Rural Services APPG

Notes of the
All-Party Parliamentary Group on Rural Services

Tuesday 17th May 2011, 2:00pm-3:00pm
Committee Room 15 – HoC

In attendance:

Members:
Graham Stuart MP – Chairman
Baroness Byford
Lord Cameron
Lord Dear
Claire Perry
Rory Stewart MP
John Woodcock MP

Rural Services Network (RSN) (Secretariat):
Graham Biggs – Chief Executive
David Inman – Director
Wendy Cooper – Administrator
Speakers:
First Group Buses
John Birtwistle
Norfolk Green Buses
Ben Colson

Apologies
Steve Brine MP, Philip Dunne MP, Sir Alan Haselhurst MP, Damian Hinds MP, Jeremy Lefroy MP, Bishop Anthony Priddis, Mark Simmonds MP, The Hon. Nicholas Soames MP, Jeremy Wright MP

1. **Notes of the Meeting – 27th April 2011**
   Agreed.

2. **Welcome and Introduction from the Chairman**
   Graham Stuart, Chairman, welcomed the speakers and Members to the meeting.

3. **Rural Transport**
   (i) **First Group Buses**
   Presentation by John Birtwistle and Questions
   The presentation concentrated on the factors affecting the operation of rural bus services including concessionary fares reimbursement, local authority spending cuts and other financial pressures.
   The concessionary fares reimbursement "all England" scheme was introduced in 2008. Concern was expressed that the key principle that operators were to be no better and no worse off as a result of the travel concession was not being adhered to. This had led to appeals to the Secretary of State for determination of reimbursement in accordance with the objective.

A number of changes took effect from April 2011 which reviewed the means by which reimbursement was funded. Budget responsibility had been moved from districts to county councils, passenger transport authorities and unitaries. This was accompanied by a review of the funding formula used to allocate money to the authorities by central government. This resulted in cases where local authorities found that their reimbursement budgets were cut from what they had before, even if there was no change in administering authority. Revised guidance on concessionary reimbursement also took effect from April 2011, including a revised tool for local authorities to calculate the reimbursement due to operators. Typically this new model yielded a forecast reduction in reimbursement of some 26% across First's rural operations. These reductions were greater in rural than urban areas, due to the formulae deployed within the model and resulted in either increased fares or service cuts. Forecasts for local bus service networks in rural areas were grim.

In many areas discussions were taking place between operators and local authorities leading to a more pragmatic approach. Many local authorities had worked hard with local operators to achieve mutually acceptable settlements, based on the principle of the operator remaining no better and no worse off, but not relying on the modelled reimbursement alone. The net outcome had been that the forecast wholesale cuts in services in rural areas had not been realised. However scope for negotiation and agreement would inevitably reduce as formulaic reimbursement declined.

Local authority spending cuts had seen some preserve their budget for supported local bus services, whereas others had implemented wholesale cuts. However there had been some innovative approaches to secure services in some areas to secure services for many isolated communities.

As with all areas of local bus operation, rural operators are continuing to face increasing inflationary pressure on fuel and wages, and the impact of increasing traffic congestion in rural areas adds to costs, as additional resources are required to provide the same level of service. Against this background the forthcoming cuts of 20% in Bus Service Operator Grant (BSOG) in April 2012 will make it harder for operators to sustain rural operations.

The industry is concerned that having survived significant potential reduction in concessionary revenue, local authority spending cuts and forthcoming BSOG, there is a danger of failure to retain sufficient critical mass in many rural areas to enable ongoing provision of local bus services. Local communities depended on buses to provide access to employment, to services, to shops, medical and leisure activities. Many of their users could not drive, and in any event the Government's policies on climate change, the environment and sustainable development would be undermined by policy decisions which resulted in more car travel. There was a need to consider the future of rural public transport in a more holistic manner and, ensure that policies do not result in its ongoing deterioration and disappearance.

(ii) Norfolk Green Buses
Presentation by Ben Colson and Questions

Norfolk Green Buses were in a profitable situation last summer and foresaw a strong future. Local authority cuts were ahead and a strategy had been prepared to deal with this, however the cuts were worse than predicted. With the extent of local authority cuts in the order of 33% plus changes to the reimbursement under the concessionary fares scheme a reassessment was needed.

One of the company's strengths had been the ability the win new customers and they had won the UK Bus Award top Operator of the Year last November. Overall passenger numbers were growing about 15% year on year and growth in fare payers was greater than amongst free travellers, mainly due to service design and marketing. It was hoped that fuel costs could be absorbed without resorting to fare increases, however prices continued to rise.

The reimbursement for the free concessionary travel scheme remained the greatest difficulty faced. The three counties in which Norfolk Green Buses operated had all had cuts of over 30% in DCLG funding for free fare reimbursement. The commitment that operators were required to be "no better, no worse off" did not appear to be working in practice. The calculation for reimbursement moved funding away from rural and towards urban areas. It was further noted that the change in the 8.30am start time to 9.30am resulted in buses being empty in that hour and losing money and the next ones overfull needing extra resources for which they were not paid. As a rural operator about 50% of passengers travelled free as over 60, 30% travelled free to and from school leaving only 20% who paid fares. These were mostly young adults, for whom youth unemployment was a real issued.

Income for the company from reimbursement had reduced by 12% resulting in an overall business impact of 6%. Added to that, contract cuts and income had reduced by 8% in a year of high fuel cost rises.

These issues could be tackled by increased fares with services kept in place, however those increases would, in effect, be paid by the youth thus destroying "tomorrows market". Costs had been reduced by cutting the frequency of bus cleaning leaving the only alternative of cuts to services. With further cuts to face next year together with a cut in Bus Service Operator Grant (BSOG), working closely with the three county councils this was seen as the way forward. Next year 20% was being cut from BSOG whereas for rail, ferry and internal air it would be fully repaid.

In the future it was felt that the smaller operators would go out of business and larger (Plc) type operators would contract from rural areas. Rural bus services were under threat more than ever. It was recommended that to resolve this situation in the future the cost of regulation should be cut. The final point made was to urge for a change to the concessionary fare travel scheme as it was felt that this was wholly unsustainable for the nation. Most passengers over the age of 60 in the Norfolk Green area were happy to pay a reduced fare to keep services rather than receive the free service as the risk of it being lost.

4. Next Meeting

29th June 2011.