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ABSTRACT

The Transport Act 1985 abolished quantity control of bus services in Great Britain (outside London) and allowed subsidy to be paid for bus services only after competitive tendering. Preparations for the change started in January 1986, and the new regime effectively began on 26 October 1986.

Between 70 and 80 per cent of previous bus services were operated commercially, without subsidy, although not always in exactly the same form as before. Local authorities specified subsidised services to supplement commercial ones, attempting to preserve broadly the same overall service levels as before, and invited tenders for them. Tender prices were such that most authorities were able to let contracts for all the services they required, at subsidy levels well within their budgets.

Competition between bus services has occurred in only a limited number of cases so far, and has caused few serious traffic congestion problems. There have been random fluctuations in fares, but no systematic trend has yet been detected.

As far as can be judged from the evidence available so far, the transition to deregulated bus services has been accomplished successfully, albeit with a number of difficulties still to be resolved.

1 INTRODUCTION

Deregulation day, 26 October 1986, marked the end, except in London, of quantity control (by road service licensing) of bus services in Great Britain, and the beginning of a regime under which subsidies for bus services could be paid only to operators who had been awarded contracts on the basis of competitive tender. It was therefore the most significant date in the transition to free-market bus operation, resulting from the Transport Act 1985.* This report describes and attempts to assess the changes in bus services which occurred on or immediately after deregulation day, and their consequences for passengers, the operators who provide them and the authorities who subsidise some of them. However, in order to present the recent changes in their proper context, it is necessary to review developments from the start of the transition in January 1986, and to discuss the implications of possible changes up to the formal end of the transition in January 1987, and beyond.

The scope for comprehensive, objective evaluation of a major change of this nature only four weeks after the event, is severely limited. At this stage the available information is inevitably patchy, and some of it may not be accurate. Further, the situation is not static: some operators have still to perfect practical means of providing the bus services they have planned, in some cases the planned services have proved to be in need of adjustment and passengers are not yet accustomed to new service patterns. In any case, much more time is needed for analysis and reflection before a mature judgement of all the various consequences of the Transport Act can be made. What is presented here is therefore an interim view of the current situation, based on a number of sources of information, ranging from quantitative data acquired in the course of a systematic research programme to news reported by the media and obtained informally from many individuals. Opinions are given, where they seem justified, but they are subject to future revision as more comprehensive information is obtained, circumstances change or as a result of more exhaustive research. Further reports will be issued in due course.

For the convenience of the reader, this report is presented as a summary of what is known at present, giving occasional examples, and an assessment of its significance. Much more detailed information is given in a series of TRRL Working Papers which are referred to in the text. The report has three principal sections: the first describes the 'commercial' services which operators proposed to run without subsidy; the second gives an account of the way local authorities planned and secured subsidised services; and the third discusses the effectiveness of the resulting combined pattern of bus services.

2 REGISTRATION OF COMMERCIAL SERVICES

2.1 OVERALL SERVICE LEVELS

The process of transition began with the 'registration' by operators of bus services they proposed to provide on a commercial (non-subsidised) basis after 25 October 1986. Registration consisted of furnishing the traffic commissioners with essential details (of routes, stopping places, timetables etc) of proposed services, and had to be done between 1 January and 28 February 1986. During this period nearly 1500 bus operators of all types registered nearly 15 000 bus services. The task of comparing these services in detail with those which were operated before 1986 (and which were subject to 19 000 road service

*For a detailed explanation of the provisions of the Transport Act 1985, see Department of Transport et al, 1985

TABLE 1

Registrations by operator types

	Previous road service licences (a)	Registrations to 28 February (case A) (b)	(b) as percentage of (a)
National Bus Company	6 000	4 600	76%
Passenger Transport Executives	1 651	1 500	91%
Scottish Bus Group	1 674	1 133	68%
Municipal Operators	1 516	1 271	84%
Private Operators	7 137	5 590	78%
Other Operators	488	147	30%
TOTAL	18 466	14 241	77%

licences) is too great for serious consideration, and, as will become clear later, would serve no real purpose. It is however, of considerable interest to note that estimates which can be made at this stage (combining data from a number of sources and ignoring niceties of definitional change) indicate that nationally, commercially registered services were equivalent, in terms of vehicle miles, to between 70 and 80 per cent of services previously operated.

2.2 THE OPERATORS

While comparisons between individual operators on the basis of registrations and licences would be misleading, the statistics for the main types of operators, given in Table 1, give a rough indication of how they reacted to the new legislation.

There was a noticeable, though small, variation about the average. Opertors serving mainly urban areas (municipal operators and PTEs) registered a higher proportion of previous services than average, while Scottish Bus Group companies, which serve very large rural areas and do not provide the majority of services in the four major Scottish cities, were below average. National Bus Company and private operators were both close to the average. The latter result may at first sight seem surprising, in view of the previous pattern of private operators being largely confined to running marginal services in rural areas. While not discounting the positive attitude of some independent operators who, for reasons discussed later, seem to have registered previously subsidised services as commercial, it must be noted that significant numbers of formerly unlicensed contract services (mainly schools and works services) were registered as local services, thus distorting the comparison of the statistics.

Some 800 operators who previously held road service licences did not make commercial registrations. These were exclusively independent operators, generally providing stage carriage services on a very small scale. They did not necessarily opt out of local services, but apparently believed that the service they ran could not be sustained on a commercial basis*. Some may have been unable to identify new markets which they could serve commercially, and others unwilling to commit themselves until they assessed their competitors' services. Some small operators may feel that they have insufficient resources to compete directly with large established operators, and some rely on the good-will of big operators for sub-contracts and access to bus stations.

About 200 operators, who have not previously held road service licences, registered commercial local services. These are generally on a very small scale (eg market day services) as one might expect from newcomers testing the water.

2.3 SERVICE PATTERNS

In most places the majority of registered commercial services were services which were run before, by the same operators, often with a few minor adjustments. Differences from previous networks generally consisted of reductions in frequency, especially at times when demand was low and costs were high (early mornings, evenings, Sundays) or no services at all at these times, and substantially reduced coverage of rural and suburban areas. However, not all changes were negative: there was a marked trend towards high-frequency minibus services with improved access to residential areas, led by NBC (see Finch et al, 1986) but now beginning to be imitated by other public sector operators (eg Plymouth City, Greater Manchester Buses). There were also examples of more frequent conventional bus services in urban areas (Bristol) and on interurban routes (Horsham-Worthing, Aberdeen-Fraserburgh). Improvements in service levels and fares were often the result of competition between two or more operators (see Hopkin and Oliver, 1986). Taxi operators registered a number of local services using small vehicles (Finch et al, 1986).

*In many cases they will subsequently have won contracts to operate subsidised services; analysis of the relevant statistics is not yet complete.

Other changes could not unambiguously be described as improvements or otherwise. For example, several slow, meandering rural services have been converted to more direct faster services, achieving better vehicle and crew productivity and improving the service for passengers living on main routes—at the expense of those in more out-of-the-way villages (eg Nottingham-Southwell). A similar tendency is for longer distance services to become limited stop, improving journey times—but only for those who can use them (eg Cramlington-Newcastle, Leeds-Huddersfield, Caernarvon-Chester). A comprehensive network of limited stop services has been registered in West Yorkshire. Authorities have in many cases subsidised services for people who would otherwise have been disadvantages by such changes (see section 3).

However, there are cases (eg Leeds, Carter et al 1986; Plymouth, Davies et al 1986) where operators have not simply pruned or enhanced existing networks of services: they have completely re-designed them. Here the change in vehicle miles (if any) gives no feeling for services changes affecting passengers, and while visual comparison of before and after route maps reveals differences it does not indicate which is better. Proper assessment in such cases requires detailed analysis, area by area, of the services available to people in relationship to their desired travel patterns; clearly some will gain and some will lose—but the latter are likely to be more vociferous. Complex changes of this kind clearly posed greater problems for local authorities in assessing what subsidised services were necessary to supplement commercial networks (see section 3.2).

In most, if not all, areas the level of commercial registrations substantially exceeded the expectations of the local authorities. There were many places where the bus network as a whole operated at a loss, with most services being viable only between about 0900 and 1630 on weekdays. But operators generally registered many more services than would previously have appeared viable.

To a large extent this may have been due to anticipation by operators of major economies,* resulting from streamlining organisations and reducing overheads, and negotiating less restrictive working practices and reducing effective labour costs. Such economies, stimulated by the threat of competition, would significantly increase the number of commercially viable services. It is also possible that operators may, for commercial reasons, have decided to cross-subsidise a limited number of unremunerative services, to prevent them falling into the hands of competitors following local authority invitations to tender for them.

*Schemes submitted to the Secretary of State under the Transport Act 1985 for the transfer of local authority bus undertakings to public transport companies indicate an average reduction of between 9 and 10 per cent in anticipated unit operating costs.

Other factors contributing to high levels of commercial registrations may be the rural bus grant which, at 6p per mile could be sufficient to tip the scales for operators running marginal services (but, being temporary, is unlikely to have a lasting effect); opportunities to augment revenue on rural or inter-urban services by picking up short-distance passengers on urban sections of routes (which may previously have been prevented by licensing conditions); and, especially for independent operators, the expectation that revenue for the carriage of children to and from school will make local services viable.

One can only speculate on the relative importance of these factors, and the extent to which operators may have taken them into account when planning their commercial strategies. There is general concern among local authorities that operators have 'over-registered', either because they have been over-optimistic about their commercial prospects or in order to defend their 'territories' against their competitors by discouraging them from competition on the road and by leaving the minimum number of services open to tender. If such over-registration has been on a significant scale, there could be widespread withdrawals of registered services in January 1987 (the first opportunity for changes) by which time operators will have had three months (including the annual trough in the bus business cycle) in which to assess the financial performance of their services. Such 'deregistration' could require local authorities to make substantial additions to networks of subsidised services, involving them in another round of tendering and considerable extra expense—for which they might not all have made provision. As yet there is little or no hard evidence to support this pessimistic view: it may result from the natural caution of professionals trying to prepare for every eventuality in the face of uncertainty. However, it cannot be expected that all operators have judged the market, their own performances and those of their competitors perfectly: it will not be surprising if a few turn out to have got their forecasts badly wrong, and are forced into wholesale service revisions in January or afterwards; others may need to make marginal adjustments.

3 SUBSIDISED SERVICES

3.1 POLICIES

The Transport Act 1985 requires local authorities to subsidise local bus services which they consider are needed in their areas, but would not otherwise be provided. The basic issue in policy formation is therefore that of determining the desired overall pattern of services; having achieved that authorities are then left with the technical tasks of identifying those parts of their desired networks which are not provided commercially, and arranging to subsidise their operation—subject to budgetary constraints.

There is considerable variety in the policies which appear to have been adopted by different authorities (Balcombe and Masey, 1986). The majority, however, are simply maintaining policies adopted previously, modified as necessary to comply with the requirements of the Act. The most significant changes in policy have occurred in metropolitan areas, where county councils were abolished and their public transport functions became the responsibility of new Passenger Transport Authorities (PTAs), with two significant changes: PTAs, unlike the former county councils, do not operate bus services through their Passenger Transport Executives (PTEs), having set up separate bus operating companies; and their total expenditure on public transport is now subject to limits set by central government. The PTAs now have responsibilities much more analagous to those of non-metropolitan county councils, and their policies tend to have changed accordingly, although they still have to cover subsidy for rail services and, in Tyne and Wear, the operation of the Metro.

Four Scottish Regional Councils (Strathclyde, Lothian, Tayside and Grampian) have also ceased to operate buses, with the formation of separate companies, but have otherwise undergone less fundamental changes. In England and Wales, district council bus operations have also been reformed as separate companies, and the districts' public transport policies are now limited to augmenting county council subsidies for non-commercial services.

The various types of policy adopted by authorities may be broadly grouped in to those which seek to preserve, as far as possible, the status quo and those which attempt to define a desired pattern of services by reference to objective criteria, based on politically determined standards (eg Buckinghamshire) or more complex concepts of accessibility or cost-benefit analysis (eg Greater Manchester). Some authorities explicitly allowed for the possibility that the cost of providing the desired services would exceed available funds by devising systems of priorities. However, the distinctions between these policies became rather blurred when they were put into practice. Those whose objective was to preserve the status quo commonly found that this was not possible to achieve in detail, because of the pattern of registered commercial services; in such cases attempts were made to provide at 'equivalent levels' to those operated before. Authorities aiming to provide 'adequate' services found that, except in places where there was previously obvious over-provision, previous service levels defined what was adequate, and there was thus a tendency to restore the status quo.

Several authorities adopted a 'good housekeeping' approach, by ceasing to subsidise services which provided poor value for money. The criteria varied in detail, typical ones being minimum numbers of passengers on particular bus journeys, or maximum amounts of subsidy per passenger journey. Some authorities formed judgements on such services in advance, omitting them from lists of services for which tenders were invited; others discarded such services having evaluated tenders. In the event there were very few authorities who were forced to make such cuts for budgetary reasons: most of the affected services could have been accommodated within available resources. It appears that some services have offered very poor value for money for several years, but under the block-subsidy arrangements it was very difficult for authorities to identify them: subsidising individual services on the basis of competitive tender allows them to be brought much more sharply into focus.

A small number of authorities (especially in metropolitan areas) who believed that their financial resources would be inadequate to provide services at current levels, deliberately specified lower service levels (generally by reducing bus frequencies) before inviting tenders.

3.2 METHODS AND PROBLEMS

Having formulated its policy and decided what bus services were required, each authority then had to examine the services registered commercially and identify the services needing subsidy, a process of 'gap identification'. In some cases, particularly in more rural areas with simple patterns of bus services, this was a fairly straightforward task: gaps were identified, tenders invited and contracts for gap-filling services let. In general, however, there were complications which gave rise to difficulties, specially in larger towns and conurbations with complex networks. The basic problem was that the services operators planned as 'commercial' did not in general form subsets of the desired networks: 'gaps' could not be filled simply by specifying additional services.

There were problems even where commercial services ran along previous routes; if frequencies or timings did not match the requirements of the authority, the desired result could not necessarily be achieved by providing extra journeys—which could result in over-capacity and unfair competition with commercial operators. Similar problems arose where commercial services ran over parts of previous routes, by terminating part of the way along them or by taking short cuts and omitting diversions to areas where public transport is needed. In such cases it was fairly easy to identify the problems if not to solve them. But there were some places (eg Leeds, Carter et al, 1986 and Plymouth, Davies et al, 1986) where there were radical changes to the pattern of bus services, so that gap identification became a major analytical exercise and was not always completely successful.

A number of methods were employed by authorities to adjust gaps so that they could be filled in cost-effective ways. One was simply to 'persuade' operators to amend the commercial services they had registered. This may have been relatively easy in cases where the alternative seemed as commercially attractive as the original (especially when other operators plans were known) but otherwise the inducement may have been that the adjustment would have created a new subsidised service which would fit well with the operator's commercial service, or that, if no adjustment were made, it would be necessary to let a contract for a service which would compete with the commercial one. The West Midlands PTE is an example of an authority which was particularly successful in securing changes in commercially registered services (Carter et al, 1986).

Several authorities have made use of the 'de minimis' provision (s 91 of the Transport Act 1985) which allows them to pay a limited amount of subsidy to each operator without inviting competitive tenders. In certain cases this has enabled authorities to negotiate small route or timetable changes with operators, thus either filling gaps or altering them so that they can be filled effectively by new services. Authorities have argued that the amounts of subsidy payable under s 91 are too small for really effective manipulation of commercial services; further research, involving detailed analysis of services in particular areas, will be required to show what the consequences of a more generous allowance might have been.

Where required adjustments were too great for s 91 arrangements, it has been necessary to invite tenders for additions to commercial services, or for altenatives. Where an addition was sought, the operator who registered the commercial service was often able to provide it at marginal cost, whereas any competitor would have incurred greater costs through having to bring vehicles from a distance before running the extension. The first operator was therefore able to win the contract for the extension, and thereby provide a more satisfactory service for the public, allowing them to travel along the extended route without changing buses.

However, authorities had an alternative: to invite tenders for new services essentially incorporating and extending the commercial ones. In such a case, the first operator might have no inherent advantage over competitors for the contract. If the first operator won the contract he could withdraw the commercial service, thereby achieving the authority's objective. Otherwise, the commercial operator might have found himself competing with a subsidised service, and possibly be driven to withdraw his own service; in either event the authority's duty not to inhibit competition could be in question.

There are many less clear-cut and more complicated examples. Some arose when an authority regarded the frequency of a registered service as inadequate, but could not sensibly enhance it without modifying the original. Often, subsidised services inevitably share parts of their routes with commercial ones. To avoid imposing restrictions on picking-up and setting-down passengers, which tend to confuse and annoy the public, some authorities have deliberately sought to time subsidised services so that they run just after commercial ones (eg in West Yorkshire, Carter et al, 1986). Nevertheless, there is some residual competition between subsidised and commercial services, which may lead to adjustments in due course.

In some areas (eg Greater Manchester and West Midlands, Carter et al, 1986) authorities have persuaded operators to make major revisions to services originally registered as commercial, in order to achieve better matching with subsidised services. In some cases the modified services are still operated commercially; in others, subsidies are paid to cover the net costs of changes. Commercial networks actually operated from October 1986 are not necessarily the same as those originally registered, and there are many 'hybrid' services which are not distinguishable, on the basis of registered particulars*, from wholly subsidised services. Statistics derived from registrations may therefore tend to understate commercial, and overstate subsidised services; detailed analysis of services (for example, in study areas) will be required to reveal the true situation.

3.3 TENDERING

Authorities generally contacted all known bus or coach operators based in or close to their areas (and attempted to contact others by advertising), asking them to indicate whether they wished to be placed on lists for invitations for tenders and, if so, the locations in which they would be prepared to operate bus services. As a result, many sets of tender documents were despatched for each service to be contracted. The number of tenders per contract varied considerably around a national average probably between two and three. There were single tenders in a significant number of cases, especially in rural areas (for example, parts of Strathclyde, Goodwyn and Perrett, 1986) where perhaps there were few conveniently-based operators, but also, surprisingly, in some of the conurbations (eg Merseyside, Tyne and Wear, and West Midlands, Carter et al, 1986).

The requirement on authorities to secure the best value for money resulted in contracts being awarded to the lowest tenders in most cases. There were two main exceptions. In some cases operators offered services containing elements in addition to those specified in the tender documents, and consequential benefits appeared to outweigh the additional cost of accepting a tender other than the lowest. In many other cases, operators grouped services together into packages which allowed them to make more efficient use of their resources and offer a combined price less than the sum of prices for individual contracts. In some such cases the authorities gained overall by not

*After 26 January 1987, there will be no distinction, in registration documents, between commercial and subsidised services.

accepting the lowest tenders for individual services, and the overall advantage to some authorities was considerable.

Most authorities opted for 'fixed subsidy' contracts awarding them to the operators who undertook to provide services for the lowest amounts of subsidies. Some however used 'revenue guarantee' contracts asking operators to specify the total amount of revenue, including subsidy, they would require. A few invited tenders based on both methods, and then formed judgements, relying on their own revenue projections, as to which offered better value for money.

Most contracts appear to have been won by 'incumbent' operators, who previously ran subsidised services. There have, however, been many examples of transfer of services between operators, often on a substantial scale locally (eg the loss by Greater Manchester Buses to other operators in Greater Manchester, but GMB winning contracts in Blackburn from Blackburn Borough Transport). Small independent operators have gained contracts from public sector companies and vice versa. The net effect of this interchange is yet to be quantified, but it appears to be on a relatively small scale, commensurate with the present capacity of the private sector for local bus services.

3.4 FINANCE

Most authorities outside the metropolitan areas set budgets for bus subsidies which were much the same, in real terms, as in the preceding year. The PTAs, on the other hand, were constrained by central government limits on total expenditure, and therefore substantially reduced budgets.

Although the competition for contracts often involved only small numbers of operators, it seems to have had the effect of producing tender prices which compare very favourably with previous subsidy levels. In consequence most authorities found that the costs of subsidising all the services for which they invited tenders were comfortably within their budgets, and there was no necessity to abandon low priority services. Thus in most areas, authorities have succeeded in preserving services at broadly the same levels as before, but perhaps differing in detail, or securing adequate service levels. The most significant reductions in levels of service have occurred in metropolitan areas, where attempts were made to reduce expenditure. In Greater Manchester, for example, there have been frequency reductions equivalent to a loss of 20 per cent of bus mileage, but operating subsidy amounted to only £5m compared with a budgeted £15m-£17m.* Service reductions in South Yorkshire, which took place in April, were of the order of 10 per cent, but in West Midlands and West Yorkshire overall service levels are much the same as before. In Tyne and Wear, some 10 per cent of the original bus mileage was not replaced, but new services, equivalent to 5 per cent of original mileage, were provided in other parts of the network. Similarly, some seven per cent of original mileage was not directly replaced in Merseyside, although the sum of commercial and subsidised mileage is such that overall service levels have hardly changed.

Carter et al, 1986, give some details of changes in subsidy requirements in metropolitan areas, but it is too early for complete evaluation of them as initial costs of setting up companies and the effect on rail subsidies are still unknown. In non-metropolitan counties in England, the annual amount of revenue support, allowing for the initial costs of companies and additional administrative costs, appears to have fallen from about £95m to £73m (at 1985-86 prices). There is enormous variation between authorities, with some reducing revenue support by up to 70 per cent, and others spending roughly the same amount as before, and very few with slight expenditure increases. In Scotland annual revenue support has been reduced from about £24m to £18m, although precise figures have yet to be established. In Wales the reduction in annual revenue support has been from about £9m to £6m.

There can be little doubt that these reductions in total revenue support requirements stem from operators' reactions to competition, or the threat of it. There has been considerable commercial registration of services which previously were not regarded as commercially viable, and tender prices for subsidised services have commonly been significantly lower than previous subsidy payments. Various explanations have been advanced for this: that operators deliberately planned to run at a loss (at least until their competitors withdrew); made gross miscalculations; or expect to be able to make reductions in operating costs. While the first two of these explanations are plausible to a degree, and may be valid in some cases, their universal validity seems dubious. There are, however, strong indications of cost-cutting exercises by public sector (and former public sector) operators (see section 2.3), tending to bring them more in line with private sector practice. Since only a small proportion of bus operating costs were financed by subsidy, quite small overall cost reductions could produce relatively large subsidy reductions on the scale of those recorded. It is therefore possible that many operators will be able to run viable services without subsidy, or at the prices they have tendered. On the other hand, this 'gearing effect' could work the other way: small underestimates of costs, or small overestimates of revenue, could produce proportionately much larger deficits and eventual cancellation of commercial registrations and subsidy contracts, creating an increased subsidy requirement. The general concern among authorities for the situation that may develop during 1987, after operators are free to cancel commercial services, is

*The PTE is now in the process of devising additional subsidised services to make good some of these reductions.

not therefore without some foundation: prudence, rather than pessimism, justifies the setting aside of contingency funding. If, however, costs to authorities rise less than expected, there may eventually be scope for the provision of better levels of bus services than hitherto.

4 OVERALL RESULTS

While the topics discussed so far—the pattern of commercial services and the procurement of subsidised services—were essential parts of the process of developing bus services now in operation, it is the resulting combined pattern of services which is of most concern to passengers, and the next part of the report attempts to describe and assess it. At the present time this task is made difficult by temporary confusion of the type which has often accompanied bus service reorganisations in the past. After a reasonable interval, more stable conditions should obtain, and a proper assessment of what is on offer to the public and how they respond to it will be made. In the meantime, however, only interim assessments are possible, based on comparison of registered services with those operated before.

As we have seen, most authorities throughout the country have succeeded in letting contracts for all the bus services they identified as being necessary to 'top up' the commercially registered services to acceptable levels—usually similar service levels to those previously operated. Measured in broad terms, the transition to deregulation can be judged to have proceeded successfully with respect to the provision of services. That is not to say that all previous services are still running exactly as before: some low priority services carrying very few passengers have been abandoned on value-for-money grounds; many places are served by buses running at broadly similar times to the same places as before, but with different routes and timetables; in many places services have been improved as the result of innovation (using conventional vehicles or smaller ones) or competition. While there are few reported examples of communities losing vital bus services, there are instances of frequency reductions, especially early and late in the day and on Sundays. The most severe frequency reductions have occurred in some of the metropolitan areas, apparently as a result of striving (in one case, too hard) to keep subsidy within reduced budgets. There has been noticeable progress towards the integration of transport for schoolchildren with that for the general public (Masey and Hopkin, 1986), but so far authorities have not generally been able to give high priority to the provisions of the Transport Act relating to public transport for elderly or disabled people.

It is not possible to predict what proportion of passengers will still be able to maintain their previous travel patterns, with more or less convenient journeys, what proportion will be able to take advantage of new opportunities, and what proportion may have to give up travelling by bus. Detailed research in the TRRL study areas will eventually throw light on these questions.

4.1 INITIAL PROBLEMS

Although there has been relatively little change in overall levels of service, in many areas there have been detailed alterations in routes, stopping places and timetables. The task of providing the public with accurate, understandable and timely information has been a formidable one, tackled by authorities with considerable vigour, and in a variety of ways (Masey, 1986). On the whole these efforts have proved successful, but some passengers were not supplied with appropriate information and some others did not understand it. There was also some confusion on the part of operators, and especially drivers who had to learn new routes and schedules, which caused service unreliability over the first few days.

In a few places, particularly in large urban areas with complex bus networks, there have been more fundamental problems. Some authorities have achieved only partial success in the technically difficult task of identifying and filling gaps in commercial networks; some operators have underestimated the resources required to operate new patterns of services, and their preparation and staff training has proved inadequate. The resolution of these difficulties will require more time and effort than that of the 'teething problems' outlined in the previous paragraph.

4.2 CONGESTION

So far there have been few reports of major congestion problems resulting from increased flows of buses, perhaps because competition between bus services has not been common. The most outstanding problems have occurred in Glasgow (Goodwyn and Perrett, 1986) and attempts to solve them by negotiation between the local authority and the operators have been unsuccessful; it remains to be seen whether the traffic commissioner will consider a traffic regulation condition necessary and, if he does, what form it will take. The only traffic regulation condition made so far relates to bus services in Barrow, and prevents the use of certain residential streets by any buses, and others by large buses, on road safety grounds.

In several areas there has been local congestion at bus stops, either because there is inadequate space for all the buses scheduled to use them, or because of obstructive behaviour by operators trying to exclude competitors. There is also concern about buses stopping in streets rather than in bus stations, either because bus stations are not well situated for access to shops etc, or because they are not open to new operators. At present there is insufficient evidence to assess the scope and seriousness of such problems; those which persist will be monitored as part of the research programme.

4.3 FARES AND TICKETING

At this stage information on fares round the country is too fragmentary for quantitative assessment. The evidence available is of such a diverse character that it is impossible to discern any trend—save towards a less uniform pattern of fares than before. There have been examples of general fare increases (eg Nottingham, and Edinburgh), but their magnitude and timing are not inconsistent with what might have been expected without deregulation, and many local reductions as operators have introduced new services (Goodwyn and Perrett, 1986). There are noticeable differences between fares for commercial and subsidised services (see for example Merseyside, Carter et al, 1986), in some cases even when run by the same operators over similar routes. Some authorities specify fares to be charged on subsidised services and others allow operators to determine fares on a commercial basis.

The most conspicuous changes are not in ordinary fares, but in arrangements for pre-paid fares and through ticketing. Where one authority had control of all bus services in its area it was possible to design simple schemes for season tickets, travel cards, zonal fares etc. Now, the individual traveller may have to ride on buses provided by different operators, perhaps at different times of day or in different stages of a journey, and the previous systems are only workable if they can be agreed by all operators concerned, and are not in breach of legislation on restrictive practices. Nearly all metropolitan areas have been affected in this way (Carter et al, 1986) and a number of other areas (eg Lancashire, Strathclyde), and in general costs to passengers of prepaid travel have risen, or their choice of modes (eg bus or rail) has been reduced. In some cases competing operators have introduced competing pre-payment schemes (eg in the West Midlands).

Most concessionary fare schemes are being maintained on much the same basis as before, in some cases with improvements resulting from harmonization of different local schemes, and in others with conversion from passes to tokens (O'Reilly and Hopkin, 1986). The requirements that schemes shall be applicable to all local bus services, and that generated travel should be properly taken into account, are causing some administrative difficulties, and involving authorities in elaborate and costly monitoring systems. Perhaps the most remarkable anomalies relate to concessionary fares for children. Children's fare scales are normally specified in contracts for subsidised services, but some operators have decided to charge children full adult fares on commercial services, unless the local concessionary fare scheme applies to child fares.

So while it is not possible at this stage to detect a general trend in fare levels, there is little doubt that some people have experienced quite significant and apparently random changes in what they have to pay for their journeys. A systematic investigation of such effects forms part of the future research programme.

4.4 INNOVATION

While most of the bus services now being provided use conventional vehicles and operating methods, there is a growing element of more 'innovative services'. The most significant example is the growth in the use of minibuses, typically with passenger-carrying capacities of 16-25, but with some 'midibuses' with capacities of 30-35. National Bus Company (and their successors) are dominant in this area, having introduced the first major conversion to minibus services in Exeter in 1984, and many others since (Finch et al, 1986). It is expected that these companies will be deploying some 3000 mini- or midi-buses by the end of 1986. Other operators have now followed the NBC example, including Plymouth City Transport, West Midlands Travel and Yorkshire Rider, and some independent operators are beginning to make more use of small vehicles. A private sector company, United Transport International, has plans to introduce large numbers of minibuses in Greater Manchester and West Yorkshire in 1987.

Minibus services generally operate at much higher frequencies than the conventional services they replace, offering reduced waiting times (provided that supply keeps up with demand) and, often, slightly quicker journeys. They therefore tend to attract more passengers than the services they replaced and, in the right circumstances, can be operated profitably even though their unit costs (eg per seat mile) are rather higher.

The introduction of minibus services did not depend on new legislation, but was undoubtedly stimulated by the prospect of competition arising from the Transport Act 1985. However, the Act was necessary to allow another form of innovation—the use of taxis for local bus services. Some 50 local services using taxis were registered before 28 February 1986; since then authorities have let contracts for subsidised 'taxibus' services, but it is not yet known how many. While some of these services (eg in Southend, and a subsidised one in the Borders, Goodwyn and Perrett, 1986) are reported to have got off to a good start, others have failed to begin or have already been withdrawn. Failure to start has sometimes been due to refusal by district councils to issue sufficient hackney carriage licences to operators for the services they registered; withdrawals have been due to demand turning out to be much smaller than expected. The long-term viability of some of the commercial taxibus services which are still operating must be in doubt, because of the unprofessional way in which they have been planned and marketed; subsidised services, designed to meet specific needs, may prove more stable. The progress of all taxibus services will continue to be monitored.

There is at least one example of a dial-a-ride service, using a private hire car under s11 of the Transport Act 1985; it is in the Bognor area. As far as it is possible to tell at this early stage, the service appears quite promising.

There has been little interest in taxi sharing schemes, with operators generally adopting very conservative attitudes and seeing potential difficulties rather than opportunities. As far as is known, no local authorities are formally considering applications for such schemes, but one or two cases may arise soon.

The Development Commission has been actively promoting the Rural Transport Development Fund in England, and has committed roughly one quarter of the £1m available in the current financial year. The projects supported include a few commercial services, using shared taxis or public service vehicles, several community minibuses, and support for 'brokers' or 'rural transport officers' whose function is to identify local transport requirements and encourage local schemes to meet them (Finch et al, 1986). So far the use of the Fund in Scotland and Wales has been on a much more limited scale.

4.5 COMPETITION

While the prospect of competition must have been an important influence in the planning of many operators, actual competition has occurred on only a small proportion (perhaps of the order of three per cent) of route miles. This is clearly a significant increase compared with the pre-deregulation situation, but it also indicates that competitors have not yet been attracted into substantial areas where it should be possible to run profitable bus services. There are indications that this is due in part to the behaviour of large operators, who (with some exceptions, Hopkin and Oliver, 1986) seem to be limiting their commercial services to their previous territories (eg Eastbourne, Nottingham, Plymouth), unless provoked into retaliatory action. There are also examples of major operators making complementary registrations, with bus timings neatly interwoven so as to produce what would formerly have been termed 'joint' services. Small operators too have largely (but with some exceptions) avoided competition with big ones. Their reluctance may stem partly from the fear of the unknown—perhaps some may become more adventurous when they have gained experience of operating in a deregulated environment—and partly from the fear of the ability of large operators to retaliate by reducing fares and increasing service levels, so driving them out of business. Some small operators have agreed to run 'nil tender' services to fill gaps left by the large operators, in the hope that they will not face competition. Some small operators have stated that they were not prepared to announce their intentions to compete seven months in advance; they may be more willing to take up opportunities for competition once a shorter period of notice is required.

The most intense competition is in the Glasgow area, where there has been a considerable degree of competition since the 1980 Transport Act. The PTE and several Scottish Bus Group operators registered numerous competing services, with independent operators joining in on several routes. (An overall assessment of developments in Strathclyde is given by Goodwyn and Perrett, 1986). There is competition on a somewhat lesser scale in other Scottish cities. Lothian Regional Transport and SBG companies made competing registrations on a number of routes in and around Edinburgh (ignoring previous demarcation agreements), and Northern Scottish (SBG) are competing on some routes in Aberdeen with Grampian Regional Transport (Goodwyn and Perrett, 1986).

In England, there are few instances of competition between bus services in any of the Metropolitan counties, or in the majority of other large towns (although there are many examples of new bus services competing with railways). Leicester is the exception, where Midland Fox (NBC) is operating an extensive minibus network in competition with Leicester City Transport. There is significant competition between NBC and (former) municipal operators in a number of smaller towns, including Barrow, Hartlepool, Lancaster, Lincoln, and in the Rhymney Valley. There are various other examples of competition between public sector companies, including Rossendale (where Greater Manchester Buses have registered some services), and various scattered instances involving two NBC companies.

Competitive registrations by independent operators are scattered quite thinly across the country. Notable examples are Stagecoach (Strathclyde), Yeowart (Whitehaven) and Clayton Jones (Mid Glamorgan) all of whom have already been in competition with public sector companies. A significant proportion of services registered by taxi operators (Finch et al, 1986) are also in competition with established bus operators.

A list of the more significant cases of competition which have so far been identified is given by Hopkin and Oliver, 1986. No details are yet available of the minibus services planned by United Transport International for Greater Manchester and West Yorkshire, but it is likely that they will be in competition with existing services. There may be other operators 'waiting in the wings' to introduce new services in various places once new registrations are permissible after January 1987, but so far there is no indication of the nature and scale of possible resulting competition.

5 CONCLUSIONS

A great deal of information remains to be collected and analysed before a considered, objective judgement can be made on the consequences of the Transport Act so far, and the situation may well have changed before such an assessment can be completed. Any conclusions based on this interim report must necessarily be regarded as provisional, bearing the possibility of change in mind. It would be presumptuous, and probably misleading, to attempt to forecast future developments in the light of our imperfect knowledge of the present, but it is worth discussing those areas in which change is possible.

Perhaps the most important question relates to the stability of the pattern of bus services which has emerged from the transition to deregulation. As far as it is possible to tell from the information presently available, and discounting the transient problems which always accompany major bus service reorganizations, services are running at broadly the same levels as before at a substantially lower cost to public authorities. If operators have judged the market well and are successful in achieving their projected costs, and authorities have effectively blended subsidised with commercial services, then service patterns and subsidies should remain fairly stable, save perhaps for some minor adjustments. Otherwise operators may find services unprofitable and be forced to withdraw them and terminate contracts, leaving authorities with a greater proportion of services to support, at higher costs than at present, possibly exceeding their financial resources. There is no firm indication at present of whether this will be a significant problem, or, if so, what the magnitude of the effect on service levels and subsidy is likely to be.

Neither is there any firm indication of the extent to which operators (including new entrants to the industry) will identify new opportunities once the situation becomes clearer, and introduce new services, offering the public a wider choice and exposing operators of current services to competition. The relatively small amount of competition on the road so far suggests a state of 'armed truce' between many major operators, who seem to be running bus services as if road service licensing still continued. In some areas major operators have deliberately avoided tendering for services in each others 'territories'; it remains to be seen how long such arrangements can survive increased commercial pressure.

The ability of new operators to gain a foothold in the market, and of small operators to expand, is still to be measured. So far it seems that small operators have gained only a marginal share of the local bus market, commensurate with their capacity: will they find further niches in which they can prosper, and will the new legislative framework protect them from 'unfair' competition by larger operators?

Stability of services is clearly important for the passengers, and the operators seeking to attract them. Instability not only creates uncertainty, which in itself tends to make people turn to other modes of transport, but exacerbates problems of informing passengers about services, interchange between services and pre-payment ticket schemes. The acid test of the changes in the overall qualities of services will be their effect on patronage; further research will be devoted to measuring and explaining patronage changes, and comparing them with changes which might have been expected without deregulation.

But that is all for the future. The most remarkable feature of the present situation is perhaps that the transition from regulation to deregulation of bus services, with all the changes that were required, has been accomplished. There are, inevitably, a number of loose ends to be tied up, and it is not yet possible to assess the results in detail. However, road service licensing has been abolished, contracts for subsidised bus services have been let by competitive tender, buses are still running in places they served before, in roughly the same quantities, and subsidies have been reduced.

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