

Trouble with the authorities

**Breaking free of the Passenger Transport Authorities
and their Executives**

**By
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1. Context of the debate

The Passenger Transport Authorities (henceforth PTAs) have lingered on now for more than a decade since they ceased to function as, in effect, the Transport Committees of the former metropolitan county councils. The time has come to assess their remaining powers and duties, and to see how far they are needed; how much they cost to maintain; and whether such of their functions as may be justified could be better provided by the existing, directly elected local authorities.

PTAs exist today in six English conurbations and one Scottish (see Figure 1). Their members are councillors from the district councils within their areas, in the same way as members of the fire and police authorities in these areas. Their revenue comes predominantly by way of a levy on these councils, which in turn obtain it by way of government grants and through the Council Tax. They tend to be power-hungry, and to seek investment from Westminster and Brussels, as well as from the City, to develop prestigious but not always successful transport innovations.

Each PTA has a Passenger Transport Executive (PTE). The function of the Authority is to develop public transport policies for its area, which are implemented by the Executive, which will also contribute to the development of policy. Four of them have adopted a corporate image for their activities, but it is very doubtful how far their actual function is understood by the public.

Origins and development

The idea of a conurbation-wide public (passenger) transport authority can be traced back to three powerful figures in London in the 1920s — Ernest Bevin, Lord Ashfield and Herbert Morrison. From Bevin's proposal of 1924, welcomed by Ashfield, chairman of the London 'Combine' (Underground Electric Railways of London Ltd, which also owned the London General Omnibus Company), came Morrison's London Passenger Transport Board of 1933 (set up by the Conservative-dominated National government, and with Ashfield as its chairman). Suggestions for similar Boards for Manchester and Brighton came to nothing, and little more was heard from the provinces until the 1960s.

In 1958 a Local Government Commission was set up for England, which identified five Special Review Areas (SRAs), in Merseyside, South East Lancashire, Tyneside, the West Midlands and West Yorkshire. Only limited work was done, and after the change of government in 1964 the Commission was wound up, to be replaced in 1966 by a Royal Commission under the chairmanship of Lord Radcliffe-Maud. But in the meantime Barbara Castle had been appointed Minister of Transport in 1965, with a strong remit to produce an 'integrated transport policy' — then and always a will-o'-the-wisp unless the finances of roads and railways are harmonised.

Figure 1: Authorities and Executives

GREATER MANCHESTER:

Staff: 325

Revenue from precept: £113.8m (1994/95 figures)

Membership: 33 councillors from 10 district councils

MERSEYSIDE (corporate identity MERSEYTRAVEL):

Revenue from precept: £122.9m (1996/97 figures)

Direct operation: Mersey Tunnels and Ferries

SOUTH YORKSHIRE:

Revenue from precept: £51.9m (1995/96 figures)

Membership: 12 councillors from 4 District Councils

Direct operation: Sheffield Supertram (taken over by Stagecoach Holdings plc on 19th December 1997)

STRATHCLYDE:

Staff: 614

Revenue from former Regional Council: £72.9m (1995/96 figures)

Membership: 34 councillors from 10 District Councils

Direct operation: Underground Railway, Renfrew Ferry

TYNE & WEAR (corporate identity NEXUS):

Staff: 980 *Revenue from precept:* £53.4m (1996/97 figures)

Membership: 15 councillors from 5 District Councils

Direct operation: Tyne & Wear Metro, Shields Ferry

WEST MIDLANDS (corporate identity CENTRO):

Staff: 200 *Revenue from precept:* £98m (1995/96 figures)

Membership: 27 members from 7 District Councils

WEST YORKSHIRE (corporate identity METRO):

Revenue from precept: £170.6m (1995/96 figures)

Membership: 22 councillors from 5 District Councils

Note: Only major trading activities have been listed here under direct operation; all authorities are engaged in various other processes.

In just over six months after her appointment, Mrs Castle's ministry produced a White Paper, *Transport Policy*, which proposed Conurbation Transport Authorities where it was felt that the problems of urban transport were such that they could not be left to whatever regional government Radcliffe-Maud would recommend, with the assumption that they would be absorbed into these new local authorities in due course. The implication was that the CTAs would have planning rather than operational powers, and that they would act as 'honest brokers' between transport and land-use planners, thereby tackling the real issue of integration: the absence of property rights in urban roads.

The White Paper received a mixed response, and when its successor *Public Transport and Traffic*, appeared in 1967 the CTA had become a PTA, with a PTE which was to

have an effective monopoly of public transport within the area's boundaries. These boundaries were to reflect what may be called 'natural operating territories', but the government insisted that they should correspond with existing or proposed local authorities. Under a new minister, Richard Marsh, the Transport Act 1968 took the four Special Review Areas for the first PTAs, which thus became Merseyside, South East Lancashire and North East Cheshire (SELNEC), Tyneside and West Midlands. West Yorkshire was omitted on the grounds that it did not appear to be a conurbation, having so much rural territory, while South Yorkshire does not seem to have been considered.

The PTAs were given the general duty to co-ordinate and develop public passenger transport in their areas, both road and rail. The PTEs inherited the municipal bus operations, and were required to co-ordinate all other services. Policies differed, not all of the former NBC companies being acquired, but commercial decision-making was ended, with management implementing the policies of the PTE, even where the companies continued to exist. Tyneside PTE actually required the company buses to be painted in the PTE's chosen livery. It was taken for granted that the market for public transport should cease to be in any sense contestable; an attitude of mind not unknown in some, though not all of the PTAs today.

In summary, the 1968 Act laid the following duties upon the PTAs and their PTEs:

- in Section 9 (3) they were "to secure or promote the provision of a properly integrated and efficient system of public transport to meet the needs of (their) area with due regard to the town planning and traffic and parking policies of the constituent areas and safety of operation".
- in Section 18 (2) they were required to produce a development plan setting out proposals for the future development of public transport in their areas.
- in Section 20 the PTEs and British Rail were required to enter into an agreement which defined the respective roles of the two bodies as customer and provider, subject to the approval of the Secretary of State.

The third of these was amended by the Transport Act 1985 to require them to determine the railway passenger service which they consider appropriate to meet public transport requirements. In all this officialese it will be noted that satisfaction of consumer demand is never mentioned.

The original PTAs consisted of members nominated by the district councils within their areas, together with two members appointed by the minister. But the Local Government Act 1974 stated that the new metropolitan county councils were to be Passenger Transport Authorities within the meaning of the 1968 Act, thus effectively making them the Transport Committees of the new councils. The further effect of the Act, adventitiously it would seem, created two new PTAs in South Yorkshire and West Yorkshire, and altered the boundaries of others with no reference to natural operating territories. Tyneside became Tyne and Wear; West Midlands acquired Coventry, which is not in the conurbation, but lost Redditch, which is; and Merseyside acquired Southport. Meanwhile in 1972 a new PTA had been set up for Greater Glasgow, later to be renamed Strathclyde, though never coterminous with the Strathclyde Regional Council.

The English PTAs now became markedly more political, and more remote from the market. South Yorkshire was instructed by the Metropolitan County Council to phase out bus fares. PTEs, along with the National Bus companies and their Scottish equivalents, bought grant-aided buses whose design made conductors superfluous; since they were also much larger, the same output of seat-miles along a bus route could be provided by fewer buses, at a lower cost—despite the known preference of passengers for frequent services, and conductors.

The Local Government Act 1985, which abolished the metropolitan county councils (but not the counties, which still have their Lord Lieutenants) maintained the PTAs as 'residuary bodies', their members nominated by the district councils. But the Transport Act of that year, which made the bus market more contestable than it had been since 1931, and so ended the monopoly operating powers of the PTEs, also envisaged the privatisation of their bus undertakings. It required them to be transferred to 'arms-length' Passenger Transport Companies, which they could bail out only once, if insolvency threatened. There were mixed results, but these companies have now all been transferred to the private sector, where management has at last become market-led, with considerable benefits to the consumer.

From the first the PTAs obtained their revenue, Section 20 grants apart, by precept on the district councils, which were later required to allocate it from the 'Poll Tax'. Since 1990 the district councils have had the right to secede from the PTAs, but so far none of them have done so.

What do they do now?

With the loss of their bus fleets, the PTEs have a greatly reduced function, and were they to lose their powers to subsidise local train services, under Section 20 of the Transport Act 1968, they would be left with but marginal influence in the somewhat artificial areas which they serve. Their current powers and duties may be summarised as follows:

- the *provision of public passenger transport services* for the purpose of meeting any passenger transport requirements within their area which in their view would not otherwise be met;
- *promoting the availability of public passenger transport services* and the convenience of the public, including the elderly and disabled;
 - the *provision, maintenance and operation of bus stations*;
- the *provision of 'travel concessions'* (i.e. special pricing arrangements on public passenger transport services);
- *making grants* for the provision, maintenance or improvement of vehicles or facilities intended for the *benefit of the disabled*;
 - *making grants for the facilitation or improvement of public passenger transport services.*

Provision is also made to require the PTE to invite tenders for the provision of subsidised bus services; to avoid discrimination between users of bus stations; and

not to follow any policy that would inhibit competition between public passenger transport operators.

What this amounts to for today's PTAs can be listed in short order as:

- securing train services *through subsidies and grants to Train Operating Companies and Railtrack*;
- securing 'socially necessary' bus services by way of *tender*;
- *providing bus stations*, bus shelters and bus stop signs;
- *publishing maps and timetables* of public transport services, and providing enquiry offices and phone enquiry lines;
- *providing or securing 'ring-and-ride' services* for the elderly and disabled;
- *providing concessionary and promotional fares* and ticketing systems.

These functions apply to most if not all of the PTAs.

Additionally, some grants have been given for the purchase of new vehicles that are more easily accessible for the disabled. These have been welcome, but the numbers concerned are dwarfed by the commercial investment in new and improved rolling stock by the bus companies themselves.

But certain PTEs are transport operators in their own right, while all of them have promoted schemes for new investment, with varying degrees of success. In some cases the PTA inherited earlier projects. Merseyside became responsible for the Mersey Tunnels and Ferries, while Strathclyde acquired the Glasgow underground railway, a small circular line originally built by the City Council. Before its expansion under the Local Government Act 1974 the then Tyneside PTA had funded a major investment, acquiring run-down suburban railway lines and converting them to form a light rail system, with tunnels under the city and a new bridge across the Tyne. This was then 'integrated' with the PTE bus services, so as to oblige many passengers to change from bus to rail so as to reach the city centre; a practice that was not universally welcomed. This network, which has since been extended, continues to be operated directly by the PTE, which is seeking powers to extend it over existing and former rail tracks through Sunderland to South Hylton near to the A19. Almost certainly, ratepayers would be better off if these businesses were to be sold off, or franchised to Train Operating Companies.

SELNEC (now Greater Manchester) explored the possibility of a rail link in tunnel between the two main railway stations in Manchester (the 'Pic-Vic' scheme). But the cost proved to be too great for a government grant to be obtained, and in due course the Tyneside development was copied, but with the suburban trains being replaced with trams which run on streets through the city centre. Here the actual operation is in the hands of a private sector consortium, and new extensions have been approved.

The 1980s saw a renewed interest in tramways, in the form of Light Rapid Transit (LRT), a form of urban transport much favoured in continental Europe and elsewhere in the world. LRT is highly capital-intensive, and suited to traffic corridors where demand is highly concentrated, and it is best provided where

frequency and speed give it an advantage over both bus transport and the car. Thus it is at its most efficient where it has its own right of way, whereas on-street running without segregation brings all the traffic problems that made the old tramcars so inefficient and unpopular. Yet numerous schemes were developed by local authorities all over the country, very few of which appeared to be in the least realistic; it is not unfair to detect a note of nostalgia in some of the councillors' proposals.

A *Glasgow* tram scheme developed at a cost of £2m by Strathclyde PTE faced an evaluation process peculiar to Scotland, and was turned down by the Parliamentary Commissioners in March 1996. The *Greater Manchester* system, where the LRT cars have segregated tracks through the city centre, has been a success, and something similar is being built in *Croydon*. In *Sheffield*, South Yorkshire Supertram has been a notable failure, involving the PTA in heavy expenditure with little hope of return. The layout of the system has been criticised, and the use of on-street running has created much local opposition, while the forecasting was undermined by a fall of 27% in demand by the time that operation started. The final blow came when the travelling public found that the buses were both quicker and cheaper than the trams.

West Yorkshire PTA developed plans for LRT lines in *Leeds*, which failed to attract government approval, and either public or private finance. Sensibly, a more satisfactory development ensued, with the construction of 'kerb-guided-bus' lanes ('KGB'), which enable buses fitted with guide-wheels to use segregated track and overtake queues of stationary cars in the rush-hour; KGB avoids the costly investment in new vehicles and depots and electricity supply required for LRT, and is a much more efficient use of resources where demand is not sufficient for the trams. The experience of the West Midlands PTA in promoting the *Midlands Metro* will be examined in the next section.

A financial analysis of the work of the PTAs and their PTEs is provided in Figure 2. The success varies as much as their income, but it cannot be said that their use of central government funds for the support of rail services has been an outstanding achievement. Neither Merseyside, Strathclyde nor West Midlands have been able to do more than maintain the traffic levels on their lines, despite very substantial spending. Their policies toward the privatised bus industry vary from the desire to re-instate control over it through franchise (discussed in Appendix 1) to a more positive relationship, notably in Greater Manchester, Merseyside and West Yorkshire. As the scale of investment required for LRT schemes becomes plain, the potential of the bus, with various systems of priority, is becoming more widely recognised today.

**Figure 2: Capital and revenue expenditure
Passenger Transport Authorities and Executives — 1996–97 estimates**

	Greater Manchester	Merseyside	South Yorkshire	Tyne & Wear	West Midlands	West Yorkshire	TOTAL
<i>Capital £m</i>							
Approved ¹ Spend	13.0	13.0	5.9	4.8	77.2	5.6	119.5
Govt Grant	—	—	—	—	15.2	0.3	15.5
Total Borrowing Approval	4.5	9.5	1.4	1.2	23	5.1	44.7
<i>Revenue</i>							
Concessionary Travel	39.4	37.3	13.2	23.3	55.1	21.9	190.2
Supported Bus Services	11.1	8.3	3.8	5	3.2	14.1	45.5
Special Needs Transport	3.1	0.8	1.3	1.6	6.8	1.6	15.2
Rail Services (inc. LRT and net of MRG)	4.7	62.6	10.6	10.0	40.7	43.0	171.9
Facilities and Promotion ²	3.6	5.5	5	1.3	3.9	4.1	23.4
Pension Obligations	0.9	4.4	2.3	1.6	10.6	3.0	22.8
Debt/Financing Charges	25.8	12.3	25.2	1.2	8.6	2.8	75.9
Other Revenue Expenditure ³	2.9	6.8	1.5	1.6	-1.1	13.5	25.2
Total Revenue Expenditure (inc. capital Financing)*	91.6	138	62.9	45.5	127.8	104.2	570

* Excludes funds, reserves, etc.

Source: *Highways and Transportation Committee, 1996-97 Estimates, Chartered Institute of Public Finance and Accountancy, 1997. A further breakdown of the expenditure can be found in Appendix 2.*

¹ Approved Spend includes both Government Grant and Total Borrowing Approval

² Facilities and Promotion includes expenditure on the promotion and publicity of public transport services, management of bus stations and bus shelters.

³ Other Revenue Expenditure includes investment income, expenditure on ferries, tunnels and corporate management and other miscellaneous items.

2. PTAs in practice: two case studies

(1) Tyne & Wear

NEXUS, the area PTE, is unusual in the volume of its business that is involved in the direct operation of its *light rail undertaking* (see Figure 3). Out of a total staff of 980 in 1996/97, 561 were engaged in operating and maintaining the Metro, with a further undisclosed number employed in its management. This figure has increased from 538 (plus managers) in 1985/86, while passenger carryings have fallen consistently, leading to reduced productivity, at a time when the privatised bus industry was making such notable improvements. The desire of the PTA *to convert the existing subsidised railway between Newcastle and Sunderland to an extension of the Metro* is hard to justify in terms of the capital expenditure required, especially since published figures show the Train Operating Company running the service to be performing as well as the Metro, if not better.

The original Tyneside Metro was a pioneering experiment in urban passenger transport, conceived as part of an integrated train and bus network for Newcastle and its environs. NEXUS now proposes to do something more than linking Newcastle with Sunderland (essentially an inter-urban rail link); by building new track at the Sunderland end to a yet unspecified park-and-ride development beside the A19 highway at South Hylton it is intended to improve access to the city. The question that arises is whether the likely traffic on either section could justify the expenditure, since it is generally accepted that movement of more than 7,500 passengers an hour is the least quantity likely to be cost effective for LRT.

As Figure 4 shows, *the productivity of Tyne and Wear Metro is unimpressive*, so it might be better for the proposals to be reconsidered, including the construction of kerb-guided sections for improved bus services.

Figure 3 compares the scale of the various activities of NEXUS, showing the significance of the Metro. But from Figure 4 we can see that *the performance of the Metro compares badly with that of the privatised bus industry* in Great Britain, and, indeed, with that of the London Underground, which has yet to be privatised. The solution in Greater Manchester, South Yorkshire and the West Midlands has been to harness the efficiencies of the private sector for the operation of LRT services, and the case for privatising the Tyne & Wear Metro must be powerful. Neither municipal pride nor the vested interest of the bureaucracy should be allowed to disguise the fact.

Figure 3: The NEXUS business

Activity	Passenger journeys, 1997
Concessionary travel	50,900,000
Metro	35,300,000
Ferry	598,273
Newcastle–Sunderland railway	2,100,00
Secured bus services	9,000,000
Care services	647,905

Notes: The figure for concessionary travel indicates the number of journeys made by passengers travelling at subsidised fares, and thus involves a very much smaller operational activity than the provision of services. There were other activities, including 211,525 telephone enquiries dealt with, 2m information leaflets distributed, and 5,985 bus stops provided and maintained, and seven bus stations.

Source: PTA Annual Report and Accounts 1996/97

Figure 4: Productivity comparisons

Productivity Measure	1985/86	1996/97	%age change
<i>1. NEXUS Metro services</i>			
Passenger journeys per employee	101,486	62,973	-37%
Loaded train miles per employee		6,691	5,347 -20%
<i>2. Bus and coach services (nationally)</i>			
Passenger journeys per employee	32,380	30,040	-7.3%
Vehicle kilometres per employee	11,920	17,970	+50.8%
<i>3. London Underground Limited</i>			
Passenger journeys per employee	37,308	48,219	+29%
Loaded train kilometres per employee	2,333	3,660	+56.9%

Sources: Published data from NEXUS; Transport Statistics Great Britain 1997 (The Stationary Office)

The remaining activities of NEXUS are by no means free from controversy. Its policy, not unknown elsewhere, is *to monopolise the provision of information about public transport on the bus shelters and bus stop poles that it owns*, and to prohibit bus companies from using them to provide their own. (The argument, sometimes heard, that this follows from the requirement that PTEs must not discriminate between

operators, is specious). In the absence of information about bus services, many notice-boards are used for the purpose of explaining to a wondering public what NEXUS is. The bus companies in Tyne & Wear have a jointly owned company to deal with ticketing and allocation of revenue, and it would seem logical if this or a similar company were to be given the responsibility for information—a suggestion that could be applied in other PTA areas, and in some other local authorities.

The PTAs were given an *ill-defined responsibility for the development of public transport* in their areas, and several of them claim that they still pursue this. But *the need for integrating public transport and land-use policies*, recognised in the 1960s, *has been sadly neglected*, and in Tyne & Wear this has led to a series of out of centre developments which have been given planning permission with no regard to the public transport system. Bus operators are in no position to do more than monitor such developments, and the criticism remains that NEXUS might have played a more pro-active part here, acting on their behalf.

(2) West Midlands

In 1995/96 CENTRO, the PTE for the West Midlands conurbation, devoted 43% of its 'revenue expenditure' to *concessionary travel* and 37.3% to *co-ordinated rail services*, with 7.7% going to *co-ordinated bus services*. Capital expenditure, on the other hand, has been heavily weighted to the construction of *Line One of the planned Midland Metro* (see Figure 5), which has been largely financed from the sale of the Executives bus company. The precept on councils in its area provided 78% of revenue finance, with 14.6% coming from central government. As with NEXUS, CENTRO has *no effective powers to co-ordinate transport and land-use planning*, though it is working to a 20-year strategy designed a few years ago to encourage more responsible car use in the conurbation (*CENTRO Annual Review 1995/96*); this is in partnership with local authorities within and outside of the PTA area, industry and commerce, etc.

CENTRO inherited its commitment to the Midland Metro from the West Midlands Metropolitan County Council, functioning as a PTA. The original scheme was for on-street tramways, which met with widespread public hostility, and was replaced by the *redevelopment of disused railways for the operation of Light Rapid Transit*. It is still open to question as to whether the railways were disused because no-one used the trains, but the scheme failed to find favour with the Department of Transport, and there are those who have not been surprised at that.

Figure 5: CENTRO capital spending 1995/96

Activity	Expenditure	Percentage
Midland Metro	£19,060,000	62.2%
Rail infrastructure	£8,091,000	26.0%
Bus infrastructure	£3,036,000	9.7%
Other	£964,000	3.1 %

Source: *CENTRO Annual Review 1995/96*

Proposals for the Midland Metro originated in the period when the West Midlands PTE was in effect the Transport Committee of the Metropolitan County Council. A scheme for on-street running from the centre of Birmingham to the International Airport and the National Exhibition Centre via Chelmsley Wood met with vigorous NIMBY ('Not In My Back Yard') opposition, and the plan that was developed later was based largely on disused railway lines. Line 1 was to use the former Great Western main line between Birmingham and Wolverhampton; Line 2 was to run through a tunnel under Birmingham City centre and then extend on segregated tracks through the 'Heartland' industrial development area and on to Chelmsley Wood and the Airport complex; while Line 3 was to connect Wolverhampton, Walsall and Dudley, using abandoned railways. The District Councils accepted the PTE's contention that these lines would solve the transport problems of the conurbation, though there were commentators who expressed doubt.

It was plain from the first that *the cost of the Birmingham tunnel would be prohibitive*, while the z-shaped Line 3 was also a costly proposition. Eventually, after ten years, the PTA managed to get Treasury approval for Line 1, which is to open in October 1998, having cost £145 million. It is to be operated by a consortium of private firms, with fares ten per cent higher than bus fares in the area. All in all, it is *not an impressive example of strategic planning*, and the District Councils, who are now developing Quality Partnerships with bus companies must regret the diversion of funds to Light Rail.

In its publicity CENTRO makes much of the success of the 'showcase' Line 33, which has proved that people can be attracted out of their cars and on to a first rate bus service. This Quality Partnership involves investment by Travel West Midlands in new, ease of access buses, and driver-training; by Birmingham and Walsall councils in improved roads and kerbs and bus-only lanes; and by CENTRO in new bus shelters and real-time information about the buses. The achievement of this partnership is certainly a matter for congratulation to all parties, but with due respect it *is not easy to see why it was necessary for CENTRO to be a partner at all*, since its input could have come from the District Council, were it to take over the PTE's powers, with the removal of a level of administrative expenditure.

Indeed, at the end of the day it must be asked of CENTRO, as of NEXUS, what justification there is for their existence. What is it that they do that would not be possible for some other organisation, like a District Council, to do, if they were not there?

Now to that question, CENTRO and its PTA have an answer: CENTRO's Director General has invited the government to make CENTRO a franchising agency for the West Midlands, as a trial run for its introduction in other areas. This—as Appendix 1 explains—would return to the PTE the bus operating powers lost by way of deregulation, only at one remove with a commercial monopoly acting as its agent. *The addition of a strongly bureaucratic level of management in this way could only weaken the ability of customers to influence the operation and pricing of bus services*, while inhibiting innovation and rapid response to changes in demand. (The PTE's record of innovation prior to 1985 is not impressive). The Chief Executive of Travel West Midlands, the largest company in the area, is quoted as saying that "CENTRO, not the passengers, will be in the driving seat" if the franchise system were to be adopted. For the PTA and CENTRO, of course, the administration of a franchise would protect and expand the jobs of the administrators, and the interests of the local politicians.

3. What should be done?

Passenger Transport Authorities are by their nature political animals, yet they do not have the direct franchise given by the electors to the district councils that appoint them. Inevitably there is a tendency toward a paternalist and *dirigiste* approach to policy, though this varies markedly from one PTA to another. There is a marked contrast between one PTE, whose Director General has been quoted as referring to "bus companies ... who make megabucks under the present system" and others that recognise the contribution to be made by commercial management. But *the responsibilities of the PTA are probably little understood* by those whose property tax contributes the greater part of their revenue (by precept); and when they promote themselves as if they were trading entities it must be *easy for the public to confuse them with the actual transport operators*. And it is hard to escape the impression that some of them have a nostalgia for the days when they were bus operators themselves. If the activities of the PTEs and PTAs were to be the responsibility of the District Councils, with their tighter financial discipline, there would be clear and immediate benefits to follow:

- better *value for money*;
- more cash to spare for *social and welfare benefits*; and
- a more realistic form of *democratic control*.

So what do PTEs do? Figure 2 shows that in each case the predominant expenditure of the PTEs is accounted for by the *provision and administration of concessionary fares*, and the financial support and control of train services. Subsidy by tender to provide 'socially necessary' bus services which it is assumed that the market would not provide; special provision for elderly and disabled passengers; the provision of bus stop signs and shelters and the publication of timetables and maps; all of these are less expensive. (In some cases there are payments for tunnels and ferries that are specific to the PTE concerned). But in each case there is an *assumption that the PTE is responsible for policy and planning issues*, as to which they have little or no statutory power.

There are alternative ways of carrying out these functions, which will now be examined. It will be seen that they will reduce the burden on the public purse of a wholly unnecessary level of bureaucracy, while leading to improvements in efficiency as well as strengthening the element of democratic control. For it must be recognised that a PTA is a form of *q*, whose members are responsible at one remove from the voters, while the PTEs they control are themselves characteristic bureaucracies, yet further removed from the effective demand of passengers and the economising interests of the ratepayer. The PTEs also initiate much of the policymaking of the PTAs, with whom they combine to form a system largely insulated from the disciplines of supply and demand. Let us examine each of their activities

Supported train services

Apart from the direct operation of the Metro system in Tyneside and the small Glasgow underground, the provision of these subsidised services is *one of the largest areas of expenditure* for most of the PTEs. To the public, indeed, this must appear to be a direct operation as well, since the train operators are required to use livery and logo specified in their contract with the PTE. There is often capital spending as well, sometimes including the provision of new rolling stock. Figure 6 shows the extent of these activities.

Figure 6: The extent of railway support

Passenger transport area	railway route miles (millions)	stations supported (millions)	passenger miles (millions)
Greater Manchester	157	101	144
Merseyside	88	74	234
South Yorkshire	102	34	71
Strathclyde	282	159	378
Tyne & Wear	12	6	23
West Midlands	107	69	275
West Yorkshire	190	65	125

Source: *Rail Industry Monitor 1994*

Powers to support local train services come from Section 20 of the Transport Act 1968, and are often referred to as 'Section 20 powers'. As Paul Truelove puts it in his book *Decision Making in Transport Planning*, there is thus "a mechanism, albeit indirect, whereby the population of a conurbation can collectively decide on the kind of rail services it wants, and pay for it partly by way of the local tax system". The problem with this is the removal of decision-making about subsidy to a level one stage above the elected local authority, as well as the derivation of the greater part of the funding from central government. This is not to say that local authorities should play no part in the development of rail services, not least where this may reduce street congestion, but it must be observed that 'securing the provision of rail services' by an authority which in effect is seeking to provide or even operate them is not the same thing as franchising a Train Operating Company (TOC) under the Railways Act 1993. There is at *present considerable overlap between the Section 20 functions of the PTEs, the responsibilities of the Office of Passenger Rail Franchising (OPRAF), and of the TOCs*. Policies of the PTEs vary considerably, and the whole subject requires further critical analysis.

The franchise awarded to a TOC requires the subsidy agreed with the franchisee to be progressively reduced, thereby giving an incentive to improve both efficiency and effective satisfaction of demand. The PTEs have retained much closer control over their franchisees, and in the extreme case of Merseyside there is still double-manning of trains and staffing at all stations, while the 20 years since investment was put into the Merseyrail circular tunnel under Liverpool patronage, forecast to rise by 25%, have seen it actually fall by the same amount.

CENTRO, the West Midlands PTE, has had to impose severe penalties for late running and other failures in providing the train services for which it contracts, both with British Rail and with the subsequent TOC. *The case is strong for train services in the conurbations to be transferred to the Rail Regulator and the Director of Franchise (or of whoever succeeds to these powers).* Mini-franchises, which are also being proposed for low-density rural railways, could be designed so as to give the successful tenderer the same incentive to offer a superior service that has been effective for not a few of the main line franchisees, with the same reducing subsidy. Provision could be made for a regional authority (of the kind that the government is minded to establish) to advise on the conditions of the franchise, and to negotiate with both Railtrack and the TOC where new capital investment can be shown to be justified.

Supported bus services

Serious problems of definition arise here, which have never been seriously addressed since the system was set up by the Transport Act 1985. The need to provide 'socially necessary' bus services had been canvassed widely as demand for bus travel collapsed in the publicly owned bus companies and local authority businesses for some years previously, but what was never faced was how this necessity was to be defined. 'What the market failed to provide' left unanswered the problem of definition, and this tended to mean the opinion of local authority administrators and the interests of councillors.

It rapidly became plain that to double the frequency of a bus service by running subsidised journeys between the commercial ones would not be feasible, and in any case the growing limitation of funding for support put an end to such policies. What is generally to be found is the provision of journeys over commercial routes either before or after the company buses run, sometimes involving quite substantial mileage, especially in the evenings and at weekends.

Just how the 'social need' for these services can be calculated has never been defined, and attempts to develop rigorous criteria from behavioural models have been unsuccessful. The tendency seems to have been to fill any gaps that emerged after privatisation and deregulation, and to keep them filled. (Something of the same policy was followed after 1974, with respect to railway services, by way of the Public Service Obligation Grant to British Rail, which 'froze' loss-making train services for some 20 years after that date). It is important to note that the period since 1986 has seen a great increase in commercially justified bus mileage in the conurbations, not a little of which has been the introduction of entirely new routes (which would surely have been justified for the previous incumbents).

Much of the 'tweaking' effect of providing one or two additional journeys may be insignificant, and many of these are provided by small firms at fairly marginal rates.

But where a substantial service is provided, no commercial operator is likely to replicate it, so there is no way of testing the extent to which it might in fact be commercially justified. In these cases the effect of subsidy is simply to distort the market process.

The increased efficiency of the bus companies following from privatisation has meant that the cost of socially necessary services has fallen, leaving the PTEs with spare resources. In the absence of any objective basis for calculating the social gain concerned, the danger has re-appeared of subsidised buses 'carrying fresh air' in order to satisfy the wishes of councillors. **The whole subject demands serious rethinking**, not least because opinion in the industry suggests that many of the tendered services or timings would in fact be provided commercially were they to be dropped from the tendering process.

The provision of 'secured bus services' by the PTAs can hardly be seen to justify their continued existence. If the scale of the problem is in fact far less than is recognised, it might well be that the expansion of 'ring and ride' services, or the provision of taxivouchers for individuals where only a few people are using the service, could be organised by district councils with more down-to-earth knowledge of their ratepayers' needs.

Concessionary travel

This is a system of subsidy paid direct to the passenger, and available to pensioners and others, its full extent varying from one authority to another. It is to be found in many areas outside of the PTAs, its level of generosity determined by local councillors. For the PTAs it is the second largest area of expenditure. So long as the PTEs were themselves bus operators the system was reasonably straightforward, but the Transport Act 1985 required local authorities and PTAs to give all operators in their areas access to concessionary schemes of this kind. The companies are then reimbursed for any shortfall between the amount (if any) paid by the passenger and the appropriate fare, with a deduction in respect of 'generated traffic'. In most areas the administrative problems arising have been dealt with by sampling techniques, but in due course the spread of decremental smart cards should simplify the system.

While the social benefit of these schemes cannot be questioned, and transfer payments of this kind must reflect the proper activity of a caring society, *it is open to question why the schemes should not be administered by the district councils*, whose policy makers are closer to the ratepayers themselves. Access to satisfactions, which is the benefit the schemes provide, may be seen as a social gain to an entire community, so it would seem that the community should determine its provision. It is not easy to identify a PTA with any one community in this sense.

The same argument must then apply to similar benefits to be found in the activities of the PTEs. 'Ring-and-ride' and other specialist provision for the disabled is in some cases the responsibility of the district councils already, though it is interesting to see how commercial minibuses companies have found it worth developing services that give more direct access to shopping areas than standard vehicles can provide.

Ticketing and information

With a view to encouraging the use of public transport, and also interchange between bus, train and tram services, PTAs have provided all-area travelcards, which may be purchased at a discount for periods ranging from a week to a year—or even for a day. An audit train is then necessary to reimburse whichever operators the purchaser travels with, just as in the case of concessionary travel. Promotion of this kind would be a valuable attraction were road pricing to be introduced, *but there is no reason why it should not be provided by consortia of public transport operators, including the Train Operating Companies* (especially if local train services in the conurbations were the subject of mini-franchises). And here again *the artificiality of local government boundaries makes for illogical areas within which such schemes operate at present*. In Tyne and Wear all the operators, including the PTE, formed Network Ticketing Limited in 1988, a non-profit-making operation which has proved highly successful. A similar system operates equally efficiently in Greater Manchester, to the benefit of the companies and their passengers.

The PTEs also undertake quite substantial *publicity work* which, while it is a valuable service to the public, is a service to the operators as well, and an indirect subsidy to the local bus companies. *Maps and timetable leaflets* are printed on a large scale, though they may not always be easily obtained. (One advantage is that the timings of more than one company on the same route can be shown in the same leaflet).

An unexpected outcome of bus deregulation was the continued weakness of the industry's marketing effort in terms of information, which had been trenchantly criticised by consumer groups while it was still in the public sector. But neither did a secondary market emerge, which the advertising industry might well have developed. It is not unreasonable to expect bus companies to market their own services, and for the Office of Fair Trading to permit them to do so jointly where it suits them, while the media should be capable of supporting their efforts as happens with competing radio and television stations. The possibilities have been demonstrated by the Great Britain Bus Timetable, published by a bus company in the south of England, with sponsorship from the principal operating groups and government and other agencies, and with a national Train, Bus and Coach Hotline (0891910910). Even so, at almost two inches thick it is impossible for this excellent publication to include local services in dense urban areas, although there is a remarkable coverage of 'interurban' services within the conurbations. *It should be perfectly possible for similar commercial publicity to replace the subsidised and subsidising activities of the Passenger Transport Executives.*

Bus stations, bus shelters and bus stops

Policy regarding the *provision of bus stations* by local authorities up and down the country has varied widely ever since motor bus services began to spread after the first world war. As a competitive factor in the advantage one town may have over another they must be a very local matter, similar to the provision of car parks, but it is *very difficult to see any reason for them to be in the ownership of the PTAs*. Their siting and access problems are closely related to the highway responsibilities of the unitary authorities, and many of those authorities already provide and manage their own. Those now in PTA ownership should be transferred.

Bus shelters (there is an old joke about their inability to shelter a bus) and also *bus stops*—the actual poles—present a further ambiguity. They are by definition on public territory; their sitting is related to highway and traffic policy; yet the bus companies have a serious commercial interest in their sitting as well as their construction. But *here again the problem is local, and there is no particular reason why they should be the responsibility of the PTA*. What is important is the provision of service and price information at these sites, not least where no change is given on the buses. *Because the PTEs have made themselves responsible for producing publicity, they may prohibit operators displaying their own, yet the delay in printing leaflets with the information supplied by the operator must inevitably mean that much information is out of date. Certain PTEs have a bad record in this area*, and it could best be improved if the operators were entitled to see to it themselves.

There is growing evidence that co-operation between highway authorities and bus companies can produce substantial increases in bus travel, not a little of the growth coming from former car users. These 'Quality Partnerships', strongly advocated by the Chartered Institute of Transport, take various forms, but in most cases they have proved to be highly successful—one in Birmingham and Walsall, involving investment by the councils and the bus company, Travel West Midlands, showing an increase of 30 per cent over two years. In that example, CENTRO contributed *state-of-the-art bus shelters with real time information*. While CENTRO has sought to take the credit for this development, it could have been undertaken by the bus company and the two councils alone, were the issue of the ownership of bus stops resolved in their favour.

Strategic planning and land use

All the PTAs claim to exercise authority in far broader terms than their powers permit. Merseyside claims to have 'a policy and planning strategy for the benefit of the community'. We have seen in Tyne and Wear that major land use investments have not been placed to ensure that public transport could play its proper part in servicing them, thereby actually encouraging private car traffic. Yet their genuine concern at the lack of powers is justified, even though they are not the most suitable authorities to do what needs to be done.

For one thing, as we have seen, *they cannot act as 'honest brokers' between land use and transport planners*, as Barbara Castle originally intended. They are still players in the market that requires some form of intervention to deal with the inherent scarcity of land in cities. Merseyside's claim is supported by its contribution to Quality Partnerships, and to the development of a rapid transit project; schemes which fall something short of a regional strategy. And this in turn leads to the second problem, which is the *limitation of the PTAs' powers to the local government boundaries that have no meaning for transport purposes*.

The government's proposed *regional strategy authorities* would certainly be better placed to oversee the land use issues that some of the PTAs correctly recognise to be pressing. For the problem is not about how to run public transport, whether road or rail, but how to ensure that the operators — the bus companies, large and small, and the TOCs — are brought into the planning process as contributors, ensuring the information that would be needed by the new authorities. Only in this way will it be possible to leave behind us the mistaken assumptions of the Transport Act 1968.

4. Conclusion

While a Passenger Transport Authority does not quite match up to the generally accepted idea of a quango, since its members are themselves elected councillors, its position in the system of government opens it to many of the criticisms of that type of organisation. For the PTAs are not effectively responsible to the electorate, and their functions sit uneasily with those of the district councils in their areas. In many ways their activities are constrained by the lack of any clear thinking about what they should do. Left over from a policy structure abandoned in 1985, they have a collection of functions which we have analysed, and which could be better performed by the district councils, with their highway responsibilities and direct electoral sanction, or, freed of their artificial boundaries, by a strategic regional authority.

And the activities of the PTEs for which they are responsible do not come cheap. With the reforms advocated in this paper a whole level of administration would be swept away, and the transfer of their functions to the unitary authorities would ensure that they were performed at lower cost.

The ability of the quango to justify its continued existence is an example of what economists call 'rent-seeking' activity, ensuring that its members' expenses and its officers' emoluments are protected. In today's world of public-private partnerships their criticism of 'bus deregulation' seems politically loaded, until we reflect upon nostalgia for the powers to operate buses that they lost in 1985. (Some part of this nostalgia may account for their readiness to invest in expensive but prestigious light rapid transit, where the cheaper and more effective provision of 'kerb-guided busways' would have been a more rewarding use of public funds).

The case for the existence of the PTAs as we have them has never been made. The case for their abolition is strong. It needs to be part of the government's search for an integrated transport policy, since it is hard to see what advantages the PTAs have got that would effectively contribute to it.

Redistribution of the powers of the PTAs and their PTEs would have the immediate effect of reducing public expenditure. It would also make the aspects of their function transferred to the district council more efficient and more open for the public to understand. The transfer of their rail interests to Train Operating Companies under mini-franchises would lead to the more efficient use of resources, and greater incentives to increase travel by train. There are but few of their responsibilities that could not be better undertaken elsewhere.

But the one original purpose behind the creation of these authorities has never been properly addressed. For them to be 'honest brokers' between transport operators and land-use planners was undermined by making them players in the market, through their ownership of transport assets. And in any case, the duties given to them by the Transport Act 1968 were not backed up by powers, outwith the requirement to coordinate services. Today, as in the 1960s, *there is a real need for a strategic policy for development that takes account of the transport industry (freight as well as*

passenger), and allows both the contributions and the interests of operators to be taken into account. The problem is that the areas of the PTAs, which were meant to relate to the traffic needs of the conurbations, were so distorted by the Local Government Act 1985 as to become quite artificial. The conclusion must be that *the ineffective strategic responsibilities of the PTAs should go to the new regional authorities* that the government proposes to introduce. What cannot go down, should go up!

Appendix 1: The dangers of franchise

A 'halfway house' between the continued working of a contestable market for bus services, with whatever weaknesses it may have, and the return of the industry to the public sector, which for the present purpose means operation by a Passenger Transport Executive, is seen by some to take the form of a franchise. This would mean that the PTE would invite bus companies to tender for the provision of whatever 'network' of services the public should be offered. By a wild excess of language this is called 'competing for the market' in place of 'competing in the market', whereas it is really competing for a monopoly, to be bestowed upon the favoured company rather as Tudor monarchs bestowed the monopoly for the import of sweet white wines, or whatever, upon their favoured courtiers. It is a system designed to harvest for the authority the benefits of a profit-driven industry without retaining the competitive market that encourages growth and it is very popular in many countries in the European Union today.

This is a very different thing from the commercial franchises that are familiar in fast foods or clothing, which have to survive in a competitive market. It is a system that would remove decision-making from those whose survival depends on getting the product right to an army of bureaucrats who would not suffer if it turned out that they had got it wrong. It would fatally inhibit innovation and price discrimination, for bureaucrats must very properly be risk-averse. Success in the market demands the ability to react quickly to changes in demand, and the experience of franchise in London shows how slow bureaucracy must be. Not long ago there was a problem of overcrowding on the number 31 route, and people were calling for bigger buses, but, as the press reported, "the net cost contract [was] not up for re-tender for two years and London Buses [had] not authorised larger vehicles".

Those who advocate franchise do not seem to have faced up to the problems that it would bring. If a PTE were to award the monopoly so as to replace the operations of existing companies in its area it would surely be open to an action for sequestration of assets by the incumbents, while we have already seen the consequences of ending a franchise in the case of commercial television. The rail franchises do not offer an alternative, since they involve the leasing of rolling stock, and they are designed with the intention of progressively reducing subsidy.

Beyond these problems there lies the fact that franchise could only involve a serious increase in local authority funding such that HM Treasury could only regard with disfavour. For by inhibiting the profit-seeking function of proactive marketing management the principal source of increased patronage could only be contained, and in the absence of growth operating costs would rise faster than inflation.

The consequent deficit on the franchise agreement would then fall on the PTE, which would have the options of:

- 1 cutting bus mileage;
- 2 increasing fares;

- 3 cutting wages for the operator's staff;
- 4 introducing subsidy, or perhaps some mixture of each.

It is plain that each of the interested parties—passengers, staff and taxpayers—could expect to be worse off under a franchise than they would be were the existing system to continue.

The House of Commons Transport Committee looked at the idea in 1995, and concluded "There could be problems with franchising. It would require the setting up or enlarging of special departments in local authorities, and it is not clear where the necessary expertise would come from. Nor is it certain that the judgement of a franchising department would be superior to the market judgement of the operator". Measured words that go to the heart of the matter. The boundary problems of the PTAs apart, the onus must rest with them to justify the return of bus services to the responsibility of an entirely unnecessary level of administration, with all its costs, and to the elitism of politicians and bureaucrats who pretend that they can know better than the professionals what is good for people who want to travel by bus.

Appendix 2: Expenditure of PTEs

Name of PTE	Year	Area of Expenditure	£m	%age
Greater Manchester	95/6	Concessionary fares	34.728	40.0
		Subsidised rail services & LRT	32.880	37.9
		Subsidised bus services	8.473	9.8
		Accessible transport	2.859	3.3
		Other (net)	9.717	11.2
Total			86.857	
Merseyside	96/7	Subsidised rail services	79.600	41.3
		Concessionary fares	15.866	41.1
		Mersey tunnels	26.600	13.8
		Fund management	19.600	10.2
		Subsidised bus services	14.600	7.6
		'Facilities & promotions'	11.600	6.2
		Mersey ferries	3.700	1.9
Total			192.900	
South Yorkshire	95/6	Concessionary fares	15.866	41.1
		Subsidised rail services	8.623	22.4
		Subsidised bus services	4.833	12.5
		Bus stations	4.512	11.7
		Route equipment	2.041	5.3
		Service promotion	1.774	4.6
		Other	924	2.4
		Total		
Strathclyde	95/6	Subsidised rail services	34.800	47.7
		Concessionary travel	19.486	26.7
		Underground	6.921	9.4
		Subsidised bus services	4.186	5.7
		Dial-a-Bus'	1.398	1.9
		Ticketing & bus stops	0.867	1.2
		Ferry operators	0.591	0.1
		Surveys	0.549	0.1
		Bus shelters and stops	0.543	0.1
		Other	4.568	0.2
Total			72.968	

Notes

Subsidised rail services. The so-called 'Section 20' provision, whereby funds from central government sources are administered by the PTE. This provision could be made through a 'minifranchise' from the Office of Rail Passenger Franchising (OPFRAF), or its successor, on a reducing subsidy basis as with the principal rail franchises. The definition of such a franchise could be the responsibility of the proposed Regional Councils, and ergo free of the artificial limits of the former metropolitan counties.

Subsidised bus services. These are 'socially necessary' services, usually early or late in the days or on Sundays, secured by competitive tender. Their provision tends to reflect the funds available. Out with the PTAs this function lies with county councils or unitary authorities, and could be undertaken by district councils directly responsible to ratepayers.

Concessionary fares. This provision for elderly and 'special needs' passengers is a form of social subsidy better undertaken by the district councils (as with subsidised bus services).

Care services 'Dial-a-Bus' etc. In some of the PTAs these facilities are already provided by the district councils, who are nearer to the needs of their elderly residents.

Direct operation of rail and LRT services would be best franchised out (as in South Yorkshire, West Midlands and Greater Manchester) or sold off altogether. Tunnels and ferries are essentially highway functions, but where they cross district council boundaries a joint authority may be needed. They are limited in number.

Promotion and publicity. The bus industry has had a poor history of marketing communication, whether publicly or privately owned, but that is no reason why public funds should subsidise it, and the PTEs that do this have a doubtful image themselves. If newspapers and magazines can carry information about TV programmes in increasing detail with the advent of digital TV, there is no reason why they should not provide a similar service for buses and trains, paid for by advertisers. In some cases there is evidence that PTEs prevent bus companies providing roadside information, or seek to give the impression that they are transport operators. The market needs to be freed up, and opened up as well.

Bus shelters and bus stops. This is a problematic area, since the street is a municipal responsibility, yet the bus company has a vital interest in the provision and siting of these services. There is no reason for PTEs to be involved in it.

Co-ordination and integration. Although PTAs often give the impression that this is one of their functions, they no longer have the powers that they were given by the Transport Act 1968. There is however an urgent need for land use planning to take account of public transport provision, and the PTAs (in addition to older local authorities, new town corporations and development corporations) have a very poor history in this field. However, the PTAs were never regional authorities, and there is no purpose in retaining them just to provide the 'honest broker' function that was seen 35 years ago to be necessary

Background reading and information

Urban Transport, edited by Kevin Hey and John Sheldrake (Ashgate, 1997), contains a number of papers relating to the development of the PTA system and other related matters.

Deregulated Decade, (Adam Smith Institute, 1997), by John Hibbs and Matthew Bradley, surveys the performance of the bus industry over the past ten years.

Decision Making in Transport Planning, by Paul Truelove (Longman, 1992) is still an invaluable source of information about the existing arrangements.

Quality Partnerships in the Bus Industry: A Survey and Review, (The TAS Partnership, Britannic House, 1a Chapel Street, Preston PR1 8BU, September 1997).

Facts '98, (Confederation of Passenger Transport, Imperial House, 15–19 Kingsway, London WC2B 6UN) is a summary of statistics about the industry.

Omnibus for All ? (The Chartered Institute of Transport, 80 Portland Place, London WIN 4DP, February 1996) argues the case for Quality Partnerships.

Local Bus Services, Getting the Balance Right, (Association of Transport Coordinating Officers (ATCO), FAX to the Secretary on 01228 813270, September 1996). The arguments for franchise first appeared in this paper, followed by:

Legislating for Better Buses (Passenger Transport Executive Group, contact GMPTE, 9 Portland Street, Manchester M60 1HX).