4 Local bus services in the reference area

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Introduction

4.1. This chapter provides an overview of bus services in the reference area and describes competition with other modes of transport. It begins by describing the reference area, looking at the geographical area it covers and the level of population it contains. It then goes on to consider transport in the reference area and the bus industry in particular, including an examination of the market shares of the principal bus operators. Finally it describes some salient aspects of transport markets at a county level. Detailed analyses of local markets which have been of particular significance to the inquiry appear in Chapters 6, 7 and 8, which focus on respectively Darlington, South Shields and Sunderland, and North Durham.

Description of the reference area

4.2. We have been asked to investigate the supply of bus services in an area consisting of the counties of Tyne & Wear, Durham and Cleveland, and four districts in the county of Northumberland: Wansbeck, Blyth Valley, Castle Morpeth (area to the south of the A197 between Pegswood and Morpeth and the B6343 between Morpeth and Cambo) and Tynedale (area to the east of the A6079 between the A68 junction and Hexham and the B6306 between Hexham and Derwent Bridge). This area (the reference area) is shown in the map at Appendix 4.1.

4.3. At various points in this chapter, because of the particular ways in which statistics are compiled, we are obliged to refer to statistics relating to areas in the north of England which differ somewhat from the reference area as defined in paragraph 4.2. These references are clearly identified where they occur. The three alternative definitions used are all larger than the reference area itself. In ascending order of size they are:

(a) an area consisting of the reference area and the remaining parts of the districts of Castle Morpeth and Tynedale in Northumberland (ie not just those parts of these districts identified in paragraph 4.2 as forming part of the reference area)-this is referred to as `the wider area';

(b) an area consisting of the whole of Northumberland, as well as the counties of Tyne & Wear, Durham and Cleveland-this is referred to as `the North-East'; and

(c) the North planning region, which in addition to the reference area includes Cumbria as well as the other parts of Northumberland-this is referred to as `the North'.

4.4. In each case, the area added is more sparsely populated than the reference area itself. Figures for these larger areas may, therefore, show some bias towards rural services. For example, Table 4.1 gives population and land area figures for the wider area, disaggregated by county and, in the case of Northumberland, by district. Because the wider area includes a large, sparsely populated part of Tynedale, the population density of the wider area must be lower than that for the reference area (for which figures are not available, however). Nevertheless the figures provide a useful indication of the relative sizes and population levels of the different parts of the reference area.

TABLE 4.1 **Population density in the UK, and in the wider area, 1994**

	Population	*Area (hectares)*	*Population density (per hectare)*
Counties			
Tyne & Wear	1,094,100	53,791	20.3
Durham	603,500	243,362	2.5
Cleveland	556,200	59,090	9.4
Districts of Northumberland			
Wansbeck	59,600	6,645	9.0
Blyth Valley	79,600	7,031	11.3
Castle Morpeth	50,400	61,912	0.8
Tynedale	57,700	222,096	0.3
Wider area	2,501,100	653,927	3.8
UK	58,375,000	24,410,000	2.4

Source: Municipal Yearbook 1995.

4.5. The figures show that in 1994 2.5 million people lived in the wider area, which covers some 650,000 hectares. This represents 2.7 per cent of the geographical area and 4.3 per cent of the population of the UK as a whole. The population density in the wider area, at 3.8 people per hectare, is higher than that for the UK as a whole (2.4 people per hectare). As the table shows, population density varies considerably within the region, from 20.3 people per hectare in Tyne & Wear to only 0.3 per hectare in Tynedale. The map at Appendix 4.2 shows the densely populated areas in the region.

Transport in the reference area

Introduction

4.6. As background to our examination of the local bus industry in the reference area we carried out an analysis of the role of buses within the overall transport market of the region (some points specifically relating to individual counties are covered in the last section of this chapter). We were particularly interested in the relative importance of bus as a mode of transport for the people in the reference area, and in evidence of the extent to which other modes provide an alternative for those who use buses. Accordingly we investigated available data sources on relative modal shares, broken down where possible by journey purpose. We also examined evidence on the sensitivity of demand for bus services to changes in fares, and trends in relevant factors such as car usage, subsidies to rail services and the number of taxis in the area.

Data sources

4.7. Nationally the best source of data on individuals' travel patterns is the National Travel Survey (NTS). This is a continuous survey which began in July 1988 (although previously there were five similar *ad hoc* surveys, dating back to 1965). The latest published information covers the three years between January 1991 and December 1993 and gives extensive data for, *inter alia*, journeys by purpose and by mode.

4.8. For our purposes, however, the NTS is not ideal. While the results are of great interest nationally, the figures are less reliable for smaller areas due to the sample sizes involved.[1] The DOT provides figures for the North (see paragraph 4.3) and for Tyne & Wear, but not for the other counties in the reference area. It was unable to provide us with figures for the reference area.

Relative use of transport modes in the North

4.9. Table 4.2 gives shares of journeys by main mode in 1991/93 for residents of the North, Tyne & Wear and, for comparative purposes, Great Britain as a whole. It shows that cars or vans were by far the most important mode for residents of the North, being used as the principal mode for 70 per cent of journeys made by them. However, this was below the level for the population of Great Britain as a whole (75.8 per cent).

TABLE 4.2 **Proportion of journeys made by different transport modes,* 1991 to 1993**

per cent

	North	*Tyne & Wear*	*Great Britain*
Walk	9.8	8.6	8.0
Bicycle	1.1	1.3	1.8
Car/van	70.0	64.4	75.8
Motorcycle	0.6	0.0	0.7
Other private	1.4	1.1	1.5
Local bus	13.3	17.9	8.5
Non-local bus	0.1	0.2	0.2
British Rail	0.8	1.2	1.5
Taxi/minicab	1.4	1.7	1.2
Other public†	1.5	3.7	1.0
Total	100.0	100.0	100.0

Source: NTS 1991/93; DOT.

*Journeys are categorized according to the principal mode used, ie that used for the longest part of the journey. They refer to all journeys made by the residents of the relevant area between January 1991 and December 1993, based on a sample of residents. The table excludes journeys under 1 mile. Figures may not sum exactly due to rounding.
†Includes Tyne & Wear Metro and London Underground.

4.10. Local buses are a more important form of transport for people in the North than for Great Britain as a whole; they are used as the principal mode of transport for 13.3 per cent of journeys compared with only 8.5 per cent for the population of Great Britain as a whole. Travel by British Rail assumes less importance in the North than the average for Great Britain, but in Tyne & Wear the Metro contributes to the 3.7 per cent share of the journeys undertaken by other public transport.

4.11. The importance of the bus in the North persists despite a relative decline in the use of buses in recent years. Table 4.3 indicates how the relative importance of the different modes of transport has changed since 1985/86.[2] The figures reflect the decline in local buses as a means of transport, both nationally and in the North. The percentage of journeys made by local bus by residents of the North fell by 5.6 percentage points between 1985/86 and 1991/93, from 18.9 per cent (1985/86) to 13.3 per cent (1991/93). This was a bigger decline in share than was recorded in Great Britain as whole (3.0 percentage points), and was particularly pronounced in Tyne & Wear (down 11.2 percentage points). Over the same period the figure for car usage increased by 6.9 percentage points in the North, by far the biggest increase of any mode.

[1]Because sample sizes vary, figures for Great Britain quoted in this report are more reliable than those for smaller areas.

[2]An *ad hoc* NTS was carried out over 12 months in 1985/86, covering the same questions and with a similar sample size to the three-year 1991 to 1993 survey. This survey has been chosen for comparative purposes because it immediately predates deregulation of the bus industry.

TABLE 4.3 **Change in percentages of journeys made by different transport modes* between 1985/86 and 1991/93**

percentage points

	North	*Tyne & Wear*	*Great Britain*
Walk	-1.8	-1.2	-2.5
Bicycle	-0.2	0.7	-0.5
Car/van	6.9	10.0	6.9
Motorcycle	0.3	-0.2	-0.5
Other private	-0.4	0.4	-0.4
Local bus	-5.6	-11.2	-3.0
Non-local bus	0.0	0.0	-0.1
British Rail	0.2	0.6	-0.1
Taxi/minicab	0.5	0.8	0.2
Other public†	0.0	0.2	-0.1

Source: NTS 1985/86 and 1991/93; DOT.

*Journeys are categorized according to the principal mode used, ie that used for the longest part of the journey. They refer to all journeys made by the residents of the relevant area in the period concerned based on a sample of residents. The table excludes journeys under 1 mile. Figures may not sum exactly due to rounding.

†Includes Tyne & Wear Metro and London Underground.

4.12. We also obtained data from the NTS 1991/93 on the proportion of journeys made by residents of the North by different modes for different journey purposes. These figures are given in the table at Appendix 4.3. For residents of the North, the main purposes for which local bus services are used are for shopping trips (36.6 per cent of all journeys by bus), commuting (17.8 per cent), visiting friends (17.8 per cent), education (11.6 per cent) and other personal business (10.2 per cent). However, car is the most important mode for virtually all journey purposes, including shopping, education and commuting. Compared with the equivalent figures for residents of Great Britain as a whole, bus is relatively more important as a mode for shopping journeys and for visiting friends, and less important for commuting and education (see Table 4.4).

TABLE 4.4 **Proportion of local bus journeys by journey purpose,* 1991 to 1993**

per cent

	North	*Tyne & Wear*	*Great Britain*
Commuting	17.8	17.8	20.6
Business	0.0	0.0	0.6
Education	11.6	11.7	13.9
Shopping	36.6	35.4	33.5
Other personal business	10.2	9.7	10.9
Visit friends	17.8	19.5	14.5
Entertainment/sport	4.8	4.9	4.7
Holiday/day trip	1.2	1.0	1.5
Other, including just walk	0.0	0.0	0.0
Total	100.0	100.0	100.0

Source: NTS 1991/93; DOT.

*A local bus journey is defined as any journey for which local bus was the principal mode used, ie that used for the longest part of the journey. The data refer to all journeys made by the residents of the relevant area between January 1991 and December 1993, based on a sample of residents, excluding journeys under 1 mile. Figures may not sum exactly due to rounding.

Competition between bus and other modes

4.13. Figures for the shares of different modes thus indicate that, while local bus services are relatively more important as a mode of transport in the North than in Great Britain generally, their importance has diminished since 1985/86, particularly in relation to the car. However, this does not indicate the extent to which there is substitutability and competition between bus and other modes. This question is important since the extent of competition from other modes will have a significant influence on the ability of an operator with market power in the local bus industry to exploit its market dominance.

4.14. The relevant measure of market power is the fare elasticity of demand for local bus services since this determines whether a bus supplier with a dominant market position will be able to boost its profitability by increasing fares. This will be the case if the fares elasticity is below one[1] since this implies that bus passengers exhibit limited resistance to fare increases. There is also a time element to this: longer-term elasticities are usually higher as more passengers are able to change their travel patterns, for example by purchasing a car, moving house, changing job or altering the ways in which they spend their free time.

4.15. A substantial body of research into the local bus industry suggests that the short-term fares elasticity (first year impact) for local bus services is around 0.3 and that medium- and long-term elasticities are well below one.[2] This implies that if all bus fares in a given geographical market rise simultaneously revenue is increased because the proportionate reduction in passenger demand is outweighed by the fares increase.

4.16. Stagecoach told us that it had conducted fares experiments in, for example, Fife and Manchester, which confirmed that for the majority of local bus services the fares elasticity of demand is indeed low. However, it felt that there were also many examples of routes where gains in turnover and profitability could be achieved by reducing fares (implying a high fares elasticity). These experiments do not necessarily provide evidence on the elasticity faced by a dominant bus supplier, however, because the response in demand to fares changes faced by a single company will generally be higher where passengers have a choice between two or more bus operators.

4.17. Busways told us that, given the decline in bus usage and increasing growth in car usage (see paragraph 4.11), the scope for bus operators to implement fare increases was limited. It added that taxis and minicabs provided much more serious competition to bus services in the North-East than in many other parts of the country. It is certainly true that the modal share of taxis and minicabs in the North and Tyne & Wear is higher than in Great Britain as a whole (see Table 4.2) and between 1985/86 and 1991/93 this share grew by a greater amount in these two areas than it did in Great Britain generally (see Table 4.3). However, the high fares charged by taxis compared with buses mean that taxis only become a realistic alternative to buses when several passengers share the same taxi. This limits the extent to which the two modes compete directly.

4.18. Cleveland County Council provided us with a study it commissioned which found, *inter alia*, that two-thirds of bus users stated that they used the bus because they had no alternative means of transport. This indicates that these bus users did not consider other modes of transport, such as taxis, as a viable alternative.

4.19. Finally, we were also told that a company with a dominant position in the bus market would be restrained by the fact that bus users had a low disposable income compared with motorists and that the share of non-obligatory travel was higher for bus journeys than for journeys by other modes of transport. However, the figures in Appendix 4.3 indicate that journeys for obligatory purposes-taking the categories of commuting, business and education together-form a larger proportion of bus journeys than of journeys by all modes. Overall, we saw no compelling evidence to suggest that the fares elasticity of demand for bus services in the reference area differs substantially from that which has been found to hold generally. This suggests that an operator with a dominant position in a local bus market would be able to increase its profits by raising fares.

Subsidies for different modes

4.20. We heard the argument from bus operators that local authority subsidies to rail transport distorted the nature of competition in the reference area. As an illustration, Table 4.5 gives figures for the subsidy for Metro and British Rail services in Tyne & Wear from 1990 to 1993, both in absolute terms and on a subsidy per journey basis.

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[1]Fares elasticities are usually negative. In this report we adopt the convention of referring to the absolute value of the elasticity to avoid confusion over comparative levels of elasticities.

[2]See, for example, Goodwin, P B: `A review of new demand elasticities with special reference to short and long run effect of price changes', in *Journal of Transport Economics and Policy*, Vol XXV1, No 2, May 1992, pages 155-169. This reviews evidence from 21 studies into 50 separate elasticities.

TABLE 4.5 **Subsidy* for Metro and British Rail services in Tyne & Wear**

	1990	*1991*	*1992*	*1993*
		Subsidy per year, £ million		
Metro	6.3	4.3	3.9	5.1
British Rail	0.9	1.0	1.6	1.8
		Subsidy per passenger journey, pence		
Metro	14.4	10.4	10.0	13.3
British Rail	45.0	43.5	72.7	81.8

Source: Tyne & Wear PTE.

*All figures in actual cash terms.

4.21. Subsidy per passenger journey (excluding concessionary fares reimbursement) on the Metro has fluctuated between 10.0p and 14.4p, and was 13.3p in 1993. This compares to an equivalent figure of 17.3p Government support in 1993/94 for each passenger journey on a local bus in the North-East.[1] Subsidies to journeys on British Rail services were substantially higher. However, as Table 4.8 shows, the Metro is by far the more important mode in Tyne & Wear in terms of number of passenger journeys.

Local bus services in the reference area

Trends

4.22. Table 4.6 gives information on changes in passenger journeys, vehicle miles and fares for local bus services in the North-East in the period from 1985/86 to 1993/94.

TABLE 4.6 **Trends in local bus services in the North East,* 1985/86 to 1993/94**

	Passenger journeys (million)	*Index*	*Bus miles (million)*	*Index*	*Real receipts per passenger† (pence)*	*Index*
1985/86	425	100	97	100	40	100
1986/87	406	96	102	105	42	105
1987/88	391	92	114	118	40	100
1988/89	382	90	115	119	40	100
1989/90	393	92	123	127	40	100
1990/91	368	87	117	121	42	105
1991/92	350	82	121	125	43	107
1992/93	312	73	121	125	49	122
1993/94	291	68	121	125	50	125

Source: DOT and MMC.

*The counties of Tyne & Wear, Durham, Cleveland and Northumberland. Figures based on a sample of PSV operators. Operators not included in the sample account for around 2.5 per cent of total receipts.

†Includes concessionary travel reimbursement, but excludes other forms of public transport support. Figures deflated to 1993/94 prices using the gross domestic product deflator.

4.23. Table 4.6 shows that the average fare paid by bus and coach passengers in the North-East remained constant in real terms between 1985/86 and 1989/90, but has since increased by 25 per cent. This is a bigger increase than was experienced nationally, where fares have risen by 17 per cent in real terms since deregulation (see Table 3.2 and Figure *(c)* at Appendix 3.3). The upward trend in bus miles almost exactly matches the national pattern, although the 32 per cent fall in passenger journeys in the North-East in this period was greater than that experienced nationally outside London (down 27 per cent).

[1]*Bus and Coach Statistics 1993/94*, DOT.

Local bus operators in the reference area

4.24. We identified over 50 operators of local bus services in the reference area. Included within this total are subsidiaries of four of the large groups described in the previous chapter (see paragraph 3.47). These have access to much larger resources, both financially and in terms of number of buses employed, than most independent operators. The following paragraphs describe the main area of operation for each of the large groups and some of the more important independent operators. A more detailed description of the history and financial performance of the principal operators within the reference area is provided in Chapter 5. Appendix 5.1 gives details of the ownership structures of the companies involved.

4.25. The map at Appendix 4.4 gives an overview of the areas of operation of the four principal operators in the reference area. *Go-Ahead* is a quoted company with its origins in the reference area. It has acquired a number of small independent companies since deregulation and operates throughout much of Tyne & Wear and in County Durham, providing many inter-urban services. It has a decentralized structure with ten main subsidiaries in the reference area at 30 April 1995 operating under various trading names, including Northern, Wear Buses, Shaws Coaches, Go-Ahead Gateshead and, after its recent acquisition, OK Travel (see paragraphs 5.36 to 5.67).

4.26. *Stagecoach* is predominantly an urban operator within the reference area, with subsidiaries operating in Newcastle, Sunderland, South Shields, Darlington and parts of Cleveland following a series of recent acquisitions. Until July 1994, when it acquired Busways, it had no presence in the reference area. The acquired companies-Busways, Cleveland Transit and Hartlepool Transport-continue to operate under their established trading names, with the exception of the newly-created operating unit in Darlington which trades as Stagecoach Darlington (see paragraphs 5.6 to 5.35).

4.27. *West Midlands Travel* established a presence in the reference area in November 1994 through its acquisition of the North East Bus group of companies, whose services operate mainly in Cleveland and South Durham. Its principal trading subsidiary is United which operates in South Durham (see paragraphs 5.68 to 5.70).

4.28. *British Bus*, the largest privately-owned bus company in the UK, is present in the reference area primarily through its Northumbria subsidiary. This operates mainly north of the Tyne, covering the northern districts of Tyne & Wear and the part of Northumberland included within the reference area. Northumbria predominantly trades under its own name (see paragraphs 5.71 to 5.74).

4.29. Of the many small and medium-sized companies operating in the reference area, a number have been of particular significance to our inquiry:

- *DTC*, a local authority-owned company operating in and around Darlington, it ceased trading on 11 November 1994 (see paragraphs 5.84 and 5.85);

- *Hylton*, a family-owned company operating mainly in South Shields and between South Shields and Sunderland, trading as Catch-A-Bus (see paragraph 5.75);

- *Classic Coaches*, a family-owned company operating in County Durham and the Gateshead and Newcastle areas (see paragraphs 5.77 and 5.78);

- *Redby*, a family-owned company that currently operates in and around Sunderland (see paragraph 5.76);

- *Stanley Taxis*, a family-owned business, operating mainly tendered services in the North Durham area (see paragraphs 5.79 and 5.80); and

- *South Durham Bus Company Ltd*, which traded as Your Bus in and around Darlington until it ceased operation of bus services on 16 December 1994 (see paragraphs 5.81 to 5.83).

Bus services: market shares

4.30. In order to calculate the market shares of individual operators in the reference area, we asked companies to provide us with data for both the turnover generated by bus operations and the number of registered vehicle miles they operated in the reference area in the 24 weeks ending 7 January 1995, covering both commercial and subsidized services. Turnover was defined as total revenue (on-bus and off-bus) excluding fuel duty rebate but including subsidies. Mileage was defined as the number of miles travelled by buses on registered services excluding non-passenger-carrying miles. The results are given in Table 4.7.

TABLE 4.7 **Market shares in the reference area: aggregate turnover and registered vehicle miles for 24-week period ending 7 January 1995**

	Turnover £'000	*% share*	*Vehicle miles '000*	*% share*
Go-Ahead*	19,891	28.4	14,484	28.1
Stagecoach:				
Busways†	17,977	25.6	10,274	19.9
Cleveland Transit	3,785	5.4	2,062	4.0
Hartlepool Transport	1,313	1.9	819	1.6
Total Stagecoach	23,075	32.9	13,155	25.5
North East Bus‡	11,682	16.7	9,739	18.9
British Bus§	7,700	11.0	5,551	10.8
OK Travel*	3,316	4.7	3,180	6.2
Hylton	[	*Figures omitted. See note on page iv.*		]
DTC¶	536	0.8	1,058	2.1
Classic Coaches	[	*Figures omitted. See note on page iv.*		
Redby				]
Your Bus¤	116	0.2	262	0.5
Others	2,613	3.7	2,934	5.7
Total	70,133	100.0	51,555	100.0

Source: MMC calculations from figures provided by operators.

*For list of Go-Ahead's operating subsidiaries in the reference area see paragraph 5.45. Go-Ahead acquired OK Travel in March 1995.

†Includes Stagecoach Darlington and Welcome.

‡Acquired by West Midlands Travel in December 1994 and by National Express in May 1995. Operates as United, Teesside Motor and Tees & District in the reference area.

§Operating through its Northumbria and Curtis Coaches subsidiaries.

¶Ceased local bus operations in November 1994.

¤Ceased local bus operations in December 1994.

4.31. Go-Ahead's market share in the reference area in the period examined was 28.4 per cent using turnover as the basis for measurement, and 28.1 per cent using vehicle mileage. Busways' market share was 25.6 per cent using turnover and 19.9 per cent based on vehicle mileage. Taking together the three companies which are now Stagecoach's subsidiaries in the reference area (following its acquisitions of Cleveland Transit in November 1994 and Hartlepool Transport in December 1994), their combined market share was 32.9 per cent using turnover and 25.5 per cent using vehicle miles. As Table 4.7 shows, the other companies with large market shares in the reference area are also parts of major national groups-North East Bus, with 16.7 or 18.9 per cent (depending on the measure used), and British Bus with 11.0 or 10.8 per cent.

Transport in Tyne & Wear

Background

4.32. Tyne & Wear has a well-developed public transport system which completely integrated bus services and other modes of transport before the bus industry was deregulated in 1986. Public transport in Tyne & Wear is still more important than in most other regions of Great Britain.

Public transport

4.33. According to the NTS for 1991/93 (Table 4.2), 17.9 per cent of all journeys by residents of Tyne & Wear use bus as the principal mode. While this percentage is more than twice the Great Britain average (8.5 per cent) it is substantially lower than in 1985/86 when the percentage of journeys made by local bus by Tyne & Wear residents was 11.2 percentage points higher (see Table 4.3).

4.34. The Tyne & Wear PTE[1] operates a Metro which was opened in stages between 1980 and 1984, creating a comprehensive light rail system with 44 stations on 55 km of track. Its operations are focused on Newcastle city centre (see map at Appendix 4.5). The Metro links the densely populated coastal areas of Whitley Bay and Tynemouth with Newcastle, calling at Longbenton and Wallsend. The trip from the coast takes slightly longer than 20 minutes and there is a significant amount of commuting from these areas into Newcastle.

4.35. The western part of the Metro ring is linked with Newcastle airport in the north-west and South Shields south of the Tyne. The trip from South Shields to Newcastle, via Felling and Gateshead, takes slightly longer than 20 minutes. However, as a larger proportion of people in South Tyneside work locally this link is not used as heavily as the ring north of the Tyne. There are two other main links between the Metro in Newcastle and the region south of the Tyne. One is provided by British Rail which operates between Sunderland and Newcastle every 15 minutes (during the day) with a travelling time of less than half an hour. The other is provided by bus operators bringing commuters from Washington to Heworth interchange.

4.36. After the Metro was built most inter-urban bus services between the coastal metropolitan area and Newcastle were withdrawn. Buses were redirected to feed Metro stations. After deregulation some bus services running along the main corridors into Newcastle from areas formerly served by interchange to the Metro were increased (eg in Gateshead, where many services which hitherto had terminated at Gateshead Metro interchange continued across the Tyne into Newcastle). This suggests that customers value the convenience of remaining on one mode of transport, giving buses an opportunity to compete on the same route. However, this type of competition is limited to short distances and most Metro stations are still fed by bus services. Where no direct Metro or rail link exists, urban settlements are linked by bus. This is the case, for example, between Sunderland and South Shields.

4.37. Where bus services operate on a parallel route to the Metro, they take considerably longer to complete the journey. As fares on bus and Metro services are broadly similar, with the exception of some bus operator multi-journey tickets, for longer-distance journeys Metro dominates and there is limited direct competition between the two modes. However, the PTE told us that 28 to 32 per cent of Metro passengers use a feeder bus service and change on to the Metro. For these people the need to interchange between bus and Metro increases overall journey time. There is thus a belt around (but some distance from) the Metro in which there is a direct choice between the bus and a combination of bus and Metro.

4.38. Busways gave us information on comparative bus and Metro journey times from various districts of Newcastle and its environs, served either by the Metro or by a combination of the two. As an example, Busways told us that those living in the Killingworth district of Newcastle have a 22- or 31-minute direct bus journey to the city centre (depending on which bus route is nearer). Whilst the service from their nearest Metro station takes only ten minutes, passengers from Killingworth wishing to use the Metro have a ten-minute journey time to the interchange and face, on average, a five-minute interchange delay (giving a total journey time by bus/Metro of 25 minutes). Killingworth passengers accordingly achieve very little, if any, saving in time by using a combination of bus and Metro in preference to direct bus. However, a number of them use the interchange bus services (and therefore presumably the Metro).

4.39. Table 4.8 sets out changes in passenger numbers on Metro and British Rail services in Tyne & Wear since 1990. Passenger journeys on the Metro declined by 15 per cent in the five years shown. Passenger journeys by British Rail peaked in 1991 and then returned to around their 1990 level.

TABLE 4.8 **Passenger journeys on Metro and British Rail in Tyne & Wear**

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[1] The PTE is a statutory body, with functions laid down in successive Transport Acts, which implements transport policies laid down by Tyne & Wear Passenger Transport Authority (PTA). The PTA is a statutory body of politicians with representatives from each of the five District Councils in Tyne & Wear.

	Passenger journeys per year, million				
	1990	*1991*	*1992*	*1993*	*1994*
Metro	43.6	41.2	38.9	38.3	37.0
British Rail	2.0	2.3	2.2	2.2	2.0

Source: Tyne & Wear PTE.

Tendered bus services

4.40. The PTE, in common with other local authorities (see paragraphs 3.9 and 3.10), gives subsidies to local bus services. In addition to the standard types of tendered contracts for non-commercial services the PTE also contracts out so-called miscellaneous workings-a form of contract tendering used primarily for peak-period schools and works journeys on weekdays. These operate under minimum cost terms. They differ from the normal form of tendered service in that the operator undertakes to make its vehicle available to the PTE for a given number of hours rather than operating a specified service on behalf of the PTE.

4.41. The PTE told us that its current policy was to invite all tenders on a minimum cost basis, but non-conforming minimum subsidy tender bids will be accepted where there is financial benefit to the PTE. The average number of tenders received for each service is as follows:

General tenders (minimum cost contracts)	3
Miscellaneous workings tenders:	
49-seat capacity	19
70-seat capacity	8
78-seat capacity	10

Major bus operators

4.42. Before deregulation, the majority of bus services in Tyne & Wear were operated by three major companies, two of them being subsidiaries of the NBC-Northern and United Automobile Services Limited (United Automobile)-and the third being the PTE operation. After deregulation independent operators entered the market and today there are around 24 bus companies in Tyne & Wear which offer local services. The biggest operators are descendants of the three original incumbents: Busways is the former PTE operation; Go-Ahead originated from Northern; and Northumbria, owned by British Bus, originated from part of United Automobile.

Bus stations

4.43. There are 14 bus stations in Tyne & Wear, nine of which are managed by the PTE, two by Northumbria and three by Go-Ahead (Worswick Street, Newcastle; Park Lane, Sunderland; and MetroCentre, Gateshead). The PTE told us that it did not perceive any major problems regarding the acquisition of suitable sites for bus depots in Tyne & Wear given the large number of industrial estates throughout the region.

The Tyne & Wear Travelcard scheme

4.44. Before deregulation the PTE operated a zonal fare system. This has been retained in the form of a county-wide Travelcard which is now administered by Network Ticketing Limited, a non-profit-making company formed by the major local transport providers in the county (including the PTE). The Travelcard covers all modes of public transport in Tyne & Wear and can be bought for travel in two zones (£7.30 per week), three zones in a ring (£8.10 per week), three zones in a row (£8.80 per week), four zones (£9.50 per week), or all zones (£10.30 per week).

4.45. Travelcard receipts, less the costs of administering the scheme, are distributed among participating operators on the basis of surveys. The equivalent adult fares that would have been paid by passengers are calculated for each operator. Each operator receives a share of the pool available for distribution based on the percentage of that operator's equivalent adult fares to total equivalent adult fares for all operators.

4.46. The proportion of passengers using the Travelcard has fallen since deregulation, in part due to the introduction of competing Faresaver tickets by Busways. The Faresaver is valid only on Busways buses and has eroded the Travelcard market in areas where there are no Metro services and where Busways provides most of the bus services.

Transport in County Durham

Background

4.47. Durham is the largest county within the reference area. Most of west Durham is rural in character and urban settlements are scattered in the central and eastern part of the county. The only public transport besides bus services is the railway, particularly the north/south rail service linking Chester-le-Street, Durham and Darlington.

4.48. Unfortunately, as described in paragraph 4.8, the NTS does not provide separate data for County Durham (or, indeed, Cleveland and Northumberland). The only available source of information on modal shares we identified for these counties was for travel to work, taken from 1991 Census data. These figures, which are presented in Appendix 4.6, give a breakdown to district level, enabling us to draw some conclusions regarding the relative importance of buses in the reference area outside Tyne & Wear. However, it must be recognized that these figures are by no means ideal-as Table 4.4 shows, travel to work accounted for only 17.8 per cent of all local bus journeys by residents of the North in 1991/93.

Public transport

4.49. Using the figures in Appendix 4.6, it can be seen that the rail network in County Durham is hardly used for travel to work. Less than 1 per cent of working residents use it for the longest part of their travel to work. Car usage for travel to work is above the national average. The use of buses (11.3 per cent) is slightly above the average for Great Britain (9.9 per cent).

Tendered bus services

4.50. DCC renews all contracts for non-commercial services simultaneously. The last renewals were in 1990 and 1994. DCC told us that competition in 1994 increased compared with 1990 partly due to the keenly-priced competition from OK Travel which won over 50 per cent of the contracts. In 1990 the average number of separate competitors per contract was 3.5, while 37 out of 271 contracts received only a single bid. In 1994 the average number of separate competitors per contract rose to 4.9 and only one contract out of 272 received a single bid. Although there was much more competition for contracts, DCC told us that United and Go-Ahead had consistently avoided tendering for services in each other's territories in the county since 1986.

Major bus operators

4.51. The pattern of the leading bus operators in County Durham is still very much influenced by the situation before deregulation. The predecessor of Go-Ahead, the NBC subsidiary Northern, was the main operator in the north of the county, and United Automobile in the south. Over 30 operators registered services at deregulation, six of them being new entrants to the local bus service market. Only one of these six has survived until today. The overall picture has been that United and Go-Ahead have strengthened their position in the period since deregulation but retained the territorial boundary in County Durham. Some of the smaller companies have been bought by either United or Go-Ahead.

4.52. There are still several small operators in County Durham but no medium-sized companies (defined as having between 100 and 500 buses). The last such operator was OK Travel, acquired by Go-Ahead in March 1995. There has at times been keen competition between Go-Ahead and one or more small operators, notably Classic Coaches (see Chapter 8).

Bus stations

4.53. There are six bus stations in County Durham, three of which are managed by DCC on behalf of the owner (Bishop Auckland, Consett and Stanley). Two bus stations (Darlington and Durham) are owned (or leased) and managed by North East Bus. One bus station (Seaham) is leased and managed by Go-Ahead.

4.54. Some bus stations have been, or are, operating close to their maximum capacity in terms of the number of departures per hour, making it necessary to accommodate some services away from the normal stand.

Transport in Cleveland

Background

4.55. With the exception of Hartlepool in the north-east of Cleveland, the four major urban settlements in the county-Billingham, Thornaby, Middlesbrough and Stockton-are situated close together along the banks of the Tees. Some smaller towns and villages are spread along and near the coast south of the Tees.

Public transport

4.56. Although Cleveland is served by four local rail services (Hartlepool-Darlington, Middlesbrough-Whitby, Saltburn-Darlington and Bishop Auckland, and Middlesbrough-Newcastle), less than 1 per cent of the working population use rail for the longest part of their travel to work. As in County Durham, car usage for travel to work is high (used by over 65 per cent of the working population) but bus usage (at around 12 per cent) is also above the average for Great Britain (see Appendix 4.6).

Tendered bus services

4.57. Cleveland County Council told us that tendered bus services are shared between eight companies, the majority being operated by Stagecoach and North East Bus. Tendered services account for about half of Sunday services and a quarter of evening services, but only a few daytime services. The average number of bids received for contracts in 1993/94 was 3.0.

Major bus operators

4.58. Both commercial and tendered bus services in the county are dominated by subsidiaries of two major groups. North East Bus operates in the area through its trading subsidiaries Teesside Motor and Tees & District. Stagecoach has recently acquired a major presence in the county through its acquisitions of Cleveland Transit (in November 1994) and Hartlepool Transport (in December 1994). There are around 20 operators in total supplying commercial bus services in Cleveland.

Bus stations

4.59. There are only two bus stations in Cleveland. One is at Redcar and is owned and operated by Tees & District. As the company dominates services in the area, and in any case there are important on-street stands in the town, the station is not used by any other operators and access is not an issue. The second station is in Middlesbrough and is owned and operated by the county council. It is available for use by all local and express services on payment of the appropriate departure charge.

Transport in Northumberland

Background

4.60. Of the four districts within Northumberland all or part of which are in the reference area, Castle Morpeth and Tynedale cover mainly rural areas with a population density of less than one person per hectare. The four major urban settlements-Ashington, Bedlington, Cramlington and Blyth-are located in the east of Northumberland, close to the coast. Hexham and Prudhoe are the major towns in Tynedale whilst Morpeth and Ponteland/Darras Hall are the main centres of Castle Morpeth District.

Public transport

4.61. Two British Rail services cross Northumberland: the East Coast main line provides links between Morpeth and Newcastle and the Tyne Valley line calls at Hexham and Prudhoe.

Tendered bus services

4.62. Northumberland County Council told us that many of the tendered services it puts out to contract are small. It receives an average of around four bids for each contract in the south-east of the county, ie broadly that part which is within the reference area.

Major bus operators

4.63. Bus services in the county are dominated by Northumbria, a subsidiary of British Bus. While Busways and Go-Ahead are also present in the county, they operate only a few services. There are many one- or two-vehicle operators and several larger ones of which Northumbria has acquired two since deregulation. Northumberland County and Tynedale District Councils told us that there had been little on-the-road competition since deregulation and that the number of innovative registrations had been small.

Bus stations

4.64. Most bus stations are owned either by Northumbria or the relevant local district council and most charge for their use on the basis of departures. Whereas district councils' charges are either very small or zero, Northumbria charges 95p per departure.