

**FirstGroup submission to the Transport Select Committee  
Written evidence on passenger transport in isolated communities inquiry**

August 2013

**About FirstGroup**

1. FirstGroup plc is the leading transport operator in the UK and North America. We employ approximately 120,000 people and we transport more than 2.5bn passengers every year. Our company is comprised of five divisions – UK Rail and UK Bus here and First Student, First Transit and Greyhound in America.
2. As ever, we are pleased to submit evidence to the Committee's inquiry. This response focuses on our UK Bus operations and is from our UK Bus division.
3. We are one of the largest bus operators in the UK with a fleet of 6,500 vehicles, and operate a fifth of local bus services. We carry approximately 2.3 million passengers on our buses every day. The UK Bus division employs approximately 21,000 people.
4. We operate in communities across the country, including 40 of the UK's largest towns and cities. The majority of our operations are in urban areas where the bus is the most effective means of tackling traffic congestion.

**How do Government and local authorities identify demand for passenger transport in isolated communities (including rural and urban areas and island communities)?**

5. Whilst this question is not directed at operators, we feel it is valuable to make some broad observations on this issue.
6. There is a need to ensure that where demand for passenger transport in isolated communities is identified, and a decision is taken to cater for such demand, the choice of mode to service that demand is made on the basis of best value.
7. Occasionally subsidised local bus service contracts are terminated because of the low volumes of passengers using them, and the consequent very high cost per trip made. When subsidy values of £40 or more per passenger trip have been identified, this calls into question the viability of any form of scheduled public transport service and alternative solutions would appear to have been a more sustainable choice from the outset.

**To what extent are the needs of different groups of passengers (e.g. people with disabilities, older people, young people) taken into account in determining the provision of public transport to isolated communities?**

8. Again, this question is not primarily for operators to address, but we would observe that, in many isolated areas, the opportunity arises to combine various transport functions of the local authority, such as health and social services transport, special needs, education and mainstream local bus.

9. It is acknowledged that the needs of these different groups of passenger differ significantly. They need not travel on the same vehicle at the same time, but often the same vehicle and driver can be used to perform different functions at different times of the day, thereby significantly reducing fixed and semi-variable costs.

**What are the main challenges associated with providing better and more consistent bus and rail services to isolated communities? How can these challenges be overcome?**

10. The challenges are largely related to cost. Local bus operation has become much more expensive of late, largely as a result of increases in driver costs, fuel costs and insurance. For instance, fuel costs have risen by almost 150% in the last ten years.
11. Furthermore, changes in government policy, such as the 20% reduction in Bus Service Operator Grant (BSOG) in April 2012, also have a significant impact on costs. For that reason, we are pleased that, as part of the recent Spending Review, the Treasury confirmed that current levels of government support for buses will be maintained until at least 2015/16.
12. Also, concessionary fares reimbursement, which is supposed to leave the operator no better and no worse off than in the absence of the scheme, is under pressure as a result of cutbacks in local authority budgets, so often bus operators are not fully compensated. These same budget cuts have led to local authorities being forced to reduce the provision of services awarded by competitive tender. Some authorities have been forced to choose between full compensation for concessionary travel and retention of tendered services.
13. In parallel with these pressures, the continuing trends of increasing car ownership and use cause problems not only by eroding demand for local bus services, but also increasingly through rural congestion and access difficulties due to illegal or inconsiderate parking.
14. Finally, the changing nature of life in rural and isolated communities, and associated travel patterns, has created new challenges for operators. The decline of shops, community facilities and other destinations in many smaller settlements makes the provision of a viable bus service, with a constant churn of passenger boardings and alightings, more difficult to sustain, since trips tend to become concentrated to a common destination.

**How effectively do Community Transport services address the needs of passengers in isolated communities? How could Community Transport be improved?**

15. Community Transport works best where it is complementary to, rather than competitive with, local bus services. There are few instances where such competition is a result of deliberate intent, but it can nevertheless become a problem, particularly where services are demand responsive or have a variable route. The cost base for community transport services is much lower than that for local bus services therefore inadvertent competition is likely to be to the detriment of the latter, particularly if the operator is trying to build up patronage to sustainable levels.

16. Since passenger (and other road user) safety is of paramount importance, it is essential that the basic standards underpinning the provision of public transport apply to all irrespective of its funding and organisation. The basic requirements for the holding of an operator's license in terms of the maintenance standards, driver licensing and record keeping, and service registration and operation, need to be common across all service providers whether community based or commercial operator.
17. However, Community Transport enterprises can be very successful indeed in providing public transport links for those in isolated communities. By their nature, they stand or fall on the basis of the sustained quality of volunteer support for the operation.

**To what extent should passengers in isolated communities be expected to rely on taxis and other demand-responsive transport services?**

18. In some situations, there comes a point where the economics of public transport provision are such that taxis and other demand-responsive services are the only viable solution.
19. Where the cost of providing local bus services per journey made exceeds that of the cost of a taxi, it is difficult to justify the on-going provision of the former. Demand responsive local bus services can play a useful part, but since their fixed and semi-variable costs are similar to those of conventional services – and driver costs are likely to be the same – they only offer a reasonable saving where one demand-responsive service can play the role of several conventional local bus services. Authorities ought to seek to maximise the flexible deployment of demand-responsive services to get the best value from them.

**What are the main challenges associated with funding transport services in isolated communities? How can these services be made more affordable?**

20. From a financial perspective, the opportunity for an operator to provide a commercial service in an isolated community is becoming scarcer.
21. Rising fuel costs and wage inflation are continuing to drive costs upwards. Recent suggestions from the Department for Transport about potential lowering of fuel duty in isolated areas would make some difference as fuel costs typically make up 15% of a local bus operator's costs, and fuel duty accounts for approximately 50% of this cost element. However, given the fact that the single biggest element of cost for operators is wages (and related employment expenses)– around 60% of total costs across the industry – changes to fuel duty, whilst welcome, would only make a this will only make a marginal difference.
22. Local authorities are facing different challenges with successive spending reviews reducing the amount they have available to fund supported bus services. It is difficult to see how the issue of sustaining services to isolated areas can be addressed without Government making specific additional provision for those rural communities.