

2 September 2009

Transport Update

Summary

This paper provides an update on the LGA's work and recent announcements on transport issues since the last meeting of the board.

Recommendations

Members are asked to note the report.

Action

LGA officers to continue with the work programme set out in this report, subject to comments from Members, and to report progress at future Board meetings.

Contact Officer: Caroline Green
Phone No: 020 7664 3359
Email: caroline.green@lga.gov.uk

Transport Update

Economic Regulation and Funding of the Bus industry

Office of Fair Trading (OFT) report on local bus services

1. At the last meeting of the Board, the Office of Fair Trading (OFT) presented the emerging findings of their market study into local bus services. Further to this discussion, the OFT published their report on 20th August. The study found evidence to suggest that weak competition may be leading to higher prices. Specific issues highlighted are:
 - A situation where the majority of local routes are operated by a small number of large bus companies;
 - Higher fares in those areas where operators with a strong market position are not challenged by a large, well-resourced rival;
 - Many complaints alleging predatory behaviour of incumbent firms designed to eliminate competition from new entrants; and
 - Low numbers of bids for supported service contracts in many areas, with just one bidder for a quarter of tenders.
2. The report proposes to refer the sector to the Competition Commission (CC) for more detailed investigation. The Commission can compel parties to submit particular evidence and has the power to impose solutions which go beyond the remit of the OFT study.
3. The OFT is now consulting on this provisional decision to refer to the CC and is inviting views by 15th October 2009. The LGA will submit a response to the consultation recommending that the referral to the CC goes ahead.

Concessionary Fares

Progress with DfT review of concessionary fares scheme

4. The LGA submitted its response to the Government's consultation on possible changes to the administration of concessionary travel on 21st July 2009. We expect the decision on potential changes to be made in Autumn 2009. Further consultations on changes to funding mechanisms and reimbursement methodologies are expected to take place early in 2010. LGA officers will continue to work with officials from DfT and CLG in the lead up to publication of these consultations.

Progress on funding shortfalls in relation to special grant funding for the national concession

5. As reported to the last meeting of the Board, government have committed to investigate the scope for adjusting the distribution of the special grant for 2010/11 to address inequities with the current distribution. A decision on whether the grant will be reopened is expected in September and a consultation on any revised allocation

would follow. In the meantime, the LGA has continued to work with affected authorities, supporting their lobbying and collating evidence to inform the LGA's work.

LGA / PTEG / London Councils study into Projections of Expenditure on Bus Concessionary Travel by English Travel Concession Authorities

6. To inform our work on the future of concessionary fares, the LGA along with London Councils and PTEG have commissioned a study looking at Projections of Expenditure on Bus Concessionary Travel by English Travel Concession Authorities. The study draws on a forecasting model which projects forward published data on bus concessionary travel volumes and expenditure on concessionary travel in England from 2008-9 to 2013-14. The key findings from the report are:
 - The growth in funding support for concessionary travel reimbursement is unlikely to keep pace with the growth in expenditure that will be incurred by Travel Concession Authorities in satisfying their statutory obligations; and
 - That there are major uncertainties in the growth in expenditure which cannot be controlled for by Travel Concession Authorities because of the open-ended nature of "no better off, no worse off" reimbursement.
7. LGA officers are in the process of testing the reports' findings with advisors with a view to publishing the final report. The draft report is still being finalised, and will be circulated to members ahead of the board. Copies will also be available at the meeting.

Heavy Rail and rolling stock

8. Members have raised concerns about delays and cancellations to planned investment in rolling stock. The issue was discussed at the 23rd July meeting of the board. It was agreed that the Board would highlight this issue to DfT and continue to make the case for investment in transport even within a tighter overall envelope for public spending. Officer will also reflect the concern in ongoing LGA lobbying positions.

Current consultations

Developing a strategy for smart and integrated ticketing

9. Published on 20th August, the DfT is seeking responses to this consultation by 28th October. The document outlines proposals to support and promote smart integrated ticketing. It rules out a centrally funded rollout of smart ticketing infrastructure, highlights current policy commitments designed to incentivise smart and integrated tickets and seeks views on possible future workstreams, including a one off competition to provide funding for smart ticketing demonstration projects. A summary of the proposals is included at **Annex A**.

10. LGA officers are also developing the LGA's response to the following consultations:

- Extending Passenger Focus' remit to bus and coach issues and the requirement to display information (closes on 8th October); and
- Quality contracts schemes: Consultation on draft regulations and guidance, which closes on 7th October.

Forthcoming events

11. LGA conference - *the journey to 2020: reducing carbon emissions through local transport policies*, 9th November 2009, Local Government House.

Financial Implications

12. Staffing and other resource implications of the report can be met within current resources.

Implications for Wales

13. The English National Concessionary Fares Scheme does not apply to Wales.

Contact Officer: Caroline Green
Phone No: 020 7664 3359
Email: caroline.green@lga.gov.uk

Extract from DfT consultation paper, *Developing a strategy for smart and integrated ticketin*

Table Summarising Actions to Date, Policy Commitments and Possible Future Workstreams

Actions to date	Policy Commitments	Possible Future Workstreams
Smart Ticketing		
<ul style="list-style-type: none"> • Creation and sponsorship of ITSO to provide a single specification for smart ticketing. • Undertaken a commercial review of ITSO to ensure that the organisation is best placed to support widespread smart ticketing. • Included ITSO smart ticketing obligations in all recently let rail franchises. • England-wide concessionary bus passes as ITSO smartcards and have established ITSO Services Ltd (ISL) 	<ul style="list-style-type: none"> • A short term increase to the Department's involvement in ITSO, both in terms of resources and strategic input. • Include ITSO smart ticketing requirements in newly let franchise agreements. • Pay a higher rate of BSOG to buses which are equipped with operational ITSO smart ticketing equipment • The intention to work with TfL in enabling the London Oyster estate to read ITSO smartcards. • Work with TOCs towards implementing Oyster Pay As You Go on overland services in London • All London concessionary (Freedom) passes to be dual ITSO / Oyster smartcards in 2010 	<ul style="list-style-type: none"> • National framework agreements for smart ticketing infrastructure • Evaluation of whether a national pre-pay product is desirable • Facilitating sharing of best practice • Greater engagement with new technologies • Advice for scheme operators on privacy issues • Further development of existing models • A one off competition for integrated smart ticketing projects
Integrated Ticketing		
<ul style="list-style-type: none"> • Transport Act 2000 power to introduce ticketing schemes. • Quality Partnerships and Quality Contracts both made simpler by the Local Transport Act 2008, and multi-lateral Voluntary Partnership Agreements. • The OFT Block Exemption from Chapter 1 of the Competition act for multi-operator schemes ticketing. • Franchise Agreements include requirements that Train Operating Companies must offer integrated tickets on the rail network and remain part of any local schemes. • EU Relaxation of E-Money Issuer Regulations. 	<ul style="list-style-type: none"> • Encouraging smart ticketing infrastructure to assist the development of integrated tickets and new ticketing products. • Engagement with stakeholders concerning the existing toolkit and the new provisions in the Transport Act 2008. 	