The estimated cost in 1987/88 is £658,701 including an inflation allowance for roughly the same bus mileage. However, there is reimbursement from other departments and from other local authorities for services which cross regional boundaries and the net figures are 1986/87 £450,030 and for 1987/88 £449,950, including an inflation allowance of about 5%.
The 1,466,200 bus miles is the contracted bus mileage and this excludes the commercially registered services. The total pre-deregulation mileage was 2,981,000 and BRC believes that the new mileage is a little higher than that. Operators claim to have registered about 70% of the original mileage in Scotland as a whole but the proportion in the Borders is probably less than that. However, it appears that there has been an increase in the total mileage. There has been a slight increase in the commercial operations, eg the Hawick town service frequency has increased and there are additional services between Hawick and Edinburgh, plus the new Taxibus services in Berwick.

**Fares**

Regarding fares, in 1986 the only major change has been the reduction of discounts for school concessions. There have been a few minor increases where fares were out-of-line with others. Recently LSOL increased fares by 5p on all fares up to £1, by 10p on fares between £1 and £2 and by 15p on fares exceeding £2. The company maintain that the general increase in fares is about 4.5% but BRC believe that the actual average is about a 9% increase. A few fares have been pegged on particularly the town services and a few reduced. However, it may be difficult to attribute these fare increases to deregulation because there was no general increase in fares in 1986 and with inflation the fares might in any case have been increased.

From August LSOL intend to further cut the discount on scholars' tickets and this will increase their cost by about 5%. Taxibus of Berwick have also put up their fares in January for daytime services. They also wanted to increase evening fares but BRC who subsidize these said no.

Pensioner concession fares remain unaltered. BRC have always included all groups eligible by law for concessionary fares and two new groups will be introduced from May. However, the new scheme has high administrative costs, particularly in relation to verification, which are likely to cost the Council an extra £5,000 per year. All operators in the region are participating voluntarily.

The cost of school travel has increased substantially for those paying their own tickets, principally in the towns. Fares are roughly 20% higher now and next year will be 25% more. At present there is free lunch time travel if they buy scholars' tickets but LSOL are threatening to stop this. BRC are trying to persuade the company to sell four trip per day tickets. BRC allow the operators to bring in country children up to half an hour before school so that some buses can be used for collecting pupils in towns. There are similar arrangements in the evenings. Some parents have complained about this but it makes a major difference to the economics of the school bus services. BRC integrated school and public transport services in 1983 so they did not have the deregulation problems that many other regions in Scotland have had.
Complaints

11. There have been very few complaints by passengers about the new services. Only six specific complaints have been made to the Regional Council although there will have been others directly to the bus operators. There were some hiccups over individual services after deregulation, including a few simple oversights, eg in Tweedbank and Peebles, but most of these were resolved very quickly. They have had requests for additional services and will investigate these during the summer and probably run a few trial services. This will depend to some extent on the financial position and in particular if LSOL deregister services in the summer which the Council need to continue.

12. There have been a lot of complaints about the increase in fares for school children and also, to a lesser extent, the loss of through fares and return fares which involve two operators. There have also been instances on some Dunbar-Edinburgh services where the drivers have refused to take concessionary cards despite an agreement with the company.

Bus stations

13. Regarding bus stations there are only three in the region and two outwith the region which are used by local services. Those at Galashiels and Kelso are owned by Lowland Scottish. At Galashiels the company would charge independents £1 per departure but at present there are no independents using it. At Kelso no independents are allowed into the bus station even in the cases where independents are subcontractors to Lowland Scottish. It is a combined bus station/maintenance depot and there is a great deal of congestion, so the independents and some LSOL services operate from outside in the street. The bus station at Berwick is owned by Northumbria who do not charge independents for using it for contract services but refuse access for commercial services (eg Taxibus). Outwith the region local services use Carlisle and St Andrews Square in Edinburgh and there appear to be perfectly amicable arrangements there. Elsewhere in the region services operate from stances in the streets and there is no charge.

Publicity

14. The Council and passengers have had problems with publicity, particularly in the early days. Deregulation started in August to coincide with the school terms. The publicity has basically been split into two: the area dominated by Lowland Scottish and the remaining area. Publicity has been entirely done by leaflets. In some areas there have been two versions of leaflets - LSOL and BRC. The independents have been very poor with publicity and have mainly relied on the BRC leaflets. The Council will produce a new edition of its Borders Travel Guide soon but there are obvious doubts about its accuracy in the long run because of possible future changes. The council has doubled its publicity budget. Some leaflets are now in their third print since August, cf the old days when they might last four years. They recognize that publicity is a legitimate role for BRC and that it is in the public interest.
Dumfries and Galloway

1. There have been a lot of minor changes in Dumfries and Galloway but the Regional Council (DGRC), like most local authorities, has pursued a policy of trying to maintain bus services at the pre-deregulation level so the overall changes have not been great. Western Scottish (Western SMT, the local SBG subsidiary) dominate the region and there is only one route with any significant competition: the Dumfries town service where Western and Dickson compete.

Competition

2. Deregulation appears to have brought about a change in the balance between public and private sector bus operations. Within the town of Dumfries Western Scottish has retained most of its previous network but A G Dickson of Dumfries has won a Council contract to provide early morning journeys between Lochside and Queensberry Square. Another contract won by them is for the provision of most journeys on the former Western service between the town centre and Glencairn or Caerlaverock.

3. The award of contracts for subsidised services in the rural areas surrounding Dumfries has resulted in substantial expansion of local service commitments for the firm of W L & W Peacock of Locharbriggs. In addition to the Dumfries-New Abbey service which was operated prior to deregulation, they now provide tendered journeys between Dumfries and Shawhead, Sanquhar, Thornhill, Moniaive and Annan.

4. Nelson of Thornhill and J & J Leith of Sanquhar also provide journeys in the Nith Valley corridor between Dumfries, Thornhill and Sanquhar. Leith has also won the contract for the Sanquhar-Wanlockhead-Leadhills route together with journeys between Sanquhar and Kirkconnel. J Creighton of Moffat continues to provide a service between Moffat and Lockerbie as before but also now runs the service between Lockerbie and Boreland previously operated by T Rae & Sons of the latter village.

5. In the Dumfries/Moffat corridor J Gibson & Son still offer services between Dumfries, Ae Village and Moffat although Western now provides a shoppers' return journey (service 72) between Dumfries and Moffat and MacEwen of Dumfries took over the Dumfries-Moffat-Edinburgh weekend service 99 from the Scottish Bus Group last August. In the Annan area, W J Gallacher trading as (Annan Minibus Service), provides journeys between Annan and Gretna via Eastriggs while Palmer of Carlisle and Borderbus both provide journeys between Carlisle and the Gretna district. The established pre-deregulation services of Bowden, Carlisle and Telford, Newcastleton between Langholm/Longtown and Newcastleton/Longtown respectively remain in operation.
6. Elsewhere in the Region, Galloway has more services provided now by the private sector than before. McCulloch's Bus Service of Stoneykirk still operates its established Tuesday and Friday service between Stranraer and New Luce but in addition certain journeys between Stranraer and Kirkcudbright, Drummore and Kirkcolm are now supplied. On Tuesdays, Thursdays and Saturdays J & J Parrott of Port William complements Western's services to the Isle of Whithorn with a few journeys between Wigtown and Port William.

7. Another service which has continued throughout deregulation is that of Colvend and Southwick Community Council between Dalbeattie and Sandyhills, which is one of very few services in Scotland provided by a Community Council. The former Western service 51 between Castle Douglas and Ayr has been replaced by a service 75 between Castle Douglas and Dalmellington, but operating to a reduced timetable. The gap created in this service has been filled by appropriate journeys on the Regional Council's own Yellow Buses route S2, linking Castle Douglas with New Galloway and Carsphairn.

8. Other Yellow Buses and postbus services throughout the Region are largely unchanged. Although Western is still the predominant operator in Dumfries and Galloway the revised level of provision have allowed the company to streamline its arrangements for operating premises and the outstationing of vehicles.

Local authority services

9. The original commercial registrations covered about 50% of the pre-deregulation bus mileage. This was higher than expected. The Regional Council decided on a staged approach to the tender services with one major round followed by three subsequent smaller tender rounds. They were very concerned about having the finance available and decided that this was the only approach they could take.

10. There was a great deal of competition for the contracts which were generally very small packages. There were only a few uncontested bids.

11. The Council also had no original intention of formalizing the concessionary fare system because of similar doubts regarding finance. However they were able to introduce a voluntary scheme.

12. The financial estimates within the budget were set on the basis of the previous practice. There appear to have been no adverse budget implications. There has been a small financial saving in 1986-87. They have virtually replicated the previous level of service: about 95% plus a few new services.

13. Regarding fares, the contracted services perpetuated the pre-deregulation fares as maximum fares, with an allowance for inflation.
14. There is only one route in the region with any significant competition: the Dumfries town service where Western SMT and Dickson compete. Because of the incremental tender system, on one route there can be up to six operators at different times of the day. Through ticketing is a problem.

15. They have perpetuated a high level of integration between school and public transport but are still concerned about the stability of the services. Dickson tried a service to Dalbeattie which lasted only eight weeks. Peacock is the main independent operator who obtained a substantial part of the contract network.

16. The Council’s annual expenditure is about £800,000 per year including concessions within the terms of contract services and school transport. There will be additional costs when they know what the concessionary fares are with the commercial operators, the size of which is unknown at present. In addition the Council spend about £1 million on non-public school transport services, eg minibuses.

17. Regarding timetables, prior to the 26th October DGRC produced a comprehensive timetable of all registered services excluding Dumfries which was about 90% Western. Western did not produce a timetable until January 1987. In addition the Council operated a three week freetone line which was well used and believed to be very helpful. Some independents produced their own timetables. The Council intend to produce a comprehensive timetable regularly but are waiting to see what the long term stable position regarding services is likely to be.

Fares

18. Regarding fares there have been no significant changes except the inflation allowance of about 4%. There have been problems with lunch time travel by school children particularly in Dumfries.

Complaints

19. There have been very few public complaints. A few have concerned the loss of through fares. The Council are continually looking at the services in order to try to refine them to meet specific needs.

20. One particular issue has been the Council’s decision not to run the school bus services outwith school terms. This has caused some resentment among and difficulties for adults who use the services.

Bus stations

21. All are owned by DGRC or are common stances on the streets. They may build a new bus station in Dumfries with facilities for passengers instead of the current arrangements by the river but they are waiting to see what the specific requirements are. Some facilities were lost when Western SMT cut back on their depots which had, for example, toilets for passengers.
4.0 CONCLUSIONS

4.1 The effects of bus deregulation in Scotland between October 1986 and April 1987 have been highly variable both geographically and through time. It is therefore difficult to generalize about the effects and general statements usually need some qualification. Our conclusions should be viewed in this context.

4.2 Competition has been generated in the main market areas of West Central Scotland, centering on Glasgow, and in the Edinburgh area. After a timelag of about five months, strong competition has also emerged in Aberdeen and to a lesser extent in Dundee. Other pockets of competition occur, including the Highlands and the Dunfermline-Ballingry area.

4.3 Competition is mainly between the SBG subsidiaries and the former municipal/PTE operators. Where there is no large operator apart from an SBG subsidiary, little competition has emerged as a general rule, but some independents are competing with SBG subsidiaries.

4.4 There has been an increase in the supply of bus services. The Scottish Office estimates that following deregulation the total bus mileage in Scotland has increased from 177 million miles to 182 million miles, a 2.8% rise. They estimate that in Glasgow vehicle miles have increased by 25%. In Lothian the increase is 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 is estimated.

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

4.6 As far as rural services are concerned there appears to have been little change. The main reason for this has been 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.

4.7 Continuity of services has been adversely affected in two main respects. Firstly, there have been a lot of changes and a lack of information about them. Specific examples are given in the regional reports. This was probably an inevitable problem of deregulation, the purpose of which was radical change, and should reduce over time as the new system of services settles down.
4.8 Secondly, there has been a marked deterioration in the quality of interchange journeys, i.e. those which involve more than one bus service. This is particularly true where a change of operator is necessary. There has been a marked fall in interavailable tickets which previously were very popular in some areas such as the Glasgow conurbation.

4.9 Fares have not changed much. The average increase since deregulation seems to be in line with inflation, i.e. between 4% and 5%. Fares in Edinburgh have gone up by much more than this but they were very low pre-deregulation. Fares in some areas around Edinburgh, in Glasgow and Aberdeen have been reduced if purchased via season tickets. School children and passengers on journeys which involve a change of operator have experienced relatively large increases.

4.10 Overall, we would summarise the effects of deregulation on supply and fare levels as being to increase overall supply, though with decreases in offpeak and low patronage routes, and to reduce fare levels for those travelling frequently or in specific market segments in the offpeak. The supply increases, however, may be temporary as operators move their resources around an area to maintain competition. Supply levels may also decrease if, as has been alleged, some operators are financing their competitive effort from reserves in an "unfair" manner.

4.11 Cross subsidy continues 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.

4.12 The notification period appears 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 have undoubtedly suffered from a fall in the quality of timetable and other information, although this was inevitable to some extent and the position is improving. Local authorities have made efforts to keep passengers well informed.

4.13 Most local authorities have adopted policies of trying to maintain services at their pre-deregulation levels and have therefore sought to "buy back" services which were not commercially registered. The financial implications of these policies are not yet clear, but there seems to be increasing evidence of a rise in the subsidy required. However, there are a few examples, notably in the Highlands, where competitive tendering has generated savings.
Encouragingly, there appear to have been no particular problems for disabled and elderly 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. On the negative side there is no sign of deregulation leading to further improvements in the design of buses which would benefit the disable and elderly.

The system of "policing" the 1985 Transport Act appears to be causing difficulties, apart from the safety aspects of bus operation. The Traffic Commissioner/Office of Fair Trading functions have been criticised as partially ineffective or too slow. There appear to be particular problems because of the inability or reluctance of the OFT to investigate cases in Scotland.

Finally, we put forward some recommendations to the Council for their consideration. Firstly, the SCC may consider that an increase from six to eight weeks in the notification of entry/withdrawals would benefit the consumer in allowing greater time for consultation with the roads and police authorities and for information dissemination. It would also give the local authorities more time to plan replacement or alternative services in the case of withdrawals.

We believe that it may be beneficial for the regional councils to become the registration authorities, with the Traffic Commissioner continuing his role in safety and the "policing" of the Act, the latter to be carried out by referral of complaints/infringements by regional councils. This arrangement would also increase the time available for processing registrations by the councils and is logical since the councils are most involved in reacting to registrations.

The Council may consider that the OFT role might be better taken over by a section of the Scottish Office, to allow more rapid and locally-informed response to complaints. There is also the potential for clarification, to the public in general, of the "target" to which complaints should be directed, explaining for example the distinction between registered and tendered services, and where the responsibility lies for unreliability, bus stops, bus routes etc.

We recommend that the efforts of regional councils to provide adequate information on service changes be recognized and encouraged. Additional resources could facilitate this if made available to the councils.

We suggest that the SCC seeks to ensure that operators wishing to tender for contracts are provided with full information and that regional councils are in turn provided with the necessary information by other operators. The Council may feel that "large network package" tendering (as in Fife) is not in the consumer interest since it tends to inhibit competition.
4.21 The SCC may wish to consider whether or not the privatisation and breakup of existing SBG subsidiaries might be in the consumer interest. It could be argued that such a change would increase competition, both by spreading its effects geographically and also by intensifying competition in urban areas. This could be in the short term consumer interest with lower fares and greater supply levels, but with probable service losses in the offpeak and on less well patronised routes. There would also be more thoroughgoing change in service patterns, with possible information problems. In the longer term the breakup of SBG could well lead to a lack of stability and a loss of network integrity.

4.22 However, this is not an issue which we have specifically addressed in the present study and we are not in a position to put forward any relevant conclusions of our own. It may be interesting to note that most of the complaints about unfair competition have been made against the SBG subsidiaries and it may be easier to reach conclusions when the various cases have been fully investigated.

4.23 The Council may agree with our conclusion and the general views of bus operators and regional council officers, that deregulation is unlikely to result in net savings to the bus network support budget in the medium/long term, unless regional councils accept the provision of a lower level of "social service" in bus networks. SCC may wish to seek to ensure that this does not happen, eg by using the Consumer Network and Bus Watch information, to detect service losses. Publicity on such changes could be accompanied by lobbying Central Government about the resources available to regional councils for public transport support.