



# 'Regulated deregulation' of local bus services—An appraisal of international developments

Didier van de Velde<sup>a,b,\*</sup>, Ian Wallis<sup>c</sup>

<sup>a</sup> Delft University of Technology, Faculty of Technology, Policy and Management, Section Policy, Organisation, Law and Gaming, The Netherlands

<sup>b</sup> inno-V Consultancy, Amsterdam, The Netherlands

<sup>c</sup> Ian Wallis Associates, Wellington, New Zealand

## ARTICLE INFO

### Article history:

Available online 27 June 2012

### Keywords:

Deregulation  
Local buses  
Great Britain  
New Zealand  
Sweden

## ABSTRACT

The deregulation of the British bus sector (outside London) in 1986 was the start of a debate on the merits of 'deregulation' and 'competitive tendering'. The period that followed was rich in lessons. New Zealand was at the time the only other country engaging in a reform based upon market initiative (implemented in 1991). Other countries chose for a less extreme and more consensual way to introduce competitive incentives, choosing the fundamentally different competitive tendering (CT) path. As a result, the so-called 'Scandinavian model' developed, based upon the London example of route tendering. Later the Netherlands adopted a network tendering approach, resembling the French practice of network tendering though with more operator freedom.

This paper focuses on recent experiences (outside developing countries) with market-initiated competition, as opposed to authority-initiated competition through competitive tendering. The paper covers the experiences of Great Britain and New Zealand, and the opposite example of Sweden where a partial deregulation will soon be implemented as a result of disappointment with earlier results of CT. It describes the expectations that came with their introduction, and some of their perceived shortcomings, and analyses the legal changes enacted to cope with revealed shortcomings. By doing so, the paper describes, compares and draws a few conclusions on the institutional evolutions that can be observed.

© 2012 Elsevier Ltd. All rights reserved.

## 1. Introduction

The announcement of the deregulation of the British bus sector (outside London) to be implemented in 1986 was the occasion of an intense debate on the merits of 'deregulation' and 'competitive tendering' (Banister, 1985; Beesley & Glaister, 1985a,b; Gwilliam, Nash, & Mackie, 1985a,b).

The period that followed was rich in lessons. Apart from Britain, New Zealand was the only country that adopted reforms based largely upon market initiative. Other countries chose less extreme and more consensual ways to introduce competitive incentives, choosing the fundamentally different competitive tendering (CT) path. As a result, the so-called 'Scandinavian model' developed, based upon the London example of route tendering. Later the Netherlands adopted a network tendering approach, resembling the French practice of network tendering though with more operator freedom.

This paper focuses and gives an update on market-initiated competition outside developing countries. The main example of such a regime is assuredly Great Britain (outside London). We describe this regime and the fine-tuning to which it was submitted in recent the recent years. New Zealand constitutes our second main example. This regime was originally inspired by the British case, but the various amendments since put in place have involved greater departure from the British approach. Sweden constitutes our third and last case. It differs substantially from the other cases, as its starting point is a comprehensive competitive tendering regime that will be complemented by a market-initiative regime starting in January 2012. We present each of these three cases before analysing their main evolutions and presenting a few general conclusions.

## 2. Great Britain outside London: deregulation with some competitive tendering

Local and regional passenger transport services by bus in Great Britain outside London are provided on the basis of a deregulated market-initiated regime since 1986.

\* Corresponding author. Delft University of Technology, Faculty of Technology, Policy and Management, Section Policy, Organisation, Law and Gaming, P.O. Box 5015, 2600 GA Delft, The Netherlands. Tel.: +31 15 278 3440.

E-mail address: [d.m.vandavelde@tudelft.nl](mailto:d.m.vandavelde@tudelft.nl) (D. van de Velde).

### 2.1. The 1985 Transport Act

Before the 1985 Transport Act, publicly owned companies provided public bus transport in urban and regional areas. Essentially, municipal operators provided services in the main cities while subsidiaries of the National Bus Company (owned by the national government) provided services in the regional areas. The urban operators had been amalgamated into Passenger Transport Executives (PTEs) in the larger urban agglomerations where Passenger Transport Authorities (PTAs) had been created. The first step of reform occurred when in 1980 a new conservative government introduced a new Transport Act. By removing the need for route licences or authorisation of fares, this act led to the deregulation of long-distance express coach and tourist services. This movement was to be extended to the urban and regional services outside London in 1986 following the adoption of the 1985 Transport Act.

This reform introduced by the British government in 1985 was a radical reform completely deregulating all local and regional public bus transport in the UK, with the exception of Northern Ireland and the area of greater London. This deregulation of bus services introduced the possibility for on-the-road competition and since October 1986 operators may register routes and timetables when they believe it is commercially feasible to provide the service without financial support (subsidy) from the authority (but see below). There are no regulatory restraints on ticket pricing or on the timetable and route itself. All that is needed is a simple registration, consisting of a six weeks' notice (later changed to eight weeks) to which other operators are not allowed to object. Since there are no exclusive rights in the provision of services, operators are allowed to register any services they choose even if competing operators already serve part or all of that market.

In line with this deregulation, all main bus companies owned by the state were privatised. The sell-off of National Bus Company subsidiaries was completed by April 1988, followed by the Scottish Bus Group. The municipal operators had to be simultaneously privatised or at least put at arm's length (i.e. 'corporatised' and made independent from local political influences).

Subsidies remained available. Two subsidisation methods lead to the appearance of more commercial services than would otherwise have been the case. Firstly, compensations for fare rebates (known as 'Concessionary Fares Schemes') give local authorities the possibility to request operators to give discounted fares to specific groups of passengers (typically to elderly people, children or handicapped). Such rebates are then compensated to the operators on the 'no better and no worse off' principle, with payments based on the number of passengers carried, taking into account the ridership generated by this measure (calculation based upon the fare elasticity). Secondly, operators are entitled to a 'Fuel Duty Rebate' according to which operators could originally ask for the reimbursement of the fuel excise taxes they paid. This subsidy has later been reduced from a 100% rebate to an 80% rebate and it is currently known as 'Bus Service Operator Grant'.

When the results of this market process are deemed unsatisfactory by the local transport authorities, e.g. when some areas and/or some periods of the day are not sufficiently served in their views, they have the possibility to organise additional bus services. To realise this, they may contract operators to provide additional services that the authority considers desirable on social grounds but that are not provided by the commercial market. Such contracts are usually submitted to a competitive tendering procedure. However, when only a minimal amount of funding is involved the *de minimis* rule applies and a contract can be negotiated with the commercial operator of the route.

### 2.2. Amendments to the deregulated regime in 2000

A few changes were introduced to this regime with the Transport Act 2000, attempting to codify cooperation forms that had appeared in practice, and responding to the desire of some authorities (especially in the metropolitan areas) to increase their control power on the network of services offered.

This introduced *Statutory Quality Partnership Schemes*, where a local transport authority may agree to invest in improved facilities at specific locations along bus routes (such as bus stops or bus lanes) and operators who wish to use these facilities promise to provide services of a particular standard (such as new buses or driver training standards). Under such scheme, only those operators who actually respect the standards specified are permitted to use the facilities. Such Statutory Quality Bus Partnerships are formalisations of voluntary agreements that had previously appeared as Gentlemen's agreements between operators and local transport authorities. The difference with such voluntary agreements is that a local authority first establishes a statutory partnership, where after operators are free to join, provided they guarantee that they will provide the quality specified. Note that such schemes maintain the principle that operators may not receive any direct subsidy for their operations. Its statutory nature does, however, prevent the 'free rider' problem existing with other schemes and where operators who would not invest in the required standards could not be prevented from using the facility put in place by the authority. *Joint ticketing schemes* have also been made easier to implement by this legislation. Yet, few *statutory* partnerships seemed to appear in practice and the strict interpretation of competition law by the Office of Fair Trading appeared to lead to a very cautious stance from both authorities and operators as to the development of more *voluntary* partnerships.

*Quality Contracts* were also made possible by this legislation. These were meant to allow local transport authorities to request permission from the Ministry to abolish the free market and replace it by a general competitive tendering system, e.g. akin to that used in London. Yet, the requirements put upon the authorities before being authorized to use this model were such (proof that this was the only way to achieve their policy, etc.) that in effect no quality contract was introduced under this legislation.

### 2.3. The Local Transport Act 2008

An official review of the legislation was carried out in 2006 (DfT, 2006, p. 56) as it was perceived that the quality of bus services varied markedly from place to place and that more needed to be done to improve the performance of the sector. This report concluded that bus patronage has been on a downward trend since the 1950s but that recently the first year-on-year increases in decades took place. The report noted that this was supported by increased government investment and the introduction of free travel on local buses for older and disabled people. The review identified a number of areas where improvements have been achieved, often through partnership between bus operators and local authorities, but it concluded that in many cases bus services are not meeting the expected high standards and that in major cities patronage continues to fall. The review concluded that there is no single approach that works everywhere and that solutions needed to be tailored to local circumstances. Legislative proposals were formulated as a response to this, trying to provide the local authorities with a 'tool-kit' to meet local needs. The Local Transport Act enacted in November 2008 (LTA 2008) was meant to address these issues, introducing a number of features to solve complaints expressed by actors, experts and observers within the official review on some of the dysfunctions of the deregulated regime.

Download English Version:

<https://daneshyari.com/en/article/7386194>

Download Persian Version:

<https://daneshyari.com/article/7386194>

[Daneshyari.com](https://daneshyari.com)