

1. Summary

- 1.1 Tyne and Wear Passenger Transport Users Group (TWPTUG) support the proposal for Quality Contracts Scheme (QCS) and rejects the current proposals by the operators for a Voluntary Partnership Agreement (VPA). We see a QCS as the way forward in providing a firm foundation to improve public transport for all in Tyne and Wear and, in the short term, the best solution to the current financial crisis faced by the ITA.
- 1.2 TWPTUG believe that is vitally important in the medium to long term that public transport is improved in Tyne and Wear. Unless this happens the citizens of Tyne and Wear will, as a community, will have difficulty in:
- Building social cohesion and making sure that all citizens of the area can have access to work opportunities, education and rewarding social lives
 - Managing pollution and carbon emissions
 - Improving public health
- 1.3 Our view is that any meaningful improvements require a real integration between the various modes of public transport, regardless of operator, to develop a network that will provide rich opportunities for interchange and offer the widest possible range of destinations. Only this sort of network will allow us to achieve a better balance between public transport and the car.
- 1.4 These challenges have been with us for a long time. It is clear to us that little progress has been made since deregulation and that we need to change the ways that we organise public transport in the area.
- 1.5 As well as these longer term challenges the current funding regime for bus services in the area faces a more immediate crisis. Viewed as a whole the income and expenditure on buses in Tyne and Wear appears to be as follows:

Income	£ millions	Expenditure	£ millions
Fare Income	100	Operating Costs	142
Public Money	62	Profit	20
TOTAL	162	TOTAL	162

Figures drawn from NEXUS proposal to develop a Quality Contract

This fine balance is no longer sustainable. On the income side the £62m in public money is likely to decrease in real terms because, most immediately, Central Government has cut the money available to local authorities resulting in the need for the five boroughs to freeze, and potentially reduce, the amounts that are available to fund NEXUS. We do not expect to see this policy reversed and expect a further reduction in public funds as a result of future changes to the Bus Services Operators Grant (BSOG). We are aware that there has been a reduction in NEXUS balances over the past few years and that they are projected to reduce further and so cannot continue to fund many of the valuable services and fare concessions that make a considerable difference to the lives of many people in Tyne and Wear. We are also concerned that there is a shortfall in

Tyne and Wear Passenger Transport Users Group Response to Proposal to establish a Quality Contract Scheme

Central Government funding for the English National Concessionary Travel Scheme (ENCTS). Our understanding is that, in part because of the demographics of the Tyne and Wear population, there is a considerable shortfall in this element of funding and that NEXUS, because this is a statutory scheme, have to find the balance from local resources. The problem of the shortfall on ENCTS potentially becomes worse as the costs of the scheme are likely to rise as the numbers entitled to receive passes increases, and the fares that need to be reimbursed to the operators increase over time

On the expenditure side we have noted that operating costs are likely to continue to rise. We also note that circa £20m of profit is taken from the system by the current operators and that the profit level of Stagecoach, in particular, reflects the fact that they have an effective monopoly on some of the most intensively used routes in the area. Stagecoach Busways is said to be the fourth most profitable bus company in the United Kingdom and we contrast their level of profit with the substantially lower returns that reward operators, including Stagecoach, under the contracting regime that operates in London.

- 1.6 It is our view that any proposal brought forward by either NEXUS or the Bus Operators must address both the long-term needs of our community and the short-term issues facing the overall transport budget.

2. Tyne and Wear Passenger Transport Users Group (TWPTUG)

- 2.1 TWPTUG is an established community organisation, with a base in all five boroughs in Tyne and Wear, that represent a wide range of community groups who share an interest in public transport.
- 2.2 TWPTUG was formed in November 2010 and includes representatives and individuals from various organisations across Tyne and Wear. Member organisations include Access Association North East, Elders Council of Newcastle, Friends of the Earth, Light Rail Transit Association, Living Streets, Newcastle Cycling Campaign, Newcastle Youth Council, North Tyneside Youth Council, North East Pensioners' Association, Public and Commercial Services Union, Railway Correspondence and Travel Society, Save Gosforth Wildlife Campaign, Tyne and Wear Joint Local Access Forum, Tyneside Humanists, Women Away, Social Access Forum, Tyne and Wear Trades Council, Natural England Workplace Branch and geographical groups representing individuals in each of the five boroughs.
- 2.3 In addition to our work with member organisations we hold regular meetings for individuals in each borough.
- 2.4 We are primarily interested in improving the quality, quantity and availability of Public Transport services for the general public in the North East of England and believe that cheap and attractive public transport is one solution to reducing the environmental damage and pollution caused by private motor vehicles (one of the three major acknowledged contributors to climate change). We want to see the

development of a properly integrated network of public transport in the area. Our initial view as to what a network would look like is attached as Appendix One.

- 2.5 We seek to influence the bus and rail companies, as well as Nexus and the Tyne and Wear Integrated Transport Authority (TWITA), and to encourage car owners to switch to public transport by lobbying for fairer fares, better integration of transport modes, support for cyclists and disabled users, and provision of affordable park and ride.
- 2.6 We also aim to engage with those people who rarely travel on public transport because either they believe it is not cost-effective, there are physical barriers to travelling or they believe there is a lack of personal security.
- 2.7 Prior to the current proposals for a QCS TWPTUG lobbied for a number of changes to transport policies and practices in the area. In particular we have been concerned about:
- Lack of integration between services provided by different bus operators and between buses and the metro
 - Fare rises that have been consistently above the rate of inflation
 - Changes to bus routes without reasonable consultation or notice
 - Problems with access for individuals with limited mobility
- 2.8 Whilst all of these issues are important, and have been raised on many occasions in the past, TWPTUG has become increasingly worried about an impending funding crisis that faces bus services in the area. This immediate crisis will, unless it is resolved, have a considerable impact on all of us that use buses on a regular basis.
- 2.9 Over the past few months we have been researching, in particular, the implications of the various proposals that have been made to manage the crisis. We have looked at the 'no change option', the VPA proposed by the bus companies and the QCS proposed by NEXUS. We have concentrated our efforts, working with others, on investigating the impact of these possible solutions on communities and have gathered views from many individuals and communities in the area. Many of the groups that have come together as TWPTUG have had their own discussions and we have, additionally, run a number of stalls in public libraries and elsewhere to discover the views of the wider community. We have also made contact with other local groups and individuals who have had press coverage around public transport issues. Finally we have researched the issue from our reading of the local and trade press, coupled with examination of company annual reports.
- 2.10 It is clear that the various parties with an interest in bus transport, whilst they have some interests in common, do not agree on a wide range of issues that particularly include profitability and control. Our view is that the conflicts over these particular two issues go to the heart of the matter. NEXUS reports, in their summary of the informal dialogue and responses to the initial consultation on the

concept of a QCS, a view expressed by the Bus Companies that a QCS amounts to a breach of the Human Rights Act and the European Convention of Human Rights. They say that the introduction of a QCS will 'materially interfere with their right to peaceful enjoyment of their businesses'. Our view is that the principal right to enjoyment of buses has to lie with the wider community who need, for a range of reasons, good and comprehensive public transport. It is that right, to enjoy a good and comprehensive bus service, that is under threat without a Quality Contract.

3. The TWPTUG position

- 3.1 TWPTUG believes that the only proposal that offers a fair and equitable way out of the crisis is the QCS. We do not support the 'do nothing' option, which will result in a considerable loss to the community. We do not support the idea of a VPA between the operators and NEXUS because it does not offer enough support to the NEXUS budget, and so will not help to avoid cuts in concessions and secured services, and does not provide a secure basis for the future development of public transport in the area.
- 3.2 We take the view that many of the 'traditional remedies' for the current financial position that would involve a combination of cutting costs, raising prices or lobbying government will not work. We do not believe that it is possible to continue the pattern of raising fares above the level of inflation without pricing many individuals out of the system. We see no possibility that Central Government could be successfully lobbied to increase their funding to the area. We know that local authority and NEXUS reserves are limited and will soon be exhausted. Our view is that the only 'cost' that can be altered in the short term is the amount of profit that the bus companies take out of the system. We are also greatly concerned that much of the current, and profitable, position of the operators has been built on reductions in the wages and conditions of the workers in the industry. Aside from the personal impacts of these reductions we note that it seems likely that the public purse is funding in-work benefits for a number of employees and so providing, in effect, a further subsidy to the operators.
- 3.3 In the longer term a range of actions need to be taken that will increase bus ridership and we fear that, without an effective method of developing and managing an integrated transport network, these will not happen and that the current patchwork of initiatives will concentrate only on profitable routes and ignore the wider interest of passengers. In particular we note that, aside from a number of individual marketing campaigns, the current operators seem to have done little to increase ridership over the past few years.
- 3.4 There are a number of important players that have an interest in the way that bus services are organised in Tyne and Wear. These include the bus companies, the passengers and the local authorities. Each has their own interest and these interests need to be balanced if we are to get the best possible bus network for current and future bus passengers.

4. The Bus Companies

- 4.1 Bus Services in Tyne and Wear are provided by a number of private companies. The vast majority of services are provided by three large companies, with a few smaller operators responsible for the balance. Go-Ahead provide around 50% of the services provided by the large companies, Stagecoach provide 40% and Arriva provide about 10%.
- 4.2 About 90% of the bus services in Tyne and Wear operate on a commercial basis. The remaining 10% are secured, on behalf of the public, by NEXUS who pay operators to run either individual routes or some journeys that extend the operating period of an otherwise commercial route. Securing services helps to ensure that communities retain a bus service, particularly early in the morning, at nights and at weekends. Most of the companies operating in Tyne and Wear are willing to contract with NEXUS to provide these services, and there appears to be competition for the work on the occasions when contracts are offered. These services are also important in maintaining direct links to about 60 schools as well as many workplaces and hospitals.
- 4.3 Bus Companies were privatised in the 1980s with the aim, in part of improving competition. Within Tyne and Wear the major companies, albeit all under new names and with, in some cases, several changes of ownership behind them, still operate in areas that are broadly the same as when they were publicly owned businesses.
- 4.4 Evidence provided to the Competition Commission has raised some concerns that competition between the companies has been limited. Our view, gained from watching changes in operations over the years, is that there is almost no real competition and that the major operators should be seen as unregulated monopolies. Bus companies seek to protect their routes from competition and, because the large operators are extremely profitable, are able to deter potential rivals by offering short-term fare reductions or by flooding a route with buses to deprive a competitor of any business. Despite their monopoly position, and the fact that they make substantial profits, companies have reduced the level of their services and increased fares over and above the rate of inflation. In short the operators only compete to increase potential revenue and profits as opposed to finding the best way to meet the needs of communities.
- 4.5 Each of these companies decides which services they wish offer, and are licensed by the Traffic Commissioners to do so. The companies decide on their own timetables and can change services, or withdraw them completely, by giving 56 days notice to the Traffic Commissioners. In the main this process does not allow for adequate consultation with local communities.
- 4.6 Each bus company sets their own fare structure and level. Over the past 10 years they have chosen to increase fares by an average of 3% over and above the rate of inflation. Companies all offer a range of discount fares but these are usually only available on their own services. The fact that it can cost different

amounts to travel between two points depending on whose bus is used has been raised with us on a number of occasions during our consultation events and, it seems to us, to be one of the factors that makes bus travel less attractive. We also take note of the research, commissioned by NEXUS, that identifies uncertainty about fares and complex fare systems as being one of the factors that stops motorists from making use of public transport.

- 4.7 The major bus companies in the area are profitable and appear to take a hard-nosed attitude towards any route that does not contribute to those profits.
- 4.8 According to figures provided by NEXUS it costs the various operators about £142m each year to provide bus services in Tyne and Wear. The total income of the bus operators, from a mix of fare income and public money, is around £162m meaning that they make a profit of around £20m. Whilst this amounts to an average 14% profit some companies make more than other. When we looked at the Stagecoach annual report for 2011/12 we found that the Stagecoach UK Bus Regional Operations division, the published accounts do not seem to allow us to look at the level of individual subsidiaries, generated an operating profit of 17.9%. In July an article appeared in the magazine 'Passenger Transport' providing an update of the figures showing a group operating profit of 17.1% for 2011/12. We have been told that Busways is one of their better performers, operating only in densely populated urban areas, and so will generate a higher figure than this. An October 2013 article in 'Local Transport Today', based on a report from TAS, the leading and independent transport consultancy, quotes a figure of 21.7% for the operating profit of Stagecoach in Tyne and Wear. The 2011/12 annual report tells us that the Stagecoach operation in London, where the nearest equivalent to a Quality Contract operates, only generated an operating profit of 5.9% and the 'Local Transport Today' article makes the point that the average operating profit in London is only 2.6%. We are aware that there has been some debate about what is included in the 'margins' quoted by operators in their annual reports. Nigel Featham (MD of Arriva NE – Quoted in 'Passenger Transport' 23 October) says to that, because of the different pattern of vehicle ownership, 'margins' outside of London need to be higher. He says that vehicles in London are, in the main leased, whereas outside of London vehicles are bought and owned by operators. Within London lease costs are accounted for before margins are calculated whereas outside of London vehicle costs have to be met from the margin, and that this explains the difference in profit figures. Our initial response to this claim is that, even if all vehicles in local fleets are owned as opposed to leased, the difference in margins between London and non-London operations seems to be, for Stagecoach at least, well above the 4 – 5% additional margin that is required to pay for vehicles. In any case we don't understand the logic of saying that, without market testing to get best value for the public purse, any particular level of profit is sacrosanct. We assume that in London operators, when considering the level of their bids for contracts, aim to achieve an adequate return. We can see no reason why returns in Tyne and Wear need to be higher.
- 4.9 Go-Ahead had, in 2011/12, according to their annual report had an operating profit of 11.39% for services outside of London and 9.2% for services in London.

Again we have not been able to find detailed figures for Go-Ahead operations in Tyne and Wear but bearing in mind the less urban characteristics of 'their' operating area it is not likely that they achieve the same profit level as does Stagecoach.

- 4.10 It isn't easy to say what is a proper level of profitability. However it is significant that all of the major operators operate profitably in London, and continue to seek new contracts, under a system that has many similarities to the proposed QCS. One key difference between the positions of companies operating in Tyne and Wear and London is that, in the latter area, bus operators are forced to compete for contracts and this puts an effective limit to the profits that can be made. We ask why it is proper to integrate services and limit profits in London but not in Tyne and Wear.
- 4.11 Bus operators in Tyne and Wear receive about £62m each year from public funds to supplement their £100m income from fares. This sum includes money for concessionary fares, payments received for the various 'secured' services and the Bus Services Operations Grant (BSOG) paid to help them recover some of their fuel costs. BSOG helps operators keep their fuel costs down and should enable them to run services that might not otherwise be profitable and so could require to be 'secured' by NEXUS at a cost to the public purse.
- 5. Tyne and Wear Integrated Transport Authority (TWITA) and NEXUS**
- 5.1 TWITA is made up of councillors representing the five local authorities of Tyne and Wear. They are responsible for funding NEXUS and making the policies that NEXUS carries out on their behalf. TWITA has to negotiate a 'levy' every year that is applied to council tax collected by the five local authorities. As a direct result of changes in their funding regime the authorities have had to impose reductions on the amount that the ITA can levy and have negotiated the return of some monies to be applied to more local and general use outside of the public transport field.
- 5.2 NEXUS is, in effect, the executive arm of the TWITA. Amongst other functions it is responsible for 'securing' those bus routes, or parts of bus routes, that commercial operators won't provide. These services include schools and services to workplaces. NEXUS administers a number of concessionary travel schemes and has been able to improve on the ENCTS as well as extending concessions to other groups including young people. It also provides the TaxiCard scheme to help people with restricted mobility.
- 5.3 NEXUS has also started much of the work that will introduce an 'oyster' style card in Tyne and Wear. This investment has included part funding, to the extent of around £1m, the card readers used on local buses.
- 5.4 We understand that most of the £62m public money that goes into the Tyne and Wear Bus operation each year is channeled through NEXUS and that £20m of this sum goes straight into company profits. Our understanding is that there are a

number of key pressures on TWITA/NEXUS budgets that include:

- Reductions in local government budgets, 10% in each of the last two years that have led to a freeze on the levy that funds the TWITA and NEXUS.
- Problems with the formula by which Central Government re-imburses the costs of the English National Concessionary Travel scheme does not, in Tyne and Wear, meet the full cost of the scheme leaving the TWITA and NEXUS to find the balance.
- The need to provide secured services to replace individual routes that are deemed not to be commercial. Over the past few years the demand to provide secured services has increased. In this context we noted the views expressed by Ros Paterson, Finance Director of Stagecoach, in the magazine "Financial Director". In their September edition he is quoted as saying that "the beauty of buses is that they are mobile so if a particular route is underperforming and we can't see a plan to get the return we expect, we can redeploy them somewhere else". We take this to mean that it is not enough for a route to avoid making a loss for it to be safe. If it does not achieve a substantial profit it might well be abandoned and added to the list of services that need to be secured by TWITA

5.5 The recent reductions in Central Government grants to local authorities, and those that are planned for the next five years, will have a considerable impact on bus services in Tyne and Wear. This impact will be magnified because the amount received from Central Government to fund the, statutory, ENCTS does not cover the costs of the scheme. This problem is likely to get worse in the future.

6. The Passengers

6.1 There has been a long-term decline in bus patronage since services were deregulated and then privatised in the 1980s. The decline in Tyne and Wear was only stemmed as a result of the introduction of concessionary travel. Whilst passengers, when surveyed on behalf of the bus operators, express reasonable levels of satisfaction with current services it is clear that, from the many comments that have been made directly to us as well as through local papers and social media, they want to see the sort of changes that can only be guaranteed by the introduction of a QCS.

6.2 Comments made to us, by both bus users and car drivers, include:

- Pressures on family budgets arising from fare rises well in excess of inflation
- Unreliability of services and the fact that, because there are no penalties on operators who fail to operate to timetable, this burden falls only on the travelling public.
- Problems, often relating to fares, in completing journeys that requires use of more than one bus operator or using buses as well as Metro or ferry.
- Changes in routes and timetables at short notice – or even removal of complete services
- Lack of general information about services and the confusions between the range of websites operated by NEXUS and the bus operators

- The need for the rapid introduction of 'real time' information systems
 - Disability access – in part relating to one operator who, for a period, regularly used unsuitable vehicles on urban routes with no apparent penalty.
- 6.3 Passengers benefit from the various concessionary travel schemes, including the ENCTS, administered by NEXUS with an estimated 50 million journeys per annum made by elderly and disabled persons, and 10 million by children.
- 6.4 Fares consistently go up above the rate of inflation. In 1995 the average bus fare in Tyne and Wear was 66 pence and this had risen to £1.48 in 2008. Had the increase been restricted to the Retail Prices Index the fare in 2008 would have been 95 pence. Had it been increased by an index that measures costs in the Bus Industry the 2008 fare would have been £1.38. Between 1995 – 2008 bus fares went up, averaged over all of the PTE areas, by 95%. In Tyne and Wear they rose by 124%
- 6.5 Over the years the number of bus routes, especially outside of the main urban centres, has been reduced and the number of passengers has fallen. Changes to bus routes are made, usually without consultation, and at short notice. TWPTUG is aware of many individual communities whose bus routes have been removed or altered at short notice - making it very difficult to get to work or attend appointments at hospitals. Recent examples can be found following changes made by Arriva in North Tyneside that broke a number of key transport links and required considerable work by residents who lobbied hard to get some of these links re-instated. Despite this hard work residents of Seaton Burn and Marden tell us that they still lack easy links to essential services including hospitals. We believe that this type of issue particularly affects many communities who have low or non-existent access to cars.
- 6.6 Over the next few years less public money will be available to support bus services and this means that secured services will be under threat, as will many of the locally funded concessions.
- 6.7 Our understanding is that, as their number increases, older people and others who have restricted mobility will have a greater need for bus services. We also note that many older people will develop health problems that result in their having to stop driving. These parts of our community will need to be supported by public transport systems in order to avoid social isolation.
- 7. Impact of a 'do nothing/little' strategy**
- 7.1 NEXUS has produced a list of cuts that are seen as unavoidable if their budget remains constrained as set out above. Under this scenario passenger numbers will fall, over time, as a result of the removal of:
- All secured services
 - All non-statutory concessionary schemes

7.2 Pressure on family budgets will be maintained as a result of continued increase in fares at a rate over and above the rate of inflation. The levy on local authorities required to re-imburse operators for the English National Concessionary Scheme will increase. In addition, it seems to us, that any real progress towards integration between buses and other modes of transport will not happen.

8. Problems with the proposed VPA

8.1 We have read an early version of the proposals from the Bus Operators in relation to their desire to establish a VPA and understand that a final version will be available on the last day of the consultation period. From our reading of their written proposal and from information given to us at a meeting with the North East Bus Operators Association (NEBOA) our understanding is that they will propose:

- A new fare offering for 16 – 18 year olds aiming at increasing ridership
- Bus Multi-operators tickets that aim to increase ridership
- Service stability to maintain ridership
- Improved marketing, in conjunction with NEXUS, to improve ridership
- To convert some 'secured' services to commercial operation saving up to £360.8k p.a.
- Use of performance bond to ensure that they meet their obligations under a Quality Partnership.
- To increase the size of the bus fleet operating in Tyne and Wear by at least 18 vehicles and potentially by more than 50. These vehicles would be used to strengthen some existing services, presumably on routes where they struggle to meet demand, provide new links across the area and to maintain and improve reliability.
- To introduce a smartcard platform for all operators in 2014 alongside some form of real time information system
- A joint review of the secured network together with a network wide needs assessment

8.2 Our assessment that it is unlikely that sufficient new money can be found from this proposal to bridge the funding gap set out by NEXUS. We asked NEBOA to tell us how they would see the gap being filled. They suggested that some saving could be made by removing those secured services that could not be operated commercially and in particular those that operate in areas that are covered by commercial services, that the Local Authorities had a statutory obligation to fund school travel and that any remaining gap would need to be met by an increase in the levy made by TWITA on the Local Authorities. In short they see the answer as being service cuts and an additional call on the council tax. We also ask why, if the first four points (listed in 8.1) will lead to an overall increase in ridership of 500,000+ each year, the companies have not sought to establish the legal framework that would have allowed them to implement these schemes at an earlier date - given that they have had freedom to do so since the days of deregulation. If these new tickets are implemented as part of a partnership it is clear that any additional revenue, and we accept that the net increase may be limited, will simply benefit the profits of the companies. The only proposal that goes to relieve the NEXUS budget is the conversion of some services from their

current secured status. Given the scale of the NEXUS budget problem the impact of this, a saving to the NEXUS budget of around £360k in a full year, would be marginal and many secured services would still be removed. NEBOA seem to accept that this is the case but say that most of the services removed would be those that either carry very small loads or duplicate, in some way, commercial services.

We note that there is some uncertainty about the number of new buses that would be introduced under a partnership. However it is clear that most of these would be used to improve existing commercial services in order to, we assume, either safeguard existing revenue or generate additional revenue, for the operators. We would argue that, if they really believe in public service, that they would introduce many of these vehicles in any case. Finally it is clear that a VPA could be dissolved at 12 months notice, and so does not offer any long term security to bus passengers. It does not address the issue of the need to improve integration between buses and Metro – and indeed their ticketing proposals seem to explicitly rule this out.

9. Our understanding of the proposed QCS

- 9.1 NEXUS are proposing to introduce a QCS. Under this contract decisions about routes and timetables would be discussed with local communities, and those taking the decisions would be accountable to the public. Whilst we welcome this move we have some reservations about the detailed proposals for Bus Boards and would want to discuss these further with NEXUS.
- 9.2 The actual operation of bus services would still lie with private companies, possibly including the current operators, but they would work under contract to NEXUS who would also set standards for the type of vehicles used as well as more general standards for all operators in the area. For the first time Operators would have to compete, if they wish to run buses in the area, on price and quality and would not be able to act as monopolies. It is possible that other operators might choose seek contracts and so bring new expertise and ideas to the area.
- 9.3 NEXUS are proposing that fare increases would be limited to the rate of inflation and that they will get rid of the constant changes in service patterns. They also propose a new and simplified fare system, based on zones, will mean that most journeys cost no more than at present. Their research has shown that this simpler fare structure will help to attract new passengers who will bring new revenue to the system.
- 9.4 In terms of benefits to current bus passengers the QCS offers the following:
- Continuation of the travel concession for under 16 year olds who make 9.5 million journeys in Tyne and Wear on buses each year on their Travel Cards each year.
 - Continued operation of the secured services that provide for nine million bus journeys in Tyne and Wear.

- Continuation of the locally agreed supplements to the ENCTS coupled with the opportunity to gain further benefits on both bus and metro for those who purchase a Gold Card.
- The retention of the Taxi Card Services membership for the 3,000 Tyne and wear disabled travellers beyond 2021/22.
- The best chance of stopping, and reversing, the decline in bus usage that we have experienced over the past years.
- Savings of £7 million each year, albeit at the cost of reduced profits for the operators, for 10 years, a saving for the people of Tyne and Wear of a total of £70 million and allowing service levels and concessions to be maintained.
- Introduction of a subsidised pass, covering all modes of public transport, for 16 – 18 year old students with a consequent positive impact of their ability to take up educational and training opportunities.
- Introduction of a smart card system that will allow use across metro, bus, ferry and rail on a zonal basis
- Slightly lower fares for 80% of bus users with the 20% who lose gaining over the medium term through lower fare increases and the introduction of, for example, concessions for 16 – 18 year old students.
- The potential for a single and comprehensive online source for all public transport information in Tyne and Wear, coupled with the development of better route planning software available to the public and real time information systems accessible by smartphones.

9.5 Whilst we recognise the fact that some, around 20%, of fares will increase we believe that this is balanced out by reductions elsewhere and the considerable benefit to families, estimated at £300 p.a. of the maintenance of child concessionary travel and the introduction of the new concession for 16 – 18 year old students.

9.6 In addition to the benefits to present and future passengers we think that there are other public gains that will be achieved from a QCS. These will come from the introduction of the most environmentally friendly buses that will reduce the pollutants that affect our health.

9.7 Public Transport needs to attract new passengers. Whilst some new passengers will be attracted as a result of specific marketing campaigns and an improving economy should increase numbers it seems clear that we need to go further. PTUG wants NEXUS to improve the network and open up new journey possibilities as well as introduce a more transparent ticketing system that will cover all buses as well as the Metro and the Shields Ferry.

9.8 **Our conclusion is that the interests of the public, as opposed the commercial interests of the operators, are best served by the establishment of a QCS.**

10. A note of caution

10.1 A simpler fare structure coupled with a more reliable service should, in a growing economy, attract more people to use buses. TWPTUG believes that proper

integration between bus routes and between buses and the Metro will also help. If we do nothing and the number of bus passengers continues to fall it is clear that services will be cut as companies seek to maintain their profits. These cuts will be made worse because NEXUS won't have the money to pick up services and routes that are cut.

- 10.2 TWPTUG recognises that a QCS is not a magic bullet. Even after the changes it is possible that passenger numbers might continue to decline and that cuts might be needed. However we are mindful of the views that both Stagecoach and Go-Ahead have expressed in their annual reports. In 2011/12 Stagecoach made the point that "The revenue and profit of the group could be positively or negatively affected by changes in the economy" but in the section that describes the strategy of their regional bus operations they say that regional operations "have performed well during more challenging macroeconomic conditions ... (revenue) is less exposed than many other types of business. In addition the group can adjust the pricing and frequency of the majority of its services and is therefore well placed to respond to any changes in demand for particular services." Go-Ahead make the point that the economic risk in 2011/12 "increased as we re-entered a recession with economic growth rates for the year ... down 0.8%" but balance this by saying that "A more challenging economic environment encourages modal shift as motorists seek value for money alternatives to the private car." This picture, drawn from their published reports, does not suggest that there is any substantial risk to revenues in the near future not that a well structured quality contract increases risk.
- 10.3 The Bus Operators draw attention to the risks involved in introducing a zonal fare system in which, they estimate, 20% of passengers will pay more, 20% will pay less and, we assume, 60% will pay the same amount. They suggest that this change poses a real threat as some existing passengers would stop using buses and, they say, it is unlikely that the fare cuts would attract a sufficient number of new passengers to make up lost revenue. They also suggest that a zonal fare system has to reduce metro fares to the same level of bus fares with a consequent further loss in income to NEXUS. We take it that one implication of their assertion is that they believe that it would never be possible to simplify the fare structure in Tyne and Wear despite the evidence that a complex fare structure is seen as one of the main factors that stops the growth of ridership.

Appendix One

A public transport network starts from the recognition that not all journeys can be completed on one bus, one Metro, one train or one ferry.

A public transport network aims to make as many journeys possible for most people in its area. A network recognises that public transport should be available to as many people and communities as is possible.

Such a network accepts that, for many journeys, passengers will need to change between the various suppliers of public transport.

A **network** sets out to make these interchanges as easy as is possible. It will:

- Provide, wherever possible, safe and secure places for passengers to use whilst waiting for their bus, Metro or ferry.
- Consider the needs of cyclists who want to make use of public transport for parts of their journey.
- Make sure that the ticketing system does not penalise a passenger who needs to change between buses, or between buses and other modes of transport, in the course of a journey.
- Give explicit consideration, when deciding on routes and timetables, to the needs of passengers who need to change between buses or between buses and other modes of transport in the course of a journey.
- Accept that some routes do not need to make a profit because they have the function, in addition to extending public transport to isolated areas or to parts of society that would otherwise not be able to travel, of extending the range of possible journeys that we can choose to undertake.
- Make sure that public transport have the information that will allow them to make the best use of the network and will be able to identify, where possible, any alternative ways of travelling between any two points.

A network requires co-operation between the various public transport suppliers who need to accept that their interest in making a profit on each route they operate may need to be subordinated to an overwhelming public interest in maximising the number of journeys taken.