

LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

Tuesday 5 October 2004

Session 2

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LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

21st Meeting 2004, Session 2

CONVENER

*Bristow Muldoon (Livingston) (Lab)

DEPUTY CONVENER

*Bruce Crawford (Mid Scotland and Fife) (SNP)

COMMITTEE MEMBERS

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

*Dr Sylvia Jackson (Stirling) (Lab)

*Michael McMahon (Hamilton North and Bellshill) (Lab)

*Paul Martin (Glasgow Springburn) (Lab)

David Mundell (South of Scotland) (Con)

*Tommy Sheridan (Glasgow) (SSP)

*Iain Smith (North East Fife) (LD)

COMMITTEE SUBSTITUTES

Bill Butler (Glasgow Anniesland) (Lab)

Colin Fox (Lothians) (SSP)

Mr Bruce McFee (West of Scotland) (SNP)

Mr Brian Monteith (Mid Scotland and Fife) (Con)

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Paul Allen (Scottish Executive Legal and Parliamentary Services)

Nicol Stephen (Minister for Transport)

Ian Turner (Scottish Executive Enterprise, Transport and Lifelong Learning Department)

THE FOLLOWING GAVE EVIDENCE:

Robert Andrew (Confederation of Passenger Transport)

Gavin Booth (National Federation of Bus Users)

Dr Caroline Cahm (National Federation of Bus Users)

Bill Campbell (Lothian Buses plc)

Jim Lee (Confederation of Passenger Transport)

George Mair (Confederation of Passenger Transport)

Neil Renilson (Lothian Buses plc)

Marjory Rodger (Confederation of Passenger Transport)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Euan Donald

LOCATION

Committee Room 2

Scottish Parliament

Local Government and Transport Committee

Tuesday 5 October 2004

[THE CONVENER *opened the meeting at 14:06*]

Interests

The Convener (Bristow Muldoon): Good afternoon. I welcome members of the committee, the public and the press to today's meeting of the Local Government and Transport Committee. The main item on the agenda is evidence taking for our review of the Transport (Scotland) Act 2001, but we will quickly deal with two other agenda items before I introduce the first witnesses.

Agenda item 1 is a declaration of interests. Fergus Ewing is a new member of the committee and is attending his first meeting of the committee. I welcome him; I am sure that he will make an energetic contribution to our work, as he has done to that of other parliamentary committees. I look forward to working with him in the forthcoming period. I also thank Bruce McFee, whom Fergus Ewing has replaced, for his work on the committee. I invite Fergus Ewing to declare any relevant interests.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Thank you for that warm and enthusiastic welcome, which I reciprocate to all committee members. I have no interests to declare.

Item in Private

14:08

The Convener: Agenda item 2 is consideration of whether to take in private agenda item 6, which is on the committee's approach to the 2005-06 budget process and involves consideration of the merits of potential advisers and whether we should take evidence from particular witnesses. I propose that it would be best to take item 6 in private. Do members agree?

Members indicated agreement.

Transport (Scotland) Act 2001 Inquiry

14:08

The Convener: Agenda item 3, on issues arising from the Transport (Scotland) Act 2001, is the main agenda item. I welcome the first witnesses, Neil Renilson and Bill Campbell, who are representatives of Lothian Buses. I invite Neil Renilson to make introductory comments to the committee before we go into the question-and-answer session.

Neil Renilson (Lothian Buses plc): Thank you for the opportunity to come to the meeting. I do not propose to speak to the paper that I have submitted, although I am happy to answer questions on it. I will take a couple of minutes to explain who we are, or—more important—whom we represent.

Lothian Buses runs the red buses in Edinburgh and is the former municipal bus company. We operate slightly more than 600 buses and employ around 2,000 staff. We are the primary provider of bus services in Edinburgh and the near Lothians and we have a turnover of around £70 million a year. We carry slightly more than 100 million passengers each year and have increased the number of passengers that we carry every year for the past six years. We have increased from 82 million passengers in 1998 to more than 100 million last year. Our shareholders are the City of Edinburgh Council and the three other Lothian councils, so we are the only publicly owned bus company in Scotland; we are also by far the largest publicly owned bus company in Britain. Somehow, Lothian Buses escaped privatisation. We are possibly the last of the dinosaurs from that point of view. That sets the scene.

Paul Martin (Glasgow Springburn) (Lab): We heard evidence from Stagecoach and FirstGroup last week and from another operator the week before that they believe that they can develop bus services more effectively because they do not have the bureaucratic constraints that they say a publicly owned service such as Lothian Buses is under. What is your response to that?

Neil Renilson: I understand what they say and, conceptually, I agree entirely. If I might be so bold, I suggest that people have a preconception that because we are publicly owned, we are under bureaucratic constraints. However, that is not the case. We operate as a fully arm's-length company. There is no political control or intervention in how the company is run—for example, no councillors or other politicians are directors of the company. That is under the terms of the Transport Act 1985, which said that if local authorities did not privatise

their bus companies, they had to run the companies as arm's-length units.

We trade in the same marketplace as Stagecoach, FirstGroup, National Express and others and are run on the same basis. There are no political or bureaucratic constraints on the running of the company. From that point of view, I run the company in the same way as for example Stagecoach's managing director in Scotland runs his company.

Paul Martin: Will you confirm that Lothian Buses is a publicly owned company?

Neil Renilson: Under the Companies Act 1985, we are a public limited company, and four local authorities own 100 per cent of our shares.

Paul Martin: In Lothian, the number 44 route is subject to fierce competition. Last week, Stagecoach and FirstGroup gave evidence that they welcomed competition as an effective aspect of bus services. Do you have the same view about competition in Lothian? Should how operators compete in the market be regulated?

Neil Renilson: Competition is necessary to avoid complacency, flabbiness, fatness, inefficiency and inactivity, which typified the state-owned bus companies pre-privatisation. They had a monopoly and they knew that they could not be subjected to competition, so they had little incentive to do anything tomorrow other than that which they did yesterday.

The spur of competition is necessary, as long as it is fair competition. In some cases, competition is not on a level playing field. Typically, some small, independent operators may bend the rules and run at the edges of legality. Perhaps that is not fair competition. We can also have aggressive competition by large groups against smaller operators, such as the competition from FirstGroup that we suffered from a couple of years ago. However, by and large, competition is necessary, as long as it is fair and is not at the bottom end from people who are trading on the fringes of the law—and often outwith the law by not observing the rules properly—or, at the opposite end, from a large operation that is trying to push out a smaller operator.

Paul Martin: Last week, I asked Stagecoach whether informal agreements existed between the major bus operators not to operate in some areas so as to allow exclusive operation. Is there any evidence that that happens in Scotland? Are there any examples of a major player being given way to in an area because another major player does not operate there?

14:15

Neil Renilson: I have seen no evidence of that in Scotland in recent years. On the contrary,

during my six years at Lothian Buses, I have seen evidence of people trying to take business by force—by weight of numbers. That said, there is no doubt that there have occasionally been such cases. I think that FirstGroup and Arriva were prosecuted for having such an arrangement in Yorkshire a few years ago, but I have come across no evidence of that in Scotland recently and I have no reason to believe that the practice is widespread or common in the rest of the United Kingdom. The regulatory regime and the penalties that are incurred by breaching the Competition Act 1998 are such that any temptation to establish such an arrangement is quickly dismissed, because of the risk of going to jail or receiving a substantial fine.

The Convener: You said that you thought that competition was a good thing for passengers, the range of services that they receive and prices. You mentioned FirstGroup taking competition into an area in which Lothian Buses is fairly dominant. Why has Lothian Buses not taken competition into areas in which FirstGroup is dominant, such as West Lothian, where Lothian Buses has not operated for a number of years?

Neil Renilson: Following deregulation in 1986, Lothian Buses competed in West Lothian, where we provided services until 1994. There has been much comment in the press recently about the bus service to South Queensferry. I know that South Queensferry is not in West Lothian, but it is to the west of the city. We ran a bus service there for five and a half years, in competition with FirstGroup. The reality was that, at that time, there was not enough business to make our service financially viable. That is why we withdrew. That is not to say that at some point in the future we might not take a different view. We have moved out and competed with surrounding operators, just as surrounding operators have moved in and competed with us.

In effect, the bus industry was a state-controlled monopoly from 1930 to 1986, when it was freed and moved completely into the free market. For five or seven years, there was a period of instability, when everyone was pushing the boundaries. A lot of that was unsustainable competition. Gradually, the situation has stabilised. I would not want to run buses in Fife, for example, because I have no bus garages or facilities in Fife. There would have to be a stunningly good market opportunity for me to spend substantial amounts of capital on establishing the operational bases that would be necessary to run services well away from my present operations.

The Convener: Given that there has been substantial population growth to the west of Edinburgh since you ceased running buses in that area and that the number of bus journeys as a

whole is increasing, are you reconsidering the prospect of expansion into West Lothian?

Neil Renilson: We consider that now and again, but there is the fundamental fear factor. I know that if I start to run buses from Edinburgh to Livingston or Broxburn, for example, FirstGroup will regard that as an attack on its market and it will then run buses in the city against mine. We are a very small, one-city bus company. Our turnover is £70 million a year. FirstGroup is a global multinational with a turnover of more than £2 billion a year. The reality is that I will not snap at its heels in case I get stood on. I will not start a bus war in West Lothian, as I will risk being squashed. FirstGroup had a good enough go at us last time, when we did nothing to provoke it, so I will not provoke it by going out to West Lothian, unless there is some other reason for doing so.

The Convener: Forgive me, but that does not sound like competition; it sounds like an informal cartel.

Neil Renilson: The competition is always there. As somebody else said, our competitors run the 44 and 129 services. We know that if we run a poor-quality service, charge high fares and exploit our market, another company will come in. That might not be FirstGroup or Stagecoach, but a small independent operator. In the past 15 years in Edinburgh, companies with three or four buses have come in and challenged the incumbent operator. The threat of competition is every bit as important as actual competition. Companies know that they cannot put up their prices or provide a shoddy service because that would encourage another company to compete.

Dr Sylvia Jackson (Stirling) (Lab): I was interested in what you said about publicly owned buses when the monopoly was in place. The people who spoke to us last week in Glasgow seemed to have the opposite view; they certainly thought that some services in Glasgow are nothing like as good as they used to be.

I have a question about the quality of the buses on your routes. There is concern that on some routes—they may be subsidised ones—the quality of the buses is not quite as good as on other routes and that the buses may be older. Will you say a little about that? What are the implications of that situation for the operation of quality contracts?

Neil Renilson: I will deal with subsidised services, which I think you asked about. If a bus operator operates a subsidised service, that service is at the beck and call of the subsidising authority—the local council. If the council specifies new low-floor disabled-access buses, that is what it gets, although obviously it will pay the price for that. However, if the authority gives no quality specification for the service, it will get the run-of-

the-mill standard fleet buses. In Edinburgh, we operate some services for which the local authority has specified disabled-access buses—I think that the services to Edinburgh royal infirmary fall into that category.

Bill Campbell (Lothian Buses plc): Yes. I think that all the subsidised services that operate all day are now specified to that standard. That applies to our company, but I am not sure whether the question was directed specifically at Lothian Buses or whether it was about buses in general in Scotland.

Dr Jackson: I was asking about your buses.

Bill Campbell: All subsidised all-day services have disabled access.

Neil Renilson: One exception is a service for which the council simply accepted the lowest tender and therefore got the oldest buses. The matter is entirely down to the authority. If it wishes to pay for brand-new wheelchair-accessible low-floor buses, that is what it gets because that is what it specified, but it pays the price. If the authority accepts the lowest bid and says, "Just legal will do," that is what it gets. The bus operators merely do what they are contractually obliged to do.

That is the situation with subsidised services, but I must point out that those services are an infinitesimal part of our business—3 per cent—whereas 97 per cent of our services are unsubsidised.

Dr Jackson: What is the quality of the buses on the 97 per cent of services that are not subsidised?

Neil Renilson: I assume that, by quality, you mean the age of the buses.

Dr Jackson: Yes.

Neil Renilson: All our buses are maintained to the highest-quality standards, whether they are one or 10 years old. On the age profile, we purchase buses that have a 15-year life, which means that every year we purchase one fifteenth of our total fleet requirement. The 16-year-old vehicles are sold off and we get brand-new vehicles for one fifteenth of our fleet. The new vehicles are allocated on two bases. First, we put them on the routes that have the heaviest loads or the greatest number of passengers, so that they give the greatest benefit. We do not put brand-new buses on lightly used services. Secondly, we attempt to allocate new buses so that at least one service on each main road has wheelchair-accessible buses.

If one takes Morningside Road as an example, service 16 runs with wheelchair-accessible vehicles, but service 15 does not. Such vehicles

are not put on routes at random, they are used to provide wheelchair accessibility on a third of the network. They are not placed randomly on one third; instead, provision is targeted so that disabled people can get to most places using those buses that are wheelchair accessible.

Dr Jackson: We heard a lot last week—and the week before in Stranraer—about the difficulties for people who need wheelchair access. How have you been phasing in low-floor buses over the years?

Neil Renilson: The legal requirement is for all buses that are used on local service work to be wheelchair accessible, in the case of double-decker buses, by 2017, give or take a year. We are something like 13 years away from having to have a 100 per cent low-floor easy-access fleet. That requirement was introduced in late 1999—call it 2000—so there is a 17-year lead-in time, which is broadly consistent with what I said about buses having a 15-year life. That suggests that if we were to follow a straight-line graph to get from 0 per cent low-floor provision to 100 per cent low-floor provision, we would be four fifteenths—almost a third—of the way there. In fact, we are more than halfway there.

More than half our fleet is wheelchair accessible; we have been replacing our fleet at a far greater rate in recent years than was necessary to achieve the legal requirement to be fully wheelchair accessible by 2017. That does not mean that the whole job will be done in another four years. It might be that we will still be running some non-wheelchair-accessible vehicles—but at most not until 2017, I hope—for another five or six years.

Dr Jackson: We asked other witnesses about quality partnerships. What would be the implications of quality contracts?

Neil Renilson: Do you mean quality contracts or quality partnerships?

Dr Jackson: Both.

Neil Renilson: The fundamental problem of quality contracts is that they would take control of the bus network away from the people who are closest to the passengers. Such a contract would take control of the bus network and design of the services and timetables away from the people who run the buses and who have daily interface with the passengers. It would put control in the hands of local government officers, civil servants or whomever, who are inevitably divorced from the coalface. Those people would then design networks with their pet projects and the like because they would not have to handle the financial consequences and passenger dissatisfaction.

Quality contracts represent a halfway house between now and the situation that existed before 1986 when bus services were primarily designed not to meet the needs of the passenger, but to meet political aspirations and the pet projects of officers. I do not see that quality contracts would benefit the bus passenger because they would detract from the direct interface with the customer.

Bruce Crawford (Mid Scotland and Fife) (SNP): Concessionary fares are obviously a big issue for Lothian Buses, given the detail with which you have provided us. You suggest in your submission that the concessionary fares that you offer are subsidised by people who pay adult fares at a 12 per cent premium. Will you explain more about the relationship between the fare schemes, and in doing so, will you tell us how many concessionary passengers you carry, what funding you currently receive from the Scottish Executive and what you estimate the gap to be? I ask so that I can get a handle on the scale of the problem.

Neil Renilson: We currently carry 100 million passengers a year and 24 per cent of our passengers are concessionary—so one in four is a concessionary passenger. The revenue that we receive for carrying the concessionary passengers is 16 per cent of our revenue. Therefore, 24 per cent of our passengers yield 16 per cent of our revenue.

By definition, the balance of our passengers—the passengers who pay full fare—have to pay a higher fare to make up that difference. That is the basic arithmetic of the situation. Put simply, we are frightening away, by overcharging them, ordinary passengers. Under the current reimbursement arrangements, we still have to pay for wages and diesel—the money has to come from somewhere. If it does not come from carriage of concessionary passengers, it must come from somewhere else. That results in an appalling situation in which those who are least able to pay—people on lower incomes who are paying full fare, typically by cash—are paying a fare that is even higher than it should be, because we must cross-subsidise to make up for the shortfall on concessionary travel. That is, to some degree, a political point. I have described the way the system is; we have no control over it. The local authorities decide what our reimbursement will be and that is what we get.

14:30

Bruce Crawford: Forgive me, but my brain does not work in the calculating way in which you have given me those figures. Can you tell me in pounds, shillings and pence what you receive by way of subsidy, and what the gap is between that subsidy and what you think you need? We really need to understand the matter more clearly.

Neil Renilson: At the moment, we receive about £9 million a year for concessionary travellers. Were we to receive subsidy such that our income from every passenger was the same—rather than the present situation in which 24 per cent of passengers yield 16 per cent of our income—that subsidy would, instead of being £9 million, be about £14 million or £15 million.

Bruce Crawford: So a gap of £5 million or £6 million is being passed on.

Neil Renilson: Yes—it is being passed on to fare-paying passengers.

Bruce Crawford: You have told us that your turnover is £70 million and that 3 per cent of your services are subsidised. Your evidence seems to suggest—although I know that it cannot be the case—that you almost do not make a profit. I know that that is not how you meant it to appear, but that is how it does appear. What is your profit?

Neil Renilson: Last year, we made £2 million.

Bruce Crawford: How much goes back to the councils by way of—

Neil Renilson: Sorry—may I correct myself? I should have said that the dividend that we paid last year was £2 million, which all goes back to the councils. Any profit that we made over and above the dividend payment was used for buying new buses and for reinvestment in the business—perhaps for a new workshop, for example.

Bruce Crawford: So, with 100 million passengers a year, your dividend—which is, in effect, your profit—is only £2 million, because of issues to do with subsidies.

Neil Renilson: Correct.

Bruce Crawford: Okay. I will have to think about that, convener.

Iain Smith (North East Fife) (LD): I want to follow up on the issue of concessionary fares. I read your written evidence and was interested in what you said, but it did not strike me as being a very accurate way of looking at the issue. You said that the costs of diesel and drivers are there for concessionary passengers just as they are for non-concessionary passengers, but I presume that concessionary passengers are filling up seats on buses that would otherwise not be full. You will still have diesel and driver costs irrespective of whether there is a concessionary fares scheme and irrespective of whether you are subsidised by 66p or 40p for each concessionary fare. I am therefore not sure that your arithmetic quite works. My understanding of the concessionary fares scheme is that it works on a generation factor and is meant to ensure that bus companies are no better off and no worse off as a result of having concessionary fares.

Neil Renilson: You could use your argument to say that children should travel free; the bus would be there anyway so they might as well travel free. You could use your argument to say that everybody with a surname beginning with A, B or C should be allowed to travel free because the bus would be there anyway.

Iain Smith: That is not what I am saying. If you are running adult full-fare-paying services during peak times, the buses are full. At non-peak times, however, the buses are not full, but you still have to run them and you still have to pick up the costs, although the concessionary fares scheme is filling seats that would otherwise not be full. Your marginal cost is not the full cost of a full fare-paying passenger; that is the point that I am trying to make.

Neil Renilson: There is an element of truth in what you say. However, we do have to run additional buses to carry the numbers of pensioners and concessionary passengers who wish to travel. If we did not carry concessionary passengers, we would obviously run many fewer than 600 buses—we would lose 24 per cent of our demand.

Concessionary passengers do not travel on what might be thought of as empty seats. There will be circumstances in which they do, but there are many services on which we have extra peak vehicles. About 30 buses have had to be put into the network to carry the generated passengers since the recent improvements that have been made in the concessionary travel scheme. That means that 30 buses, 70 drivers and all the other costs of running additional buses are associated with that demand. It is not a case of selling empty seats, although there will be occasions on which there is an empty seat. It depends on whether you think that the price of the seat should be divided equally among all passengers or whether you think that there should be an element of cross-subsidy, which is how it works at the moment.

Iain Smith: I am trying to establish whether the public purse should pay for additional fare revenue for Lothian Buses or whether that cost should be met in some other way. I am trying to get the balance right between what the public purse pays for, as the real cost of the concessionary fares scheme, and what you are suggesting, which is that it should pay the same as for a full-fare passenger. That would result in many bus companies getting a lot more money than would be merited by the concessionary fares scheme.

Neil Renilson: Whether society wishes full-fare paying passengers to contribute to the costs of carrying concessionary passengers or not is entirely a political decision. If the current situation continues, so be it.

Iain Smith: I am not convinced that that is the case. What I am trying to establish is what the additional cost of the concessionary fares scheme is to Lothian Buses, not the estimated cost compared with passengers who pay other fees. That surely is the issue. The concessionary fares scheme is not meant to give you a boost in revenue; it is meant to meet your costs on a fair basis, so that the public purse does not contribute unfairly to bus company profits.

Neil Renilson: My submission does not suggest that an increase should be given in concessionary fares reimbursement—full stop. What it says is that were we to receive the same reimbursement for concessionary passengers as we receive for adult passengers, we could either reduce adult fares or freeze fares until inflation caught up. What we have at the moment is a situation in which the adult fares are higher than they would be if we received the same reimbursement for concessionary passengers. To me, that seems to be counterintuitive because we are trying, as a nation and as a Government, to encourage the use of public transport services and bus services, but we are pricing up the fares of ordinary fare-paying passengers so that they can cross-subsidise the pensioners who travel free.

Iain Smith: I remain unconvinced about the cross-subsidy argument, but we shall no doubt return to that.

The Convener: Before I bring in Tommy Sheridan, I would like to clarify one point. You are quoting a figure of 41p or so in terms of the concessionary fares and the payment that you receive.

Neil Renilson: For every concessionary passenger we carry, we receive 40p.

The Convener: Do you receive that from the local authorities in the areas where you operate?

Neil Renilson: Yes.

The Convener: That is a lower figure than I have heard quoted in other parts of Scotland. Can you explain the reason for that?

Neil Renilson: It is quite possibly because we have lower fares. We are a city operator with relatively low fares carrying passengers over relatively short distances. A bus operator that runs longer-distance services in a more rural area will have a higher average fare and will therefore receive higher reimbursement. I imagine that FirstGroup in the Edinburgh area receives more than 40p, because a lot of its passengers travel longer distances—in from Bathgate, for example—whereas I typically carry people short distances because we are primarily a short-distance low-fare operator, which means that we receive less per passenger.

Bruce Crawford: Interestingly, that points up what might be a conflict. If the councils subsidised Lothian Buses more, would that affect the dividend?

Neil Renilson: Are you asking about the impact of increasing payments for concessionary passengers?

Bruce Crawford: Yes.

Neil Renilson: We could do a number of things with that money. For example, we could spend it on reducing or freezing fares, on more new buses or on better workshop facilities. Indeed, it could even flow through to the council as an increase in dividend. However, that would be a circular flow of money that would not make the bus service any better. The money would simply go from local government to the bus company and then back to local government again. It might go out and come in through different government doors, but that would not benefit passengers. That would certainly not be my preferred use for the funding and I do not think that it would be the City of Edinburgh Council's preferred use, either.

Bruce Crawford: I can see that that would not really affect what Lothian Buses did. However, as far as resources are concerned, it would make a difference to the council's bottom line. Is there an issue to be resolved in that respect?

Neil Renilson: In the six years that I have been with the company—indeed, as far as I understand it, this has been the case since 1986—it has never been the council's policy to run Lothian Buses as a profit-maximising business. The council takes a social dividend out of the company. It wants a higher-quality service, which means lower fares, more frequent services and a denser network of routes than it would get if bus services were provided by a stockmarket-quoted public limited company. In other words, the city council will look for a lower level of cash dividend than would shareholders in the City. Because the council wants a better bus service than it would receive elsewhere, we have lower fares and higher-frequency services.

Bruce Crawford: In effect, you are confirming that although concessionary fares have led to a 12 per cent uplift—something that Iain Smith and I might want to argue about—passengers perhaps pay less in Edinburgh than do passengers elsewhere because of the understandable social element in the council's relationship with Lothian Buses.

Neil Renilson: Yes. A four-mile single journey in Edinburgh costs 80p, in Dundee it costs £1, in Glasgow it costs either £1 or £1.10 and in Aberdeen it costs £1.30. The same principle applies to day and annual season tickets. Our fares are markedly lower than in the other three

cities because we have a different culture and ownership pattern and because our owners take a social rather than financial dividend out of the company.

Bruce Crawford: That helps to put the 12 per cent issue in some kind of context.

Tommy Sheridan (Glasgow) (SSP): I think that that last exchange is the best piece of evidence that you have given so far, because I was going to ask first about who you were representing at this evidence-taking session. Your company is wholly owned by four local authorities.

Neil Renilson: Correct.

Tommy Sheridan: In that case, are you speaking on your behalf or on behalf of the company's owners?

Neil Renilson: I speak on behalf of the management and directors of Lothian Buses and indirectly on behalf of the main shareholder, but only in so far as the policies that the company follows are broadly those that the main shareholder wishes us to follow.

Tommy Sheridan: I ask my question because I find your suggestion that, before 1986, buses were run only to satisfy politicians or as pet political projects very politically biased and factually incorrect. That is a Tory view and it might be your personal view, but I find it hard to believe that it represents the view of your company's owners, if you are here to represent their views.

14:45

Neil Renilson: I am talking about pre-1986 and not about the present or even about recent history. I did not say that buses were run only as political or pet projects—I said that that tended to happen. I have worked in the bus industry since 1971 and have been around long enough to remember well when a transport convener summoned the boss of a bus company and told him that the frequency of service such-and-such had to be increased because a by-election was coming up in such-and-such marginal ward, and that something had to be given to the voters. Therefore, they wanted the frequency of bus number X increased from every 15 minutes to every 10 minutes. I will not name any city or anything else.

Equally, I well remember that fares were always put up three months after local elections but never within the 12 months before an election. I am afraid that all I can do is quote from history. Aside from issues relating to officers' pet projects, there was a huge amount of political meddling in local bus services on purely political grounds. That is a fact.

Tommy Sheridan: You seem to be saying that you never meant to lead us into believing that

buses were run only as pet political projects, although I quoted what you said. You said that buses were run to meet the political needs of politicians and not the needs of passengers. The evidence that we took in Stranraer and, more markedly, in Glasgow last week showed that there is a lower level of service in many areas of Scotland than there was pre-1986.

Neil Renilson: Absolutely.

Tommy Sheridan: It is remarkable that you should say that your fares are lower and that your services are denser and therefore more available because of the ownership culture of Lothian Buses and because the primary aim is service delivery and maximisation, and not profit. I cannot understand for the life of me why you would come here today and give us such evidence and then suggest that that would not be good for the whole of Scotland. Why is that good for Lothian but not for the rest of Scotland?

Neil Renilson: I am not suggesting that at all. If I have given that impression—it is clear that I have—I have not expressed myself clearly.

In general, throughout Scotland pre-1986, there was a higher level of service and a denser network of services, with considerably more Government funding to provide services. Following deregulation, the funding that went into the industry significantly declined. At the same time, there was a general decline in demand for bus services, which was tied to increasing car ownership and so on. In rural areas and less urban areas in particular, passenger numbers have declined as car ownership has increased, and networks of services have declined—one has been the result of the other. Expenditure has also been cut back. I do not have pan-Scotland figures, but the amount of money that has been ploughed into bus services by local and central government in toto has dramatically decreased, which has led to significant cutbacks in more rural areas in particular.

Lothian Buses operates in an urban area, and there has not been dramatically declining demand as a result of increasing car ownership. Although car ownership has increased, the shortage of road space—and particularly parking places—in Edinburgh has resulted in a far higher level of public transport or bus usage in Edinburgh than in many other areas.

Tommy Sheridan: So you are telling the committee that the ownership structure—the integration of the local authorities and the bus company—has contributed to providing a higher level of service, lower fares and higher bus usage than in other parts of Scotland.

Neil Renilson: Yes.

Tommy Sheridan: So would it not be logical to suggest that we try that in other parts of Scotland?

Bill Campbell: That might be so, but that would not mean going back to the pre-1986 situation, which seems to be your suggested option. The pre-1986 situation was different from that which Lothian Buses is in at present.

Tommy Sheridan: The question that I would like to investigate—I am sure that the committee will investigate it—is whether the re-regulation of bus services would improve services. You seem to be saying that with a wholly publicly owned company, regulated with quality contracts—

Neil Renilson: No, we are deregulated. We trade in exactly the same deregulated environment as other companies.

Tommy Sheridan: Okay, maybe that was the wrong word. Your duty is the maximisation of service, not the maximisation of dividend to private shareholders, which, by your admission, allows you to have more buses on the road, lower fares and more services. If local authorities could enter partnerships to own bus companies that are similar to yours, why could they not improve bus services in their areas and provide lower fares?

Neil Renilson: If a local authority owns a bus company, as the shareholder it is free within the deregulated framework to set the parameters by which the company operates, in the same way as the authority can set the parameters under which any of its wholly owned companies operate. For example, local authorities that own property and development companies may well set urban regeneration targets rather than the profit maximisation targets that private sector property developers use. However, that is not a regulation issue, but an ownership issue.

Bill Campbell: I was going to make that very point. An important distinction exists between regulation and ownership—they are not the same. As Neil Renilson pointed out, 97 per cent of our business is commercial, unsubsidised and therefore not regulated and it is the non-regulated 97 per cent of our business that delivers the social dividend. We are enabled to do that through our ownership structure.

Tommy Sheridan: I am extremely happy that you have illuminated the issue. You suggest that ownership, rather than regulation, is the key issue. Lothian Buses is a wholly publicly owned company, but despite your argument that you do not receive full compensation for the concessionary passengers that you carry, you say that, last year, you returned a £2 million dividend to the local authority, which can use that money either for further transport schemes or other local services. Is that correct?

Neil Renilson: That is correct. The City of Edinburgh Council can use the £2 million dividend for whatever purpose it sees fit. The money is not ring fenced for transport services; the council might build a library with it.

Tommy Sheridan: Does something physically prevent you, as a wholly owned public bus company, from introducing improvements in buses, schemes to encourage people to use buses or other initiatives that private sector companies can introduce?

Neil Renilson: If the scheme required serious capital investment, by which I mean many millions of pounds, we would be prevented from introducing it. We do not have access to the capital markets as the major plcs do. If a scheme involved building, say, 20 miles of guided busway in Edinburgh at a cost of £40 million, we could not raise the funding with anything like the ease that major plcs could. We can spend only what we earn. That gives us the ability to keep running the business as it is. I would like to think that we are doing reasonably well on investment, but we have no access to capital funding for really substantial capital projects. However, that is probably the only difference. To be fair, we do not consider that to be holding us back.

Bill Campbell: That does not affect investment in buses or anything like that. We are perfectly free to make such investment.

Neil Renilson: Only big one-off capital projects would be affected.

Tommy Sheridan: I thank the witnesses for that answer, because Stagecoach suggested last week that it was in a better position to introduce new schemes and initiatives because it was private and that such activities could not be undertaken in the public sector.

My final question is about working conditions for employees. Will you give us information about your average wage levels, your trade union relationship and how your wage levels and working conditions compare with those of other companies?

Neil Renilson: We believe that our pay and conditions package is the best in the bus industry in Scotland and that it stands comparison with the best in the bus industry in Britain, outside London. Our basic rate of pay is £8.48 per hour. Overtime and weekend working are paid at premium rates of circa £12 an hour. On average last year, our bus drivers earned £20,631 for a 44-hour week. Our drivers are all scheduled to a minimum of 39 hours a week, for which they would receive circa £17,500 a year. The figure varies because it depends on the amount of weekend work that falls within a driver's part of the roster.

About 90 per cent of our staff are trade union members. The only staff who are not trade union members are those who do not want to be members, so in effect, we are fully unionised. Our relations are generally good, although on occasions tense, as with any other employer. What gets staff bouncing about at the greatest rate of knots is any prospect of privatisation.

Michael McMahon (Hamilton North and Bellshill) (Lab): I return to the idea of quality contracts—I suppose that what I will say follows up what Tommy Sheridan said. I have been taken by the evidence that we heard in Stranraer and Glasgow. One theme that has often emerged is that a concessionary bus pass is of use to its holder only if they have a bus on which to use it. That is the essence of why we required quality contracts and partnerships in the 2001 act.

Last week, a private operator told us that his reason for not entering into a quality partnership was that it was bureaucratic and unnecessary. He could identify a market and put a bus where it was required without formalising the delivery of that service. You tell us that the bureaucracy is not such a big issue, but that you do not want bureaucrats to make decisions on pet projects that are politically motivated. However, surely as bus operators or politicians, what we should focus on is delivering a bus for the concessionary pass holder to travel on. That is the purpose of quality partnerships and contracts, which you have dismissed as ways of pursuing pet projects.

Neil Renilson: It is clear that I over-egged what I said. Pet projects and the political gerrymandering of bus services were a relatively small issue, but they did happen, and it was intensely frustrating to be made for political reasons to do something that was clearly wrong.

I will return to your question. I do not know which operator you are referring to, but I guess that it was one that operates in a more rural area.

Michael McMahon: It was Stagecoach.

Neil Renilson: Was it? Well, Stagecoach operates by and large in rural or less urban areas. It is not the primary provider of bus services in any of the four main Scottish cities. It operates primarily in Ayrshire, Fife and Aberdeenshire.

When one runs a network of services in rural areas that are certainly not 97 per cent commercial and which exist only because of subsidy and local authority money that maintain the network, it is clear that he who pays the piper calls the tune. Through the means of a partnership, the local authority will wish to be involved in the design and specification of the service—so be it, it is only fair.

15:00

Michael McMahon: One could operate a partnership or a contract only if a need or a market—it would be a market if one were a private operator—had been identified. It might not be a sufficient market to make the route commercially viable, but surely the essence of such a partnership is that, in return for providing the service, the operator is subsidised. Therefore, the service would be a viable proposition.

We have heard evidence that, on some occasions, companies that have entered into agreements to run a subsidised route have eventually dropped the subsidy in order to run it commercially. Therefore, it was obvious that the need and the market existed. However, if in a commercial environment the bus operator did not have the initial impetus of the subsidy, the service would never have been provided and that is surely what a quality partnership or contract should be about. Yet you have dismissed that idea today.

Neil Renilson: No. There are two matters here and I will try to answer the second part of your question first. The situation that you describe is pump-priming or seed-corn or kick-start subsidy where there is no prospect that that service is commercial now; it will take time to grow and develop. In that situation, initial funding, which possibly decreases over a number of years, to get a service up and running is fundamental when one deals with a commercial operator who is not, for whatever reason, prepared to take those losses in the early years while the traffic builds.

The second matter is the difference between quality partnerships and quality contracts. I get the impression that the two words are being swapped around as if they have similar meaning. A quality partnership and a quality contract are very different things. With a quality contract, the local authority effectively specifies every aspect of the bus service network.

Michael McMahon: That is because the authority has identified a social need and that is why it is important that such arrangements should be considered and not dismissed by bus operators. If, within its remit of identifying areas of deprivation and social exclusion, a local authority identifies a need to get people to jobs, to health services and into an environment of which other people who are better off can take advantage, surely we should pursue that and not dismiss it as being an over-bureaucratic exercise or politically driven pet project.

Bill Campbell: We have not suggested that there should be no quality contracts. It is just that other means—exactly the situation that you have just suggested—have not delivered the service for which there is felt to be a social need. In that case,

there is no reason why the quality contract mechanism should not be used. The relevant point that was made earlier was that the quality contract is not for universal application because it is not the universal way to achieve the best possible public transport. The quality contract is a safety net for when other, better mechanisms have not worked. The quality contract mechanism exists already and we have never argued that it should not exist, but it is not a universal panacea.

Michael McMahon: If, in all the evidence that we have heard so far from bus user groups, rural communities and whatever, we are told that they know that there is a need, do you not find it strange that no quality contracts or formal quality partnerships operate in Scotland at the moment?

Neil Renilson: When they are identified, those needs are usually met through letting contracts for specific services. In other words, an individual need is identified, an individual service is designed to meet that need—connecting a village with a local health centre, for example—and the contract is let. That is how it works at micro-level, dealing with each service individually. The general assumption with quality contracts is that they will consider a bigger network—taking all the services in a particular area and putting them in one basket, whether they are free-standing and commercial or whether they are uncommercial, subsidised or tendered.

Paul Martin: I want to return to Iain Smith's point on concessionary fares but to put it in a different way. You say that 24 million journeys are taken on concessionary fares and that you want the Executive to pay the full amount for those fares. Is it so unusual in the business world for people not to have to pay the full amount? We have heard about volume discounts in other parts of the business world; why should the Executive pay the full amount when we take into account the volume of business that has been generated by the concessionary fare scheme?

Neil Renilson: The only reason would be one of equity. There is no need for the Executive to pay; clearly, the system in Edinburgh works and could continue to work. I merely make the case that, at the moment, passengers who pay the full fare are cross-subsidising concessionary passengers. Without that need for cross-subsidy, we would be able to increase our ridership by having more attractive fares for the adult fare-paying passenger.

The current system has been in place for some time. For every pound's worth of concessionary travel taken, I receive 44p. If you consider bulk discount and generation, fair enough—perhaps I should not receive 100 per cent. However, there are not many cases where bulk buying allows you to come down to less than half price.

Paul Martin: But that is a competition issue. I go back to a point that I have raised with previous witnesses. In the business world, people have to compete and have to provide volume discounts. You have just suggested that you are not expecting the Executive to bankroll you with a concessionary fare subsidy of 100 per cent—in effect, buying 24 million journeys. Perhaps the Executive should not pay the full 100 per cent for journeys.

Neil Renilson: But perhaps it should pay more than it does now.

Fergus Ewing: I want to go back to some of the figures. You said that 100 million passengers were carried each year and that the turnover was £70 million. You also said that 24 per cent of passengers—those for whom you receive a concessionary subsidy—provided 16 per cent of the total turnover. This is my first day here, so please be patient with me because I may have misunderstood. I make 16 per cent of £70 million to be £11.2 million—not £9 million, which you said was what you received in concessionary fares.

Neil Renilson: The figure I gave was total turnover for the business. In addition to running local bus services, we also receive—for example—£1 million a year for adverts on the side of buses. We also run the open-top tour buses that you will see running up and down: Mac Tours, the Edinburgh Tour and City Sightseeing. I have included all those ancillary aspects of the business in the £70 million turnover, but I have not included them in consideration of concessionary fares, as it would clearly be incorrect to do so. At first, the arithmetic may not seem to add up, but I have taken concessionary fares as a proportion only of the local bus business that we operate. I have not included the ancillary aspects.

Fergus Ewing: I thought that there must be an explanation, and now we know. Perhaps on Saturday afternoon, we can all go on a Mac Tour after we have opened the new building.

Neil Renilson: I would be delighted to provide the committee with complimentary tickets for a Mac Tour around our beautiful city.

Tommy Sheridan: But we can all afford to pay.

Fergus Ewing: I am sure that we will decline that kind offer of a subsidy, given the impecunious nature of the business that you have presented to us.

Do you pay corporation tax?

Neil Renilson: Yes.

Fergus Ewing: That money goes directly to Gordon Brown. If we reduce the amount of the concession so that there are no profits, we would be able to keep more of the money in Scotland

because we would not be paying so much corporation tax, would we?

Neil Renilson: Last year, we paid £2 million in corporation tax and a £2 million dividend. Basically, £4 million went back into Government.

Fergus Ewing: It is a serious point. If you are paying £2 million in corporation tax, that is money that, ironically, is partly contributed to from the Scottish block expenditure so that it is whacked down to Gordon Brown. Would it not be possible to reduce that by making a reduction in the total concession, in theory?

Neil Renilson: Macroeconomics are not my field.

Fergus Ewing: It is not really very complicated. If you reduce the amount of money that you get from the Scottish Executive, so that you do not make profits, you will not have to pay any money to Gordon Brown. That is clear, is not it?

Neil Renilson: If we are not making any profit, we are not paying any corporation tax.

Fergus Ewing: So that is right, then.

Neil Renilson: If we are not making any profit, we are not buying any new buses, we are not renewing our fleet and we are not repairing our bus garages and fixing the leaky roof on our offices. I do not think that that would be a sustainable position.

Fergus Ewing: That is a fair point. How much money goes on all that?

Neil Renilson: Our capital expenditure on things other than vehicles runs at somewhere around £1.5 million a year.

Fergus Ewing: Yes, but it does not all come from profit, does it?

Neil Renilson: It all effectively comes out of the pocket of the fare payer.

Fergus Ewing: Or the taxpayer.

I wanted to finish on a point that arises from the summary of the paper. I find it slightly puzzling, but I understand that the argument is that your company receives 41p or 40p for each concessionary passenger, so the passenger pays nothing and you get 40p or 41p per concessionary journey. Is that right?

Neil Renilson: That is basically correct.

Fergus Ewing: Your full-fare-paying passenger pays, on average, 75p.

Neil Renilson: Yes.

Fergus Ewing: That is, from your point of view, artificially high, so what you are proposing is that the concessionary passenger fare and the full fare

should be equated so that it is 66p for each and you get 66p from the taxpayer for each concessionary passenger. Is that what you are advocating?

Neil Renilson: I am merely putting that forward as a possible way in which we could be more equitable with the fares that we charge.

Fergus Ewing: Maybe I am missing something here. Maybe it is so obvious that it struck everyone else in the room 90 minutes ago, but that could happen only if the Government were to shell out an awful lot more money.

Neil Renilson: Correct.

Fergus Ewing: Some £6 million.

Neil Renilson: Correct.

Fergus Ewing: Are you asking the Government for that £6 million?

Neil Renilson: No. I am merely pointing out that, were the Government to provide that money, that is what would be possible.

Fergus Ewing: Would it be a fair criticism of your argument that you are comparing the population sample with Lothian Buses' bus travellers? Would it not be a bit fairer to look at the fares paid all over Scotland, so that there is uniformity and fairness in the level of fares all over the country? If I have something there by way of an argument, would that not render your proposal rather irrelevant?

Neil Renilson: If you were to look at the figures for the whole of Scotland, you would find that, although the detailed arithmetic would be different, the reality of the position would be the same. The reimbursement received by virtually every bus operator in Scotland for concessionary travel is set at such a level that there is some degree of inflation of adult fares to make good the shortfall in concessionary income. I receive 41p for a 75p fare. The numbers will be different for each local authority and for each bus company, but the principle remains the same.

Fergus Ewing: So there is an element of cross-subsidisation in every company in every part of Scotland. However, the point that I am making is that the level of fares is different, because some journeys are longer than others. For example, my constituents would be delighted to pay your fares, but they do not; they pay twice or three times as much.

Do you agree that the objective of a proper concessionary fare should be to try to redress the imbalance between different parts of Scotland in the amount that people have to pay for a bus journey to get to work? Should we not be trying to bring about a balance so that people are paying broadly the same throughout Scotland?

15:15

Neil Renilson: That is not a decision for a bus operator. It is effectively a political decision about whether everyone should be paid the same or whether everyone should pay the same bus fare. I understand your position. If we were able to equalise fares, it would benefit public transport and result in increased usage. There is no doubt that Lothian has amongst the lowest fares in Scotland and that, if we had the same level of fares throughout the country, there would be increased bus usage and less car usage. However, someone has to pay the bill.

The Convener: That brings us to the end of our questions. The session had its interesting moments, with a classic debut performance from Fergus Ewing towards the end. I thank Neil Renilson and Bill Campbell for their evidence.

I welcome to the committee Caroline Cahm, the chair of the National Federation of Bus Users, and Gavin Booth, who is a representative of the NFBU. I invite Caroline Cahm to make an introductory statement, after which we will ask questions.

Dr Caroline Cahm (National Federation of Bus Users): I very much appreciate this opportunity to speak on behalf of bus passengers. Perhaps I should apologise for coming from Portsmouth right in the south of the United Kingdom. However, I assure members that bus users throughout the UK are foremost in our concerns. I very often come up to Scotland—and not just because I like doing so.

Our organisation became national in 1985-86 and I hope that we have succeeded in establishing a useful and constructive dialogue between bus users and bus operators. Although we are concerned about complaints, we are much more concerned that those two sides should be having a constructive dialogue with each other; indeed, that is what we have laboured towards, for example by organising a system of bus users surgeries throughout the country. However, because of our limited resources, we have not introduced the surgeries as extensively or held them as often as we would have wished. That said, we have held regular surgeries in Glasgow, Edinburgh and Aberdeen and occasional surgeries in Paisley, Dumfries, Ayr, Livingston and Dundee.

As I said, we have been involved with complaints from bus users. In fact, before the Bus User Complaints Tribunal was set up, we were the only organisation to provide an appeals procedure for such complaints.

Bus users' interests have been, and will always be, best served where there are voluntary partnerships between bus operators and local authorities and where there is a direct and on-going dialogue with passengers. There is a

tendency for politicians to come between public transport users and the people who run the service in the mistaken assumption that they know better and are much better informed than the ordinary bus user. That is a great mistake, because the trouble with councillors—bless their hearts—is that they do not use buses that much and they are not necessarily well plugged in to bus users' needs. They tend to think that they have worked it out, but that is normally based on input from one area rather than from across the board. We are a bit nervous about politicians and we have tried to create direct relationships with the operators, which have been useful.

The system in Edinburgh is a good example of a voluntary partnership in which both sides have worked hard to do their best for bus passengers. Lothian Buses took a leading role in helping us to promote and develop our consultation involving bus users and bus operators. Further afield, Dumfries and Galloway—an area in which the population is more scattered—provides another example of a successful informal voluntary partnership, between Stagecoach West Scotland and Dumfries and Galloway Council. Those two bodies have worked positively and enthusiastically and in a personal way to try to do their best for passengers. We held a well-attended surgery in the area last year and a constructive follow-up meeting with bus users. I was amused when the Stagecoach and council representatives asked what other services users would like. The services in the area are largely demand responsive, so they are not really conventional and are at the other extreme from those that are run by Lothian Buses.

In theory, there is no voluntary partnership in the city of Glasgow, but we organised one of the busiest and most successful surgeries in the UK there, which was a result of enthusiastic support from the management of First Glasgow. We regret that we have had considerable difficulty in getting the Strathclyde Passenger Transport Executive involved. There are many reasons for that. In my conversations with SPT, I have been disappointed by the confrontational attitude that it adopts to First Glasgow. It judges everything on the trouble that it has had with small operators outwith Glasgow, where, as a result of fairly destructive competition, the quality of operation has been poor in some cases. However, SPT has not used the opportunity to try to do something about the situation through regulation to control the situation. Buses have been crowding at bus stops and one operator has pushed out others, which has been dangerous and inconvenient for bus passengers. I begged SPT to do something, but it was more concerned to continue the conflict with the operators because, I think, it wanted to take control.

We held a tremendous surgery in Glasgow the

other day, which 250 people attended. Glaswegians like to have their say—I do not think that all those people were fed up. Relatively, they have a good level of service, which they appreciate, but they reckon that it could be better and they have criticisms. When passengers' aspirations are raised, they begin to expect more. I found it heartening that so many people turned up. We will hold a follow-up meeting to try to sort out some issues. To be fair to SPT, it sent a most helpful and constructive officer to the surgery, but possibilities exist for a much more constructive attitude on both sides.

I know of two quality contract schemes that were attempted but which did not succeed. With one of those schemes, which was developed in Midlothian, I think that Midlothian Council was at fault. The council did not like the amount of money that it had been requested to pay for supported services, so it decided to have a bash. The council produced two huge convoluted routes; to be fair, one worked out, but the other did not. The operators thought that that was pretty incompetent. That is always the problem when council officers think that they have the skill to do what bus operators do. The skills of the two groups should complement one another, and it is ridiculous for one to try to displace the other and to do the other's job to keep prices down. The council tried to produce a quality contract, but because it would have cost an awful lot of money, the Scottish Executive would not have it.

I appreciate that problems have been experienced in West Lothian, where FirstBus has not had a good record of investment in new vehicles; it has preferred more successful areas where it is more possible to build up a successful network than it is in West Lothian. Lack of investment remains a persistent problem and has created many problems with reliability and other matters for passengers. I understand that the head of First has been in talks. I hope that the council and First can get together to undertake a voluntary initiative that will benefit them and passengers.

The trouble with West Lothian Council was that it wanted to go for a quality contract before making any attempt to develop a partnership. I think that that was driven by a council member who wanted to be the first to have a quality contract in place. I understand that, but the fact remains that the council did not follow the process properly. That is unfortunate. The situation is on-going and the council still wants to have a quality contract.

Another point that strikes me is that quality contracts will cost a lot of money.

The Convener: I ask you to bring your remarks to a close.

Dr Cahm: I am sorry; I will leave it for you to

question me about why I think that quality contracts will be very expensive.

Our main request is for realistic funding levels from the Executive for services that cannot be run commercially but which communities need. An overall standard could be set for dishing out the money for such services. An agreement could be made about the level and quality of service that each community has a right to expect. The TAS Partnership has told me that that is perfectly reasonable—it would be difficult, but it could be done.

Our main concern about concessionary fare schemes is over the extent to which free travel for senior citizens accrues benefits for bus users generally. We represent the generality of bus passengers and we are concerned that senior citizens might be receiving preferential treatment. I understand that we must encourage elderly people to continue to use buses, but that must not be done to the disbenefit of other passengers.

The Convener: We—the politicians around this table—usually become involved in bus service issues because our constituents ask us to and not because we want to place ourselves between bus companies and bus users. That is my experience and I reckon that it is shared around the table.

You were quite correct to point out that Glaswegians like to have their say. As a result, one of our Glaswegian committee members, Paul Martin, will start off our questions.

15:30

Paul Martin: Caroline Cahm helpfully gave us some background to her visit to Glasgow. People in Glasgow—and indeed throughout Scotland—want the quality of bus services to be improved. At the same time, we also want to increase the number of people who use buses. Are you telling us that the members of the Glasgow group that you met were completely satisfied with the service that they were receiving from First Glasgow?

Dr Cahm: Of course not.

Paul Martin: Did those people express concern about the frequency of bus services in Glasgow and point out that the concentration on the overground service has meant that there is no bus service in other parts of Glasgow?

Dr Cahm: That is always the problem with a focus on main routes. Inevitably, a commercial operator will provide the best service where most people want to use the service. However, it is up to the local authority to provide subsidised services where the social need arises. I am quite sure that the social exclusion issue has been highlighted because of what has happened with the overground.

Paul Martin: Earlier you expressed concern about the local authority having a role in the first place, but now you say that the local authority should subsidise routes on which the bus operator is unfortunately not making a profit. As with any other business, should those operators not take the good with the bad? I always use the analogy that Tesco is not closed at 7 o'clock in the morning even though no one uses the store at that time. It is there to provide an overall service. Should that not also be the case for bus operators?

Gavin Booth (National Federation of Bus Users): Historically, there has been cross-subsidy in the bus industry. However, since deregulation in 1986, bus operators have been unable to cross-subsidise services in such a way.

Dr Cahm: Operators may do it, but they are not encouraged to. Deregulation meant that operators were supposed to focus on the commercial side of operations while local authorities were supposed to subsidise services for which there was a social need but which would lose commercial operators money.

Paul Martin: Do you agree that improving the service would encourage people to use it? When you met the people in Glasgow, were they satisfied with FirstGroup's services?

Dr Cahm: If people find that there is a high level of service on some routes at some times and not such a high level at other times—for example, commercial reasons might dictate that they do not have much of a service on a Saturday or Sunday—they will immediately, and understandably, feel that they want a better level of service at those other times. As I have said, it is up to the local authority to find out whether it is possible to provide a subsidised service. However, if only a few people are likely to use the service, it will be difficult to provide it because of the expense.

Paul Martin: Michael McMahon said earlier that some operators' services have been subsidised from the outset. However, operators have pointed out that those routes became profitable, which proves that although some routes can be profitable it is not in the operators' interest to market them as being profitable in the first place. After all, if they do so, they will not receive a public subsidy to operate that route. Is the market regulated in such a way that operators are encouraged to provide services in areas that might not seem to be profitable from the outset but that actually will be profitable?

Dr Cahm: The point is that judging whether a service can be run commercially is difficult. Stagecoach is involved in the kick start project, for which it has received support from Westminster, as it would like to run or enhance services in

particular areas but is nervous about having the resources to do so initially. However, it has said that, if a service with kick start funding does not end up being commercial, it will foot the bill, as it will have made a misjudgment. It is important for local authorities and bus operators to work together in such a way in order to get the best possible value for bus users out of the available resources.

Dr Jackson: I have a number of questions. A while ago, we heard evidence from the Bus User Complaints Tribunal, which you have mentioned, and we were struck by its limited powers. Will you comment on that matter? That would be useful.

Secondly, I was a bit taken aback by what you said about what bus operators should do. From what the people who came to talk to us in Glasgow last week said, there appears to be a lack of evening and weekend services. Is it reasonable that a bus operator should put on evening services?

My third question is the one that I really want to ask you. We have spoken about the difficulties that authorities have had in trying to bring forward quality contracts under the current legislation. Would additional regulation or legislation help?

Dr Cahm: That is a big question. A lot has to do with money. Local authorities and people in government have failed to attack the issue realistically. They do not appreciate how the costs of operating buses have increased. Consultants' reports seem to have agreed that there has been a serious problem with the escalation of costs. I think that W S Atkins indicated that the tender prices were not at all unrealistic in Midlothian. Perhaps local government and national Government have not really appreciated the cost of bus operation and the costs of providing services that people want and need.

Sunday and evening services are notorious for being unprofitable, but operators in some areas have taken risks. For example, Blazefield Holdings Ltd in north-east Yorkshire took a risk and introduced some Sunday services, but that is an exception rather than a rule. It is not uncommon to require a subsidy for such services.

Gavin Booth: May I add something on the question of evenings and weekends? Parts of the bus industry have not yet recognised that social and travel patterns are changing. Evening travel is now different; people now move around at different times and go out much later in the evening than perhaps people did when we were younger.

Some bus operators have not quite tumbled to the fact that, because of Sunday shopping, there are great movements in and out of our towns and cities on Sundays. However, bus operators are

slowly recognising that there is business for them and that they should be providing better services in the evenings and at weekends. That is happening in some places—in Edinburgh, for instance—but in some parts of Scotland there is still a bit to go.

Dr Jackson: The other question was about the Bus User Complaints Tribunal and its powers.

Dr Cahm: The situation is similar in England. It would be preferable for the tribunal's decisions to be enforceable. However, we have rarely had problems in getting decisions implemented in England. Very occasionally, an operator will not play ball. It is usually a small operator with a poor reputation and the traffic commissioner would be likely to push it off the bus routes in any case.

Dr Jackson: BUCT can consider only the timings of buses, not other issues such as concessionary fares. I do not know whether the situation is similar in England, but it seems that BUCT's role is limited, as its representatives have said.

Dr Cahm: Operators have to take financial responsibility for commercial decisions about the level of services that they run at particular times and it is difficult to cover that with statutory measures. If you lay down rules about what operators should be doing, you are immediately exercising widespread control. Gavin Booth may have something to say about that.

Gavin Booth: I am a member of the Bus User Complaints Tribunal so I should probably let Caroline Cahm answer the question. However, members of BUCT are conscious that the tribunal does not have teeth and can act only under the legislation that set it up. Were that to change, we might be interested in taking on further powers.

Dr Cahm: Andy Preece gave evidence to you the other week and I have to say that, through some misunderstanding, he did not clear his document and his presentation with us. We are in discussion with him about that. However, you cannot take what he said as the word of the National Federation of Bus Users. It was very much his personal view.

Bruce Crawford: I want to go back to what has been said in evidence, particularly on concessionary fares, and I want to tease out the reasons for the NFBU's opposition to those fares. Concessionary fares appear to be supported by bus companies and, from evidence that I have heard—although I admit that I have not heard much because I have been on the committee for only one week—such fares appear to be supported by bus users. We heard today from witnesses from Lothian Buses about the extra capacity that is being introduced because of concessionary affairs. Obviously, that helps all

passengers and not only disabled or elderly passengers. I therefore want to understand more about your opposition to concessionary fares. If the money is not used for that purpose, what would you use it for to help the bus industry, to help passengers, to help to provide capacity and to help in modal shift issues?

15:45

Dr Cahm: I return to the point that local government and national Government must make a much more realistic appraisal of the support that they need to give, because current support is insufficient.

Our concern with concessionary fares schemes is that they focus on only one section of the community, some of whom may be able to afford to pay normal fares. However, we appreciate that the scheme encourages the elderly to use buses and that that has a positive effect because it generates extra traffic and encourages operators to put on extra services or buses. We support concessionary fares as long as they have a positive effect for other bus users. Nonetheless, we are concerned about the enormous expense of providing free bus travel.

Bus users have voiced their anxieties to me. For example, they say that a bus pass is not much use if there is no service. That is an extreme scenario, but there is a danger that such a situation could arise. Presumably, it would not happen if there was sufficient funding for supported services. However, an unlimited amount of money is not available, so Government must make a political decision about how it will spend its money to encourage bus use and to help people who rely on buses. The fact that the community has been so pro-car over the past 15 or 20 years has enormously damaged public transport use. It has been difficult to redress that problem.

Gavin Booth: I can give a Scottish perspective to that. I am a concessionary bus pass holder and I speak to many people in the same situation, who would like the scheme to be broadened. One worry is that where they live dictates where they can travel. For example, I live in Edinburgh and I can travel as far as Dunbar and into Midlothian, but not much further west. It would be of great benefit to me and to many people who hold concessionary passes to have a freedom similar to that in Wales, where a concessionary bus pass is valid throughout the country.

I am sure that such a scheme in Scotland would not lead to many older people travelling constantly from Edinburgh to Inverness, for example. However, it would encourage more travel. As Caroline Cahm said in her submission, the scheme in Wales has led to increased bus usage

not just by senior citizens, but by their friends and families, and bus operators have had to buy additional vehicles to provide extra services. My own slightly selfish point of view is that it would be good if barriers were removed in Scotland and a nationwide scheme was introduced.

Dr Cahm: If passengers have to work out whether their bus pass is valid for certain areas, that creates confusion and upset. The simpler a scheme is, the better.

Bruce Crawford: I am sorry, but I am getting mixed messages from you. On the one hand, I am hearing that Government must be serious about costs and the scale of the difficulties that bus companies face; on the other hand, I am hearing that a concessionary fares scheme is enormously expensive. There is a conflict in your evidence.

Let me get this clear. If there were a national concessionary scheme in Scotland for both the elderly and the young, what would the National Federation of Bus Users' position be, given its opposition to concessionary schemes? Its current position seems like a moveable feast.

Dr Cahm: I am not saying that we object to concessionary fares schemes. I am just saying that schemes are more welcome the wider the benefits are spread through all groups of bus users. To some extent, free fares for senior citizens have spread the benefits; they should be an element of a scheme, but the expenditure by national and local government has to be cost effective. Our concern is that the benefits should extend to all sections of the community and that the system should be easy to use.

The Convener: I am still confused about the message. On the one hand, Gavin Booth spoke positively about expanding to a national scheme, yet on concessionary fares schemes your written submission states:

"In the first place it is not consistent with natural justice to subsidise free travel for one section of the community at the expense of the others."

That is inconsistent with the view that—

Dr Cahm: It is not inconsistent. I am saying that we must ensure that the benefits are spread to all users and are not just focused on senior citizens. If only senior citizens benefit, I am worried about the effect on the rest of the bus travelling community. For example, there may not be enough money to support socially necessary services. We have been assured that that will not happen and that both elements will be properly funded, but I still have reservations and fear that the funding will be insufficient.

Bruce Crawford: You cannot have it both ways. I am trying to understand the message that I am getting. On the one hand you are saying that

funding might not be sufficient, but on the other hand you are saying that you are concerned about the huge level of funding. There is a dichotomy.

Dr Cahm: There is not. I am concerned about the amount of funding that is available and I am concerned by the fact that it is focused on one section of society and not on others. I am sure that, if a concessionary fares scheme is developed properly, there will be a balance and the scheme will have positive benefits, as we have seen in Wales and as Gavin Booth intimated. As long as there are those benefits, the scheme will be positive. However, if all that it does is to provide free fares for pensioners, it will not have a benefit for the rest of society. I am concerned that there will be disbenefits, because there will not be enough funding for supported services.

Iain Smith: I want to pursue the point further. In the 1980s, Fife Regional Council, of which I was then a member, moved from a half-fare concessionary scheme to a full concessionary scheme. The net effect was that bus usage increased significantly. Moreover, the increased cost of providing concessionary fares was matched by a reduction in the amount of subsidy that Fife Regional Council had to pay the bus companies to run the buses.

Dr Cahm: A reduction?

Iain Smith: Yes. The total amount going into public transport stayed about the same, but some was for concessionary fares and less went on subsidies. Do you accept that that could be a factor? The concessionary fares scheme makes viable some commercial services that would not otherwise be viable and it makes some subsidised services viable that would not otherwise be viable.

Dr Cahm: Yes, I acknowledge that, but I only hope that that will be the case. I am slightly nervous that it might not be the case in some circumstances.

Gavin Booth: Everybody at the time examined the Fife example. I was working with the Scottish Bus Group; we were on the providing side of the transport scheme. We know that the Fife scheme generated a huge amount of extra passenger journeys, which, as you say, benefited everybody and allowed the subsidy to be reduced.

Dr Cahm: You have to remember that I come from England, where we have not had free fares, so I am naturally a lot more jumpy about the issue than Gavin Booth is.

Michael McMahon: I have a quick question for clarification. In the evidence that we heard last week in Glasgow, reference was made to the fact that people who are involved in the delivery of services feel that the Executive is positively discouraging the use of quality contracts. We did

not pursue that in detail, but today you said that the Scottish Executive turned down one local authority that was pursuing a quality contract.

Dr Cahm: The bid was not rejected outright. The local authority was told to reconsider it because it had not tried a voluntary partnership first. It had jumped a stage.

Michael McMahon: You did not feel that the Scottish Executive was discouraging the use of the quality contract; it was just not happy with the way in which—

Dr Cahm: The procedures had not been followed. In the case of Midlothian, the cost was—I forget what it was. One was £1.5 million.

Gavin Booth: It was the procedure that was the problem.

The Convener: That brings us to the end of our questions. I thank Caroline Cahm and Gavin Booth for their evidence. We are grateful that Caroline Cahm made the lengthy journey to be with us today.

For our third panel, we welcome representatives of the Confederation of Passenger Transport. I am sorry that it has taken us a little bit longer than we expected to get to this panel. I welcome Marjory Rodger, the director of Government relations for the CPT; Jim Lee, the managing director of Travel Dundee and chair of the CPT; Robert Andrew, the deputy managing director of Stagecoach Scotland; and George Mair, the managing director of First Aberdeen. I invite Marjory Rodger to make some introductory remarks.

Marjory Rodger (Confederation of Passenger Transport): The Confederation of Passenger Transport welcomes the opportunity to give evidence to the committee. We have submitted a paper and our publication, "On the move". I would like to emphasise some key points, beginning with the CPT position regarding quality partnerships and quality contracts.

The CPT advocates that partnership approach must always be the first option. The CPT firmly believes that the sharing of skills and resources will always be the best-value approach and the most effective way in which to achieve real improvements. Only after it can be demonstrated that a partnership approach has failed should consideration be given to QCs. The CPT views QCs as a last resort. A franchise regime will be more expensive to administer and will not, of itself, improve the service to customers.

The CPT believes that, before 1986, Strathclyde Passenger Transport paid £25 million to run subsidised services, which is probably close to £50 million in today's terms. Last week, you heard SPT say that it currently spends £4 million to subsidise bus services. Used as the first choice,

quality contracts would kill off small to medium-sized bus companies and promote monopoly power in the franchise area. In Glasgow, Edinburgh, Dundee, Aberdeen and Inverness, 98 per cent of the networks are commercial. Currently, trading rights are owned by commercial bus operators, most of whom acquired those rights for a significant purchase consideration from central or local government. A franchise tendering process will give rise to compensation claims for sequestration of those same trading rights.

The tabled papers dealt with quality partnerships, quality contracts and concessionary travel. However, earlier evidence sessions raised other important topics and we would like to comment briefly on some of them.

16:00

First, the CPT supports the Mobility and Access Committee for Scotland, because what the Disability Discrimination Act 1995 is giving does not necessarily meet the needs of people with disabilities. One example is wheelchair-accessible coaches, where the act will not deliver what people are looking for. The CPT supports MACS in its undertaking of research and scoping to establish what is needed and how best to achieve it. It is not just coaches or other vehicles that matter; we must stress the importance of infrastructure and the lack of it, not just on rural routes but at main interchange points such as Haymarket station, where the pavement is not wide enough to use a wheelchair lift.

Secondly, the CPT strongly supports good information being available. Traveline Scotland is currently handling 12,000 calls a week and receiving about 35,000 weekly hits on its website. Contrary to the evidence given last week, all registered bus services are in the database. Traveline Scotland is a successful partnership. It was set up with Scottish Executive capital funding, but it uses local authority databases and the operators fund the call centre. It is impartial and covers all modes.

The last issue that I want to raise is planning. In evidence last week, we were asked about the industry's involvement in planning. The CPT has been involved in the transport planning sessions of the Scottish Executive planning review, and we have lobbied for a transport plan to be a requirement that must be met before planning permission is given for any substantial new development. Operators and developers can then share the pump-priming of set-up costs. It is a lot easier to create new practice on day one than to change established habits months or years later.

The Convener: Thank you for those opening remarks. Part of the driver for this inquiry is

obviously to review the legislation that was passed in 2001 and to ask whether it is making a difference by improving the quality and patronage of bus services in Scotland. As far as I am aware, no formal quality partnerships or quality contracts have been introduced since the Transport (Scotland) Act 2001 was passed, which prompts us to ask whether everything in the garden is rosy or whether that legislation was not the right legislation. Those are the issues that we are trying to address.

An issue that arises frequently in my mailbag and in those of my colleagues is people's dissatisfaction with how some bus services and bus operators are performing. What role do you see quality partnerships or quality contracts playing in addressing that? I hear your message about quality contracts, but if those are not the correct vehicle for improving the situation from the perspective of the passenger, what other mechanisms should we be investigating?

Marjory Rodger: I shall hand over to colleagues to answer specific questions, but first I would like to say that there is a lot going on on a voluntary basis. That is why we decided that we had to come out with "On the move". The idea that just because there are no statutory QPs or QCs means that nothing is happening is far from the case. There have been many improvements. I am not saying that there have been enough—of course not—but there is a lot of recognition and a lot of good joint working. The report of the Association of Transport Co-ordinating Officers also highlighted improvements.

There is an existing tendering mechanism. It is a tool and a mechanism, so it is not as though we had nothing and have now been offered statutory QPs or QCs. Everything has its part.

I shall ask George Mair to give specific information on what we would like from statutory QPs.

George Mair (Confederation of Passenger Transport): I endorse Marjory Rodger's comments. A great deal of good work is going on across Scotland and through those partnerships we have encouraged greater use of public transport and have now seen growth for a record number of consecutive years. It would be foolish of us to think that everything is rosy in the garden, but our prime reason for being in business is to encourage greater use of public transport.

I have been involved in a voluntary partnership in Aberdeen that stretches back to 1997 and has recently been updated to encompass the requirements of the 2001 act, following discussions in the local bus operators forum that have gone on for about two years. That gives members an indication of the time that it can take from recognising that the situation needs to be

reviewed and updated to meeting the requirements of the 2001 act. Delays happen, but that cannot be laid on the doorstep of the local bus operating companies; we can often get on with things more quickly. However, in different areas we come across political bureaucracy—if that is the right word—and the requirement to attend certain meetings, so things can take a considerable time. Even so, a lot of good work has been done through the voluntary partnership in north-east Scotland.

Robert Andrew (Confederation of Passenger Transport): The voluntary partnership in north-east Scotland has been cited as a good example. During the renegotiation to try to formalise the partnership and take it to the next stage of development, the new partnership agreement has included approximately 20 targets for operators and local authorities. Operators pushed for the partnership to be statutory but—in all honesty—local authorities were nervous because a statutory partnership has not yet been established. We were prepared to sign up to and establish the first statutory quality partnership in Scotland and to test the mechanism to see what we could deliver, but that will probably happen next time round—it was too early this time.

The Convener: I do not think that any member of the committee would deny that there are positive developments in bus services in many areas in Scotland. However, the most contentious areas are those in which routes are on the margins of being commercial and bus companies are perhaps making decisions on the basis of commercial interests. The public sector, whether that means the Scottish Parliament or local authorities, wants socially desirable routes, which are not necessarily commercially successful, to continue to operate. The committee is interested in exploring the degree to which such routes can be supported in a broader framework of services, through quality partnerships or contracts.

George Mair: Marjory Rodger commented on the main cities in Scotland. A high percentage of services operate on a fully commercial basis, but not every route in a network operation is paved with gold. Caroline Cahm said—if I understood her correctly—that evening and Sunday services are often at the margins. That is certainly true for networks in Aberdeen and I am sure that others can comment on the situation in other parts of the country. It would be folly to suggest that every service makes a great profit. More work could be done to address social issues and the industry is keen to consider that. I raise an issue that was perhaps missed in Neil Renilson's presentation: greater constraints on car use would encourage an increase in bus ridership per head of population, which could allow the industry to do more to address social need.

We have often been very successful in developing initiatives through the public transport fund, for example. The quick and easy solutions are often implemented, but on occasions initiatives that are political hot potatoes have not gone ahead. However, those initiatives would be real drivers of modal shift and would encourage more bus journeys per head of population, perhaps allowing the industry to address social need on a more commercial basis, rather than by depending on the public purse.

Marjory Rodger: I digress slightly and yet I do not. Another part of the answer is integration. We must make efficient use of resources by using all of them to meet as many needs as possible. There is a place for demand-responsive transport and for community transport—they both have their part to play. If DRT were used more as a feeder to the registered networks instead of abstracting passengers from it, everybody would benefit.

The Convener: I have a final question about quality contracts. Some people who do not favour quality contracts say that their introduction would stifle innovation. However, if we use the example of the west coast main line rail franchise, the fact that it is franchised did not stifle Richard Branson or prevent him from introducing new Pendolino trains—although we will leave to one side the question of whether they work. It was innovative to introduce new technology to try to improve the service in a franchise situation.

Robert Andrew: I give another example. I have worked long and hard on the development of Ferrytoll park and ride, which is seen as very successful, although many people—the media in particular—were sceptical about it. I firmly believe that Ferrytoll park and ride has succeeded because of the partnership approach taken by Fife Council and Stagecoach. In my opinion, that partnership has delivered a higher volume of bus services at a lower price with a greater range of potential destinations, albeit that destinations outwith Edinburgh city centre are still being developed. Had we had a quality contract, there would not have been such a great range of destinations and the local authority could have said: “We want to run park and ride to Edinburgh city centre. Fares will be fixed to broadly what they are on the railways or they will be comparable with the local bus service fare.”

There has been a step change in demand at Ferrytoll. We grasped that opportunity with the council and said, “Let’s take this forward and let’s make it happen.” We took all the revenue risk and the scheme has been phenomenally successful. I do not believe that, in a quality contract scenario, we would have had the level of service or low fares that are currently available and we would not have the expansion that is taking place today.

Bruce Crawford: I was one of those sceptics, but I have been proved wrong because the scheme has worked. You spoke about increasing volume, which George Mair also touched on. I think that George said that if the bus industry were to experience significantly increased volumes—the modal shifts that are required—and those volumes reached whatever the reasonable level was, it would allow you to consider the potential introduction of more capacity-building social services, which might attract some cross-subsidy. I presume that that is the only way one could do it. If that is the case, is Stagecoach considering the introduction of any social services that might require some cross-subsidy, based on the volumes that you have from that operation at Ferrytoll? That would prove the point.

Robert Andrew: We are probably looking at two different situations. The Forth bridge corridor is unique to the Scottish transport scene and the bridgehead area is heavily congested.

Let us take a different example where there could be developments. There are areas of the country where there are very few parking measures to encourage people to switch mode and there is little in the way of bus priority measures to speed up bus running times. One example that always springs to mind is Inverness; it has grown very rapidly, but the infrastructure in the city centre has not. Buses are continuously being slowed down in Inverness so that we can operate a reliable service and keep to the timetables. The net result is that investment is being made to increase the number of vehicles that operate because more vehicles are needed to operate the services at the previous frequencies. If we speeded up bus running times, it would free up resources, it would reduce the overall costs and then services that are currently marginal or loss-making could become profitable. The investment would come by making better use of resources and freeing up road space.

Dr Jackson: You have said quite a lot about circumstances that might allow you an inroad to quality partnerships and contracts. You state in your evidence that you will participate in quality partnerships and contracts “when appropriate”. Do you want to say anything else about that?

Marjory Rodger: As we have said, the words “when appropriate” mean that when partnership has failed, another choice must be left open, because we are trying to serve—and improve services for—the public.

We want to stress the reason why we have given the example of Belfast’s regulated bus service so much room in our submission. We return to the fact that if we do not restrain the car or give buses priority, we will not grow markets. People want reliability and frequency. It does not

matter who owns the service, but a package must be put together. Bus services in Belfast are regulated—all the powers are available, but they are not used. The political will, as well as the funding, must be present. That is what is most important.

16:15

George Mair: The 2001 act and the tools that it sets out are about right. The Parliament presented to local authorities a range of mechanisms by which public transport could be delivered. I fail to see why partnership cannot deliver in any area with meaningful and constructive dialogue and partnership working. If it can be proven at the end of a process that meaningful and constructive working has not taken place, something else has to be considered. The act just about got it right in the range of tools for local authorities and others to use.

Jim Lee (Confederation of Passenger Transport): We could cite many examples of good partnership working throughout Scotland that is not through formal quality partnerships.

Dr Jackson: We heard evidence from people in Glasgow who said that the council-run service that they used to have was far superior to the current service. They say that the present situation is not good enough. How do we improve the situation there? It is obvious that partnership is not working.

George Mair: Without knowing what comments have been made, I would have to say that for the past four to five years, we have experienced growth in public transport for the first time in 40 years, in an environment that is a commercial market. We must be doing something right, because it is the first time since the late 1950s that that position has reversed.

As we have mentioned, the situation could be enhanced by creating modal shift and encouraging greater use of public transport through enhanced use of car restraint. I forget the percentage, but something like a 1 per cent reduction in car use means a 13 per cent increase in bus use.

The point that was made earlier is that the people who use public transport are not overly concerned about whether it is privately run, part of a quality contract or a tendered service. They want to use the bus, and market research suggests that they want reliability and frequency—cost and quality come third and fourth. We can deliver and are delivering that and more people are using public transport. Often, that has been the result of the combined efforts of operating companies working in partnership with local authorities. It would be great to stand up and wave a piece of paper, but if we are delivering, is waving a piece of paper important? If we look back in history, there

have been times when people have waved pieces of paper and that has not meant a hell of a lot.

Robert Andrew: It was said earlier this afternoon that an operator talked in Glasgow last week about the bureaucracy of a partnership. I think that what was being referred to was the amount of paper that it takes to obtain and sign a partnership and to bring it to a stage at which it can be presented or launched formally. Brian Souter was trying to convey the point that it is far better to get on, to deliver the benefits that a partnership is designed to achieve and to make it happen, rather than to worry about the paperwork behind the scenes.

Paul Martin: Does an increase in the number of travellers on a service mean that they are satisfied with the service? People might be forced to use bus services because of bus lanes, for example. Glasgow is a good example of where a significant number of people have moved to using public transport, not because they believe that they get a good bus service but because it is more convenient, given the number of bus lanes and priority lanes that have been created in the city centre. People are not necessarily saying, "That's great and now I have to go to the bus stop because that's the way I want to travel into work." A percentage of people have been forced down that route, because the bus service has been given priority, which you commented on earlier.

George Mair: Sometimes I think we use the wrong phraseology. The term "bus priority" is emotive. Perhaps we should use phrases such as "giving priority to people who want to use public transport". We have all said that the success that we have seen in the growing number of passenger journeys over the past four or five years has been the result of a combined team effort. The help of local authorities and the Scottish Executive in funding bus priority or people priority measures has contributed to that growth.

Paul Martin: That does not deal with the question. You are saying that people have now said, "Let's get the bus, because that's the way I want to get to work in the morning." That is not the issue. The issue I am raising is that people in cars are now saying, "It's such a pain in the neck going to work by car that I now have to travel by bus." The reason I raise that issue is that the fact that more people are using buses does not stop them complaining about the service that they receive.

George Mair: That is an underestimation of the travelling public.

Marjory Rodger: The Consumers Association has done significant research that shows that there is a far higher level of satisfaction among people who use public transport than among those who do not use it but have a view on it; they are always far more negative.

Paul Martin: Sylvia Jackson is saying that if you had been at the Glasgow meeting last week you would have heard a different story.

George Mair touched on the need to provide social bus services, such as those to hospitals. You talk about partnership, but I have to say that in Glasgow I do not see any significant partnership, such as a partnership between FirstGroup, SPT and the community to provide a bus service to Stobhill hospital in my constituency in the evening. It is all very well for us to sit here and say that there is a nice strategy or partnership on the main routes and overground services, but where are the partnerships in relation to providing services to schools and hospitals and other crucial services?

George Mair: They are already there. Caroline Cahm has already made the point about evening and Sunday services. In many areas those are at best marginal. A lot more can be done on the social network, but it has to be part of a package that considers car constraints and encourages greater use of public transport. If we can get a 1 per cent switch from car use to lead to a 13 per cent increase in bus use there will be opportunities to consider the social network.

Paul Martin: With respect, the point is that to get people to move from their car to using a service on social routes, the service has to be there in the first place. We received good evidence from Glasgow last week that services are not there. Even if they are there, a poor-quality bus is provided on the route. In the Glasgow meeting people raised the issue of the quality and comfort of the bus.

George Mair: Within the current regime the partnership arrangement could be that the local authority might wish to pump prime a particular service to the point that it becomes a commercial service. That is partnership working.

Paul Martin: But that does not deal with the point that I made about the need to provide good social services.

George Mair: Under the 1985 act, the provision of good social services lies with the local authority.

Paul Martin: What do we need to do in terms of revisiting? Is there scope for us to revisit the Transport (Scotland) Act 2001 to take away the element that if people want a social service to be provided they have to go to the local authority? Should we not expect the bus operators to take the good with the bad and provide a social service—for example, a service to a hospital? It might not make them money, but they have an overall responsibility to provide bus services.

Marjory Rodger: One of the problems with hospitals is that most of them have extensive car

parks, but they are never adequate for the demand. A lot of people go to and from hospitals because hospitals employ a lot of people and have visitors. It is often not possible to get a bus round a hospital site because people are parked on verges, because they have taken their cars despite the lack of space. That is why there must be some stick, such as charging for parking at hospitals, to make motorists think about another choice. If there were, it could become viable to run many more bus services to hospitals.

Paul Martin: I know I am labouring the point, but I want to finish it. You are saying that, if bus priority lanes to hospitals were introduced and if we were to ensure that it was not possible to park at hospitals, we would be able to find out whether the services work. However, if motorists are to give up their cars, do they not need guarantees that they will get services to the hospitals? That is where the quality contracts come in.

Marjory Rodger: We could start with double yellow lines before we put in bus lanes. That would be a good start.

Iain Smith: I will ask about concessionary fares. I appreciate that the CPT supports the move towards a national scheme rather than the present series of local schemes, but how do we get the best out of the investment that the Executive is going to make in the national concessionary fares scheme? I think that £100 million a year is earmarked in the spending review to fund the national scheme, so how do we ensure that that results in enhanced and improved services for the public? Can we learn lessons from, for example, the Welsh scheme to help us to ensure that that happens?

Marjory Rodger: One of the problems of the existing scheme and the reason that there is such variation around the country is that the funding has been done by grant-aided expenditure. It has taken account neither of the volume of services, which is far greater in the cities and lower in rural areas, nor of car ownership, which is lower in the cities. That has meant that some rural authorities have had extra money that, as you heard from Dumfries and Galloway Council, they have used to subsidise services, but the cities have been particularly short. You asked Neil Renilson how much extra he should get. That sum should not have to be added to current expenditure because it can be achieved through a more accurate distribution of funds.

George Mair: The point on the Welsh scheme is well made. We have been greatly encouraged by a visit to Wales, because the Welsh appear to have got the scheme right. It has simplicity and accountability and people are free to travel at any time on any bus in Wales. The Welsh have cracked the problem by working together, although

I doubt whether they have a partnership document to flag about. They have achieved success and have done so at a funding and reimbursement level that encourages the operators to invest in additional services; and there are spin-off benefits from those. There is much to be admired about the Welsh scheme, which could easily be replicated in Scotland.

Bruce Crawford: On GAE, it is fascinating that, in your submission, you have put a figure of about £10 million on the amount that local authorities have creamed off the concessionary fares scheme to pay for other services. How did that figure come about; how did you audit the situation and arrive at that sum? It is an important thing to be telling us, but it cannot be the entire story, because we heard from Lothian Buses that it has a £5 million to £6 million shortfall in what it requires to make the concessionary fares scheme work. If that is the situation in the Lothians alone, and it is gobbling up most of the £10 million, there is a dirty great hole somewhere else—to which I have not yet been pointed—and people are not able to finance the concessionary fares schemes to the extent that you think they are able to. Will you tease that issue out?

The Convener: If it is not possible to give a full answer at this point, a written answer would be satisfactory.

Marjory Rodger: I might have to address the issue in writing, but I will give the committee some of the answers. First, the £100 million includes rail and ferry travel, so it is not a huge sum. That is one reason for the shortfall. Secondly, as members known, under Competition Commission and Office of Fair Trading rules, operators cannot discuss matters very openly. As a representative of the trade association, I have been given gross figures by the large eight operators. It might be better for me to write the committee a letter.

Bruce Crawford: It sounds as if there is some room for flexibility in the final figure.

Marjory Rodger: We are convinced that it leaves us with a serious problem.

Bruce Crawford: I understand that. However, Lothian Buses says that there is a gap of £5 million to £6 million. You say that local authorities are creaming off money to use it for other purposes, but the figure of £10 million relates to the whole of Scotland. There is still a big gap in the cost of implementing concessionary fares.

16:30

Marjory Rodger: Edinburgh has one of the lowest reimbursement rates in Scotland.

Bruce Crawford: Yes, but if there is a shortfall of £5 million to £6 million in Edinburgh, the same

must be happening elsewhere. The total figure must be much greater than £10 million. If so, who is absorbing the rest of the costs?

The Convener: There might be slight confusion about the figures. Marjory Rodger is saying that local authorities are taking £10 million out of the money that they have been allocated. I do not think that Lothian Buses was making the same case.

Bruce Crawford: I understand that. I am trying to establish how much concessionary fares are costing bus operators to run and how much subsidy they are providing.

Marjory Rodger: The bottom line is that the figure varies. I will hand over to Robert Andrew, because Stagecoach participates in 11 of the 13 mainland schemes, involving 11 separate negotiations.

Robert Andrew: As Marjory Rodger has said, this is an incredibly complicated subject. I could bore members to tears for the next hour talking about concessionary fares. There are 16 schemes across Scotland, 13 of which are on the mainland. For our sins, we participate in 11 of those schemes. They range from schemes that are very fair and equitable to schemes such as the one in Edinburgh, which Neil Renilson outlined, where funding is based on the GAE allocation to the council and there is, in effect, a cap.

At the moment, none of the times of validity of the schemes or cross-boundary journey opportunities are the same. For example, under the Dundee scheme, people are not allowed to travel outwith Dundee, whereas under the Fife scheme people can travel to Edinburgh for 50p. Under other schemes, it is possible to travel across boundaries for free. There is a multiplicity of issues. In our paper, we try to tease out the fact that not all the money that is allocated for concessionary schemes under GAE is hitting concessionary fare reimbursement to operators. Some of the money is going to this, that and the next thing. I am not in a position to say what those elements are. If we could get simplicity and uniformity in the future, it would make life easier for everyone.

Marjory Rodger: We appreciate the fact that local authority priorities might be different from Scottish Executive priorities and that their budget priorities, too, might be different. That is the issue.

George Mair: In Wales, operators, local authorities and the National Assembly have cracked the problem. They have a successful scheme that is delivering growth, increasing the mileage operated and the number of services and encouraging enhanced investment compared with the previous arrangement.

Bruce Crawford: What does the scheme cost?

George Mair: We think that it is affordable.

Bruce Crawford: Do you have a figure?

George Mair: We think that it is affordable.

Bruce Crawford: I will put the question in another way. If you know what the scheme costs the National Assembly for Wales, can you estimate what would be required for a similar scheme in Scotland? You do not have to provide the information today—you can do so in writing.

George Mair *indicated agreement.*

Fergus Ewing: If you do not mind, I would like to ask what might be an incredibly naive and stupid question. I am sure that we have all noticed the incidence of empty buses, especially at night and at times when routes are operated on a marginal basis. Why are minibuses and smaller vehicles not used on those routes, or have I just not noticed that that is happening?

Robert Andrew: Much of it stems from the overall work that the bus fleet in an area is doing. In some areas, there are heavy movements of schoolchildren that require double-deck or high-capacity vehicles, and those vehicles operate marginal services during the main part of the day and into the early evening. The vehicle size on a particular journey is governed by the largest number of people that it will carry during the working day.

George Mair: The other part of the equation is the fact that the biggest expense in moving a vehicle is the guy in the driver's seat. Often, we pay the same rate to the guy who drives a minibus as we do to the guy who drives a big vehicle. The questions you ask are often the most dangerous questions, but that is reality. The guy at the front is the biggest cost. The difference between fuel costs—

Fergus Ewing: The capital costs would be much less for a smaller vehicle.

George Mair: Yes, but an operator might have to increase the number of vehicles in their fleet to allow them to operate such vehicles.

Fergus Ewing: Marjory Rodger stated in her opening remarks that the bus companies have acquired, or in effect purchased, trading rights, and that any franchise agreement would lead to compensation claims arising from the sequestration of those trading rights. I think that you used the word "sequestration", but perhaps it should be confiscation—is that what you mean? Has that been legally established and does the Executive agree that that is the case? If so, can we have some legal opinions to substantiate that?

Marjory Rodger: CPT in London has been involved in Brussels in European Union legislation on the matter and we believe that there would be claims for compensation. The issue has not been tested here because it has not come up, but we would certainly pursue it if an operator lost their business because of the quality contract.

Fergus Ewing: I am not hostile to the argument that you advance. In fact, I can see its merit. I am particularly worried about the idea that the extension of franchises might kill off small to medium-sized bus companies. My asking whether we can have the benefit of copies of your written legal advice was an attempt to be helpful rather than hostile—I make that clear because it might not have been obvious from the way that I asked the question. If you could provide that advice, although I appreciate that it is confidential—

Marjory Rodger: Yes, certainly. My list is growing.

Fergus Ewing: My final question is on concessionary fares. A previous witness, in so far as I understood her evidence, said that as far as passengers are concerned, it is better to have a good service and pay something than to have an inadequate service and pay nothing. In paragraph 19 of your submission, you point out not only the complexity of dealing with 16 local schemes and the unsustainability of those schemes in the long term, but the fact that

"The gap is growing between commercial and concessionary income per passenger".

You say that commercial income is rising while concessionary income is falling and that the amount of compensation is less than the cost of carriage.

In your opening remarks, you were more critical of franchises and I invite you again to be more critical in your oral evidence than you were in your written evidence. Are you saying that, for the greater good of better services and long-term sustainability, there should be a reduced fares scheme rather than a free scheme?

Marjory Rodger: That is a political decision. We work with the political decisions that are taken, and the decision has been taken to give free travel to the elderly and disabled. It is not for us to decide; we have to work with the decision. We are saying that the decision is not sustainable in the long term and that the risk is not manageable; we need something else. George Mair cited the Welsh scheme—which, I point out, has been passed by the National Audit Office—and that is a good place to start. It is not for us to decide who qualifies. Provided that the reimbursement is fair, we are happy to take any groups.

Fergus Ewing: I accept that, but on the other hand, the £100 million that Mr Smith mentioned might not be around for ever. We hope that your businesses will be around more or less for ever, but presumably you are not assuming that a set level of public support will be guaranteed for ever, as businesses cannot bank on that. Is it the industry's view that a reduced fares scheme would be a safer, more practical and sustainable option than a scheme under which travel is free?

Jim Lee: We would work with either type of scheme. As Marjory Rodger said, the decision is a political one and, once it is made, CPT will live with it and try to get the best reimbursement possible for the industry and bus companies. Whether concessionary customers are charged a fare is a political decision.

Fergus Ewing: We have heard that there are different costs to passengers in different parts of Scotland and different levels of subsidy to companies that operate in different parts of Scotland. That seems to me to be a bit of a boorach—to use a Gaelic expression for a complete muddle. What system of reimbursement do you propose?

George Mair: The CPT proposal is to move to a national scheme with a national reimbursement mechanism that is controlled by the Scottish Executive, which would be in line with the Welsh model.

Fergus Ewing: I did not make my question clear enough. I understand that you propose a national scheme—there is a lot of agreement on that, if not unanimity. Under the optimal scheme, how should the subsidy element be calculated? Should it be calculated on the basis of length of journey, historical costs or some notional figure?

George Mair: In Wales, through partnership working, a mechanism has been found that has resulted in a scheme with which all the partners are happy. To be frank, the question that you ask has probably been one of the biggest earning sources for consultants in Scotland since the introduction of the concessionary travel scheme.

Jim Lee: And for lawyers.

Marjory Rodger: An awful lot of hours have been spent on the issue by the top managers in bus companies—some would allow additional costs to be taken into account and some would not.

It is more important to go back to the user and why we need one scheme with one set of criteria. Because the schemes use different definitions, Scottish Citylink Coaches has produced a handbook for its drivers so that they can work out who is entitled to concessions, who qualifies as disabled, whether companions pay a half fare or a

quarter and so on. A Citylink driver going from Aberdeen to Glasgow passes through five scheme areas and has to look up the information on each one. That situation must change.

If there is to be free national travel, as is the proposal and commitment, how would the calculations be done if, for one user, five different local authorities had to be charged proportions of the fare? That seems an incredible waste of resources.

Fergus Ewing: What is the answer to that problem?

The Convener: The witnesses have said clearly that they think that the Welsh model is a good one. The clerk advises me that the Executive has given us briefing notes on that model. We will arrange for committee members to see a copy of the briefing.

Fergus Ewing: That would be extremely helpful.

Marjory Rodger: Excellent.

The Convener: That brings us to the end of our questions. I thank the witnesses for their evidence, which has been useful.

Subordinate Legislation

Scotland Act 1998 (Modifications of Schedule 5) Order 2004 (Draft)

16:45

The Convener: The Minister for Transport, Nicol Stephen, has come along to take part in our debate under item 4. The draft Scotland Act 1998 (Modifications of Schedule 5) Order 2004 was laid under the affirmative procedure, which means that the Parliament must approve the instrument before its provisions come into force.

As is normal practice, members may ask questions of the minister and his officials prior to the start of the formal debate, in which the officials may not participate. I ask the minister to make his introductory remarks as concise as possible—some of us, including the minister, have pressing diary engagements—but if members have a significant number of questions, he and his officials will be given every opportunity to answer them. The minister will have a further opportunity to speak when we move to the formal debate.

The Minister for Transport (Nicol Stephen): It is a great pleasure to attend the committee for the first time in this new venue. Let me introduce my officials. On my left is Andy Bishop, who is the head of the Executive's science and higher education research branch. Next to him is Ian Turner, who is a railway policy official. Beside me, on my right, is Laurence Sullivan, who is from the office of the solicitor to the Scottish Executive. Richard Hadfield is from the transport bill team. No doubt the committee will see a lot of those individuals over the next few months as the bill progresses. Finally, Paul Allen is the head of the constitutional policy unit.

The draft order, which is made under section 30 of the Scotland Act 1998, has three aspects. First, it clears up a mistake, or technical defect, in the European Parliamentary Elections Act 2002. The UK Government has agreed that, as this presents the first opportunity to rectify the mistake, it makes sense to use the draft section 30 order as the vehicle to correct the problem. However, I will not go into the details of that, as the convener asked me to keep my remarks brief.

Secondly, the draft order deals with the arts and humanities research council—the AHRC—which was the subject of a Sewel motion. After a full discussion of the issue on 27 January 2004, the Enterprise and Culture Committee agreed without division that the process should go ahead. The research community in Scotland strongly supports the idea that Scottish research should be funded through a UK-wide AHRC, as is proposed in the draft section 30 order.

Thirdly, the draft order deals with rail transport. As part of the restructuring of the railways, greater responsibility for rail is being devolved to Scotland. In part, that will enable us to drive through change under our transport bill, which will come before the committee after it is introduced to the Parliament in the next few months. Some changes to the rail industry will result from the UK legislation that will follow on from the Department for Transport white paper that set out the conclusions of the rail review. However, one element of the proposed changes—indeed, every element—requires co-operation between the UK Government and the Scottish Executive. The draft section 30 order must pass through both houses of the Westminster Parliament and through the Scottish Parliament before legislative competence for rail can be devolved to the Scottish Parliament. The draft order will allow Scottish ministers to take responsibility for the rail powers that will be transferred from Strathclyde Passenger Transport.

That transfer of powers to Scottish ministers in relation to the ScotRail franchise is one part of the jigsaw. The proposals for the transfer of rail powers across the rest of Scotland are contained in the UK white paper. Subsequently, they will be transferred through UK legislation.

I have set out the three elements that are involved. The section 30 order will allow the Parliament to legislate in due course on the transfer of rail powers to Scottish ministers. That will allow us to become a formal participant in and signatory of the ScotRail franchise in Scotland.

The Convener: Thank you for that concise statement, minister. I am sure that it will help us to understand the instrument. We move to questions.

Fergus Ewing: My question is not entirely tongue in cheek, minister. You said that a mistake had been made in the European Parliamentary Elections Act 2002, which was being corrected—I am sure that all of us recognise the need for that to be done. Of course, until the mistake is corrected, it exists. Does that mean that the legal power to hold European elections—indeed to hold this year's elections—was not in fact reserved to Westminster? Surely, unless something is reserved, it is devolved? In other words, I suggest that the power to hold European elections was a devolved matter. Surely the absence of a Scottish Parliament European elections act means that the holding of the European elections was illegal—or at least as far as Scotland is concerned—and so the result is void?

Nicol Stephen: I ask Paul Allen to comment.

Paul Allen (Scottish Executive Legal and Parliamentary Services): The answer is no. The only bit of the act that we are changing is the interpretation provision, which was not updated

when it went through Westminster in 2002. We take the view that, as the interpretation provision is, in effect, vacant, the courts would take a commonsense view of the matter. They would consider the act that had been replaced in schedule 5 and find that it was the European Parliamentary Elections Act 1978, which was a reserved matter.

Nicol Stephen: The frank answer is that all of these matters can be tested in the courts. Ultimately, if an appropriate individual or organisation had a locus, they could take the matter to court and a judge would decide on it. The strong advice that we have received is that it would not lead to the outcome that Fergus Ewing attempted to describe.

Fergus Ewing: I am grateful for the clarification. As I want Ian Hughton and Alyn Smith to remain entirely legal, I will not press the matter to judicial review.

Bruce Crawford: I hope that the UK Independence Party takes the same view on the matter.

I have a question about the transfer of rail functions. Scottish ministers are taking on powers over the SPT and SPTE at the same time as powers will be devolved from Westminster to Scottish ministers for the rest of the rail network. I want to ensure that, when we get to the end of the process, the powers for the rest of the rail network will be the same as the powers that are designated in the draft order for SPT and SPTE. Is there not the potential for confusion? Will everything come under one umbrella in the end? How long will it take for legislation to come through from Westminster? The answers to those questions will give us an understanding of the timescale in which you will be invested with the powers.

Nicol Stephen: I will ask the officials to comment on the first point. Certainly, our policy objective is to have consistent powers across the whole of Scotland. I will ask the relevant officials to reassure the member further on the point. We are in discussion with the Department for Transport about the full process and the detail of the arrangements.

We also need to reach an agreement with the DFT on a fair and appropriate transfer of funding and resources. It should take around 18 months for the full process to be concluded, as a parliamentary process must be gone through, but things obviously depend on the progress of proposed legislation that has not yet started its journey through the United Kingdom Parliament.

Ian Turner might want to comment on consistency across Scotland.

Ian Turner (Scottish Executive Enterprise, Transport and Lifelong Learning Department): We are working closely with the DFT on the section 30 order and on all the legislative matters going forward. We are concerned to ensure that there is a consistent approach and that matters that are devolved following the UK rail review are in line with matters over which the Scottish Parliament will get legislative competence following the section 30 order.

Bruce Crawford: The minister thinks that the period will be 18 months, but there is a danger that the UK elections will get in the way and disturb the process. If you have part powers but not the rest, where will that leave us? Perhaps that is a hypothetical question that is not worth answering at this stage.

Nicol Stephen: We would have to speculate on the outcome of the UK election and what the policy change—if there was a change—would be at UK level following an election. In short, we cannot answer such questions at the moment, but we are proceeding in good faith with the DFT. From what I have heard, there is general cross-party support for the initiative. Therefore, I hope that we can keep to the timetable and that we will be able to implement the changes within the 18-month period.

Dr Jackson: I have a supplementary question. Would the election stop the process? Would the whole process have to start again, or could it go over the election? I hope that it could do so.

Nicol Stephen: Obviously, the UK Government will announce its responsibilities for delivering on its white paper proposals in due course. The Queen's speech and the timetabling of legislation are matters for the UK Government and it would be wrong for me to speculate on such matters. Obviously, we have had discussions and I mention the 18-month period in good faith. It is based on the best advice that DFT officials have given us in the discussions that are taking place at official level.

Dr Jackson: The purpose of my question was to ask whether an election would mean that the whole process would have to be started again, irrespective of any political considerations?

The Convener: I understand from what the minister has said that there are on-going discussions with the DFT and that, if there is an election—obviously, we do not know at this stage whether there will be an election before the powers are devolved—it will be for the incoming Government to schedule its legislative priorities. The minister cannot really answer such a question.

Nicol Stephen: The honest answer is that the process could be affected, but we would hope that

the UK Government is taking steps and that somebody is planning for things. Only the Prime Minister knows the potential date of the election, but certain assumptions will be made. We believe that the matter is being allowed for in the plans that the DFT is developing. I do not know whether the officials can say anything more than that. The issue is a sensitive one for us to give more details about today, as it is the UK Government's responsibility. We would be concerned if our legislative proposals were announced in a committee at Westminster before things had been decided; similarly, it would be unfair of me to go further this afternoon.

Dr Jackson: I did not mean my question in that sense. I was thinking about Scotland, where work on a bill can be started, but if it is not finished before the election, it must be started from the beginning again. I was asking about the process. I think that you are saying that the changes should go through smoothly if the new legislature at Westminster decides that it wants them to go through.

Nicol Stephen: Yes.

17:00

The Convener: If there are no further questions, we should move to the formal debate. I ask the minister to speak to and move motion S2M-1808.

Nicol Stephen: I do not intend to read out the lengthy briefing note that I have brought with me. In summary, all of the proposals have cross-party support; I am not aware of any division in relation to the proposals in the section 30 order. The first element, in relation to the European elections, is a straightforward correction of a problem with the 2002 act. I do not believe that anyone believes that the consequences that Fergus Ewing referred to will arise. We simply need to correct the problem as soon as possible to ensure that the legislation makes sense and does not refer to a date that is prior to the date of commencement of the legislation.

The second issue has been fully scrutinised by the Enterprise and Culture Committee, which has questioned Jim Wallace on the issue in his role as Minister for Enterprise and Lifelong Learning. The proposal was agreed by that committee without division.

On the third issue, which relates to rail powers, I would say that everyone wants there to be greater devolution of responsibility for rail to Scotland. The Department for Transport and Alistair Darling have made proposals in the United Kingdom white paper and, although many details still have to be worked out, the general thrust of the policy is widely supported in Scotland and in the railway sector. The matter that we are discussing today is

a first step in that direction. I believe that we need to have a consistent approach across Scotland and that Scottish ministers should have strong powers over the railways in Scotland. To achieve that, I believe that it is an appropriate first step for this Parliament—because the powers would be used subject to scrutiny by and the agreement of Parliament—to transfer the powers to ministers. We cannot transfer the powers without having the legislative competence to do so. The section 30 order devolves to Scotland the legislative competence to allow the beginning of the implementation of the reforms to the rail industry, which will be good for railways and passengers.

I move,

That the Local Government and Transport Committee recommends that the Scotland Act 1998 (Modifications of Schedule 5) Order 2004 (draft), be approved.

Motion agreed to.

The Convener: I thank the minister and his officials for their attendance.

Firemen's Pension Scheme Amendment (Scotland) Order 2004 (SSI 2004/385)

The Convener: No member has raised any points regarding this instrument and no motion for annulment of the instrument has been lodged. Are we agreed that we have nothing to report on the order?

Members indicated agreement.

The Convener: As agreed, we will now move into private session to consider the paper on scrutiny of the budget for the year 2005-06.

17:04

Meeting continued in private until 17:17.

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