



*From the Chair of the Regeneration and Transport Board  
Councillor David Sparks OBE*

Rt. Hon. Sadiq Khan MP  
Minister of State for Transport  
Department for Transport  
Great Minister House  
76 Marsham Street  
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15 February 2010

Dear Sadiq

Thank you for your letter of 26 January outlining the reasons for your decision to replace BSOG with an incentive per passenger subsidy. We recognise the problems with the current system and share your objective of ensuring best value for money for our investment in bus services.

Our officials have now met in the Bus Subsidy Advisory Group (BSAG). In the light of those discussions, we remain concerned about the practicability and value for money of the proposals on the future of bus subsidy. The case for devolution seems to the LGA to be stronger than it was now that we begin to understand the realities of the incentive per passenger idea.

Your letter poses two objections to localising bus subsidy:

- that it would require state aids clearance; while we recognise the risks involved, our view is that any move to IPP would be equally problematic;
- that there is a risk that devolved budgets might be cut or diverted to other spending; this is not evidenced and in addition it is perfectly clear from the BSAG papers that precisely the same risk faces the whole national budget for bus subsidy in any future spending round.

We would argue that localisation is a policy that – theoretical state aids risks notwithstanding – would be easy and swift to implement. Feedback from our members shows that IPP presents a host of difficulties. Individual councils have commented on:

- the impossibility of capping the budget without introducing complicated formulas to balance the rate of subsidy set at the start of a year with the number of actual passengers;

- the need for a rural safety net;
- the risks of exploitation by bus operators splitting routes to increase their subsidy take;
- differential impacts on small and large operators;
- potentially running different systems in- and outside London;
- the problems of achieving 100% smartcard coverage, which is a precondition of running IPP;
- transition issues;
- the complex interaction with concessionary fares reimbursement; and finally
- the emerging fact that, far from being deliverable within two or three years, the move to IPP cannot be completed within a decade.

Transport authorities are concerned that implementing IPP will be a complex and lengthy process that will not result in a system that will serve taxpayers as well as it should.

My officers will of course work with yours as constructively as possible to try and make IPP into a feasible proposition. I think we can expect that the LGA will continue to argue the case for a rethink and to promote localisation of bus subsidy as a policy that is both better value, and, crucially, doable.

Yours



Cllr David Sparks OBE