

# **TRANSPORT AND THE ENVIRONMENT COMMITTEE**

Wednesday 6 October 1999  
*(Morning)*

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## TRANSPORT AND THE ENVIRONMENT COMMITTEE

### 4<sup>th</sup> Meeting

#### CONVENER :

\*Mr Andy Kerr (East Kilbride) (Lab)

#### COMMITTEE MEMBERS :

\*Helen Eadie (Dunfermline East) (Lab)  
Linda Fabiani (Central Scotland) (SNP)  
\*Robin Harper (Lothians) (Green)  
\*Janis Hughes (Glasgow Rutherglen) (Lab)  
\*Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)  
\*Mr Kenny MacAskill (Lothians) (SNP)  
\*Des McNulty (Clydebank and Milngavie) (Lab)  
\*Nora Radcliffe (Gordon) LD  
\*Tavish Scott (Shetland) (LD)  
\*Mr Murray Tosh (South of Scotland) (Con)

\*attended

#### WITNESSES :

Anne Gibson (Strathclyde Passenger Transport)  
Trond Haugen (COSLA)  
David Hunter (COSLA)  
Bob Montgomery (FirstGroup)  
Malcolm Reid (Strathclyde Passenger Transport)  
Marjory Rodger (Confederation of Passenger Transport UK)  
Tim Stone (COSLA)

#### COMMITTEE CLERK :

Lynn Tullis

#### ASSISTANT CLERK :

David McGill



## Scottish Parliament

### Transport and the Environment Committee

*Wednesday 6 October 1999*

*(Morning)*

[THE CONVENER *opened the meeting at 10:03*]

**The Convener (Mr Andy Kerr):** I formally open this meeting of the Transport and the Environment Committee of the Scottish Parliament. I welcome those sitting in the public gallery.

It would be remiss of me if I did not, at the start of this meeting, refer to yesterday's tragic rail crash. Committee members join me in passing on our sympathies to those involved. We recognise that it was a tragedy and we recognise the sadness of the families and friends of those involved in the incident. We also pass on our thoughts to those in the public services who are involved in trying to deal with this tragic situation.

I advise members that Linda Fabiani has submitted her apologies for this meeting.

### Concessionary Travel

**The Convener:** Moving on to the formal part of this morning's meeting, during our previous sessions we identified that we wished to consider concessionary travel schemes as a priority issue. We have a briefing note that has been prepared on behalf of the Scottish Parliament information centre by Graham Vidler, which has been well received and for which I thank him.

A number of bodies have been invited today to brief the committee. I recognise some faces out there. Those bodies are the Convention of Scottish Local Authorities, Strathclyde Passenger Transport, the Confederation of Passenger Transport UK and FirstGroup plc. We have asked them to brief us on the need for concessionary travel schemes, the current scope and focus of such schemes, the extension of concessionary travel schemes to cover other groups and the introduction of a national scheme.

Tim Stone will speak on behalf of COSLA. SPT is represented by Malcolm Reid, the Confederation of Passenger Transport UK by Marjory Rodger and FirstGroup by Bob Montgomery. Each of the organisations will give a separate presentation after which we will have an opportunity to ask questions.

Tim and his colleagues, Trond Haugen and David Hunter, now join us.

**Tim Stone (Convention of Scottish Local Authorities):** While the papers are being circulated, let me explain that Trond Haugen is the transportation manager for Fife Council—the kingdom of Fife—and that David Hunter is the concessionary and accessible transport manager for City of Edinburgh Council.

Trond has put a great deal of work into the presentation that has been passed round and, with your permission, convener, he will speak to the paper.

**Trond Haugen (Convention of Scottish Local Authorities):** I will try to stick to the headings that you used, convener, the first of which was the need for concessionary travel schemes.

The main purpose of local authority travel schemes is to provide low-cost travel for people who are perceived as requiring assistance to move around, either because their mobility is impaired or because they have low or no income. One problem is that the trend during the past decade has been for high fare increases. Between 1990 and 1997 there was an increase of no less than 60 per cent in fares. During the same time, the gap between rich and poor has increased further. For a large number of people, therefore, the affordability of transport has become an increasing factor in and a major cause of social exclusion.

Local authorities have little or no direct influence over fare levels, so concessionary travel—lower fares—is a significant tool for them to promote social inclusion. Concessionary travel schemes have a number of indirect effects. The bus industry is quite dependent on the income from concessionary schemes. At the moment, throughout the United Kingdom, approximately 14 per cent of the industry's income comes from concessionary schemes. Arguably, that figure is even higher in Scotland where concessions are more generous than those south of the border. Payment for supported services makes up only 10 per cent of income for operators, which gives a clear indication of the importance of concessionary schemes.

Concessionary travel schemes also assist in safeguarding the bus network, especially during off-peak periods and weekends, when often the majority of passengers are pensioners and disabled people. Should concessionary schemes be cut back, the number of such passengers would be reduced, with the effect of contracting the network. Such contraction would affect not only concession holders, but full fare paying passengers.

It could be argued that under the Transport Act 1985 local authorities should support the network through tenders, but there is no doubt that it is

also supported through concession schemes. I refer members to the three diagrams at the back of the paper that I have circulated, which show the large variations between authorities in expenditure on concessionary travel. The authority with the lowest expenditure spent only one sixth of the amount per head of population spent by the more generous authorities.

When it comes to support of the network, however, rural authorities are the higher spenders. City councils in general spend less. The ratio is typically something like a factor of four. If one adds the two together, one finds that the variation between authorities is not that great, so if one looks at concession and support for services together, the lowest and highest variation between authorities are perhaps only a factor of two. That shows that concession schemes assist in supporting networks.

We are all aware of rail concessions, but they are not as extensive as bus concessions and it could be argued that local authorities, as well as the concession users, view rail concession as being of lesser importance than bus concession. With the possible exception of Strathclyde, the income from concession schemes to rail operators is of much lower significance than it is to bus operators.

A further indirect benefit from concession schemes is traffic reduction. Generous concession schemes encourage people to get out of their cars. The growth in car ownership is highest among the elderly. Twenty years ago, people who reached pensionable age were not normally car owners, whereas now such people have got used to their cars. They grew up during the 1950s, when mass car ownership really took off.

Road safety is also a factor, as road accident statistics show a marked increase for fairly elderly people, whereas statistics covering other types of accident normally decrease. Concession schemes certainly have an effect on that.

Finally, I stress the importance of concession schemes to 16 to 18-year-olds who travel to school. There are problems with car traffic around schools and we encourage safe travel to school. Schemes for 16 to 18-year-olds encourage pupils to take the bus—that is, schemes for those pupils who do not already receive free travel from school because of distance. It also encourages young people to use the bus in the future. They gain confidence in public transport.

Moving on to the second topic, the current scope and focus of travel concession schemes, the briefing paper outlines eligibility for concession and I will not dwell on that point. Most authorities operate schemes for the elderly and disabled. In respect of concessions for young people, only a

handful of local authorities include such schemes for 16 to 18-year-olds. For the lower age groups, schemes are provided by operators on a commercial basis, usually by charging half-fare for those aged up to 16. I would argue that the indirect benefits of travel concession schemes, in terms of road safety, traffic reduction and sustaining the bus network, are achieved, to a reasonable extent.

However, there are a large number of groups who are not covered by travel concession schemes, such as the unemployed, single parents and people on income support, although we should acknowledge and congratulate those operators that have shown their initiative by introducing special deals for job seekers on a commercial basis. On the other hand, it could be argued that a fair number of retired people are relatively well off and perhaps do not warrant such a high priority in terms of reduced fares. The main objective—to provide affordable travel for low-income groups and to promote social inclusion—is only partially achieved by the current schemes. Perhaps some of the resources that benefit those pensioners who are better off could be better utilised elsewhere.

It is also necessary to look at the legal considerations. Lawyers have advised me that it is not that straightforward to change the categories. The way in which the act is worded could lead to a legal challenge if certain people within a group are excluded from the concession schemes. We would prefer to see a change in the legislation should this be the direction in which the country goes. There is, however, a catch-all in section 93(7)(f), under which the Scottish Executive has powers to include additional groups. Nevertheless, we must be careful not to take action that might lead to legal challenge.

10:15

I want to raise the issue of financial constraints and the administrative complexities of current concession schemes. There is no doubt that concession schemes have become much more vulnerable to cutbacks in local authority expenditure. Many councils also face a funding crisis due to steep price increases, and sudden increases of 10 per cent in concession expenditure are not uncommon. Of course, local authorities have great difficulties in dealing with such sudden hikes, especially when budgets have not taken full account of what is likely to happen. The rules regarding financial reimbursement for operators are extremely complex and I suggest that operators and councils alike would benefit from a review of those rules. In contrast, payments to rail operators are arranged through individual agreements and there are therefore great

variations throughout the country for payments to ScotRail. Again, there ought to be a review of that situation.

Reorganisations in local government in 1996 also caused difficulties. Some operators now have to cope with three or four concession schemes on just one service, and that places extreme demands on the drivers. Some standardisation of schemes would therefore be of benefit. Some authorities, in the Lothians and the Grampians for example, have arranged joint schemes, but it has been difficult to sustain those systems.

The issue of a national concession scheme has been raised and I would argue that such a scheme would require completely different administrative and funding arrangements from those that are in place today. There is no doubt that additional financial resources would be required, and there may also have to be changes to legislation.

However, a national concession scheme would have a number of benefits. It would increase travel and social benefits for the most vulnerable groups. It would remove the perceived unfairness of variations in local schemes from one authority to another. It would avoid the difficult and controversial task of estimating generated travel as part of the complex apparatus for reimbursing operators. It would allow local authorities to concentrate on the important task of quality partnerships and quality contracts, rather than spending lots of time on dealing with concessionary schemes. It would also lead to greater consistency in concessionary travel and to a more stable basis for funding. I believe that local authorities ought to have powers to top up facilities for concession schemes. Of course, some authorities, including my own, value such schemes very highly.

It is difficult to envisage a national travel scheme being established without additional funding. A voluntary scheme is being introduced for the blind, but there is only limited scope to expand it any further. For a national scheme involving a significant number of people, one possible option would be to force operators by law to carry the relevant concession groups on, for example, a half-fare basis without any direct reimbursement. As a possible compensation, there could be an increase in fuel duty rebate, because that is the existing apparatus that is available to the Government to pay operators. Such an arrangement would simplify administration, and I am fairly sure that, in the long run, such an arrangement will be viewed as a natural right for the relevant groups, just as the current half-fare schemes for young people and teenagers are viewed as a natural right.

Along similar lines, compensation for rail travel could be incorporated into new franchising

arrangements. Again, that would simplify the administration procedures. However, should we continue the existing principle of an operator being no better or worse off, a national administration system would have to be set up, incorporating a complex monitoring procedure. The development of smart cards might simplify the process.

I would have to ask whether a national concession scheme would provide best value. Originally, concession schemes were set up to assist people in travelling to their local town centre, to go shopping and to gain access to essential services. If that was expanded to become a national scheme, allowing travel all over Scotland, there would still be a cost to the user at the end of the journey, and we might still exclude certain low-income groups from benefiting. I would have to ask whether we were putting resources in the right place to gain best value.

Most authorities in Scotland operate a taxicard scheme. There are many differences between the schemes, which is confusing for taxi operators. Standardisation would improve the situation.

In conclusion, we ought to reassess who should receive assistance and what level of benefit should be offered—that is a best value exercise. We should consider scope for greater standardisation of concession schemes. We should definitely simplify the administrative procedures. We must review and amend legislation as required. Finally, of course, we must consider who will pay for it all.

**The Convener:** Thank you, Trond. The committee will now put questions to the COSLA team.

**Tavish Scott (Shetland) (LD):** I have one question on the last point about assessing who should receive assistance and the level of the benefits. Are you saying that, in terms of introducing a national scheme, you are concerned that not enough research has been done to give the committee and the Executive a clear direction?

**Trond Haugen:** That is my opinion.

**Tavish Scott:** How considerable would those research projects have to be to give us the information that we need to reach a considered opinion on the subject?

**Trond Haugen:** We would have to discover the existing usage amongst the groups that we want to include. We would also need to divide those groups into various social categories in order to discover who is not travelling under existing arrangements. Resources could then be targeted towards helping the people with the greatest need.

**Tavish Scott:** How much of that information does COSLA have? As you are shaking your heads, I take it that COSLA does not have very

much information.

**Tim Stone:** No.

**Trond Haugen:** COSLA does not have that much information.

**The Convener:** Thank you, Tavish. Helen and Murray have some questions.

**Helen Eadie (Dunfermline East) (Lab):** Trond mentioned franchising. Does he have a view on franchising versus the current deregulated system? I understand that franchising might provide a better contractual basis for local authorities to set standards and specifications. That would be of particular benefit to rural areas.

**Trond Haugen:** There is no doubt that the deregulated regime has increased fares to a large extent. It is often difficult for local authorities to add services under the current complex regulations. By franchising or through quality contracts, local authorities would have a say in fare levels, but they must also be prepared to put the money into services, because if the operators receive less income in fares, a greater part of the network will have to be supported.

Franchising is, however, the way forward in terms of promoting social inclusion. Local concession schemes can be incorporated, avoiding complicated administrative arrangements.

**The Convener:** Feel free, David and Tim, to indicate if you want to speak.

**Mr Murray Tosh (South of Scotland) (Con):** I have a number of wee queries. There were a couple of points on which, going through your presentation, I was not entirely clear. One of those, Trond, was on page 2, paragraph 2, about the possibility of supporting services

"through tenders rather than indirectly through travel concession schemes."

I am not clear what you meant by that. My other query is about page 5, in the second paragraph under "Financial Constraints". You describe the regulations as complex and say that they would benefit from a review. I wonder if you could give us a brief example of that, to let us see what you are thinking of, so that we can appreciate how worth while that might be.

**Trond Haugen:** The first point about tenders as opposed to concessions is that this is the thinking behind the Transport Act 1985: local authorities should tender for services that are not commercially viable—and they do. In addition, the diagrams at the back of our presentation show that we indirectly support a network through the concession scheme, not just through tenders. If we take away the concession scheme, the network would contract. Theoretically, there

should be no effect, but I am absolutely convinced that the effect on a network would be great. All local authorities have an extensive part of the network—between 10 and 70 per cent—directly supported through tenders.

**David Hunter (Convention of Scottish Local Authorities):** Mr Tosh's second point was about the complexity of regulations, as was mentioned in the presentation. One aspect can be illustrated by a bus route from Edinburgh to Peebles. It now goes through three local authority areas, and the bus company may have to claim for concessionary travel from three different councils under three different schemes. One may be a flat fare; one may be a free fare. There may be different arrangements for season ticket journeys or for blind passengers. Making such claims is quite a job, as I am sure the Confederation of Passenger Transport and FirstGroup representatives will say later this morning.

Other complexities are covered briefly, but succinctly, in the SPICe briefing, relating to the generation of travel. Councils discount the payments that they make to operators to take account of the journeys that are deemed to be taken because of the cheaper concessionary fare. Those lower levels have generated traffic—it gets pretty complex and arcane, and it varies between the schemes. Since 1996 in particular, when there have been more local authorities and more concessionary travel schemes, the degree of complexity and the variety between the schemes in different parts of the country has increased.

**Mr Tosh:** I take the point about the increased variety causing difficulty, but where do the complexities pose a problem?

**David Hunter:** With regard to the travel generated, one of the principles of concessionary travel is that the operator is supposed to be no better and no worse off than they would have been if the scheme did not exist. That relies on all sorts of assumptions, most of which are entirely unprovable, about how many people would have travelled in the absence of the scheme, how much they would have paid and similar factors. Generally, councils feel that they are paying too much and the bus operators probably feel that they are paying too much.

10:30

**Mr Tosh:** If it is unprovable and unmeasurable, is there scope for us to examine it?

**Trond Haugen:** A consultant has been appointed by the Department of the Environment, Transport and the Regions specifically to examine the issue. A draft report has already been produced, which local authorities and operators will study in detail in due course.



**David Hunter:** My personal view is that a review of the literature, the modelling and so on would be justifiable. Because these are hypothetical questions, it would not be warranted to spend a great deal of money on what would ultimately be hypothetical answers. However, a review of the literature could be justified.

**Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab):** I am interested in the notion that has been raised in the paper, and which you also mentioned, of a national scheme that would operate by force of law to make the operators carry certain groups of people and that would consider more creative ways of refunding or reimbursing the costs. I have an interest in that because people in the rural communities are concerned, particularly those who need access to transport because they must travel to hospitals or take up education opportunities—needs that are currently outwith the scope of the schemes. Could you say a wee bit more about that? Are there places where that has worked in practice or models that will allow us to examine in more detail how it might operate? Is that a good idea, which we should investigate further?

**Trond Haugen:** Such schemes are not uncommon in continental countries, where operators are forced, through legislation, to carry certain groups of people. I am not sure how the funding process works in those countries—whether through a fuel duty rebate or by a standard payment that is made by local authorities or the Government.

**Cathy Jamieson:** So there are schemes that we could examine in more detail, to determine how they might be translated?

**Trond Haugen:** There are definitely schemes that involve legislation.

**Mr Kenny MacAskill (Lothians) (SNP):** I have three questions to ask. My first relates to the operation of such a scheme, and follows on from Helen's comments. Do you think that quality contracts rather than partnerships will be necessary for the administration of the scheme?

My second question is: if we were to deal with the matter by seeking a variation in the fuel duty rebate, at what level would we seek to do that? Given that the Government is likely to receive a substantial increase through inflation, plus the 6 per cent increase, what amount are we talking about? Would we be asking the Government to give us more, or would we be seeking simply to give back to the people of Scotland what they already have? Thirdly, does COSLA have any view about the extension of FDR to taxi services in rural areas?

**Tim Stone:** The issue of quality partnerships is separate from the notion of a national

concessionary fare scheme. Quality partnerships concern local arrangements to deliver better local bus services, rather than subsidising people to travel on those bus services. The two issues should be kept separate. Our position on quality partnerships was made clear in our response in the bus consultation paper. We were concerned that the consultation paper played down quality contracts in favour of quality partnerships. We felt that there should be a greater balance, and that there would be a need for quality contracts.

We have no direct evidence on the FDR that would be needed. That would depend partly on the national concessionary scheme that was proposed and the groups that would be included. The evidence that we have from the national scheme for the blind, which was introduced in partnership with the operators on a voluntary basis, suggests that there will be additional costs, both to operators and to councils. That would be the case certainly in the short term, and possibly in the longer term. However, those costs would not be great.

We are talking about a small group, which would require about 12,000 blind concessionary travel orders. If that figure is extended to include all the groups that are covered at the moment, more than 800,000 people in Scotland receive concessions in some shape or form. If the scheme were extended further, to unemployed people and groups that are not covered, the sums involved would increase substantially.

We suspect that if groups other than blind people were included, those groups might well undertake more national travel than was anticipated for blind people. The two issues must go together. Once we know the scheme that is proposed, we can start to make an estimate of the costs.

COSLA has not yet expressed a view on the issue of rural areas and fuel duty rebate for taxis.

**The Convener:** Robin, very briefly, do you have any questions?

**Robin Harper (Lothians) (Green):** I will pass. Most of my questions have been answered.

**The Convener:** I appreciate your co-operation, Robin. We have a lot of business to get through this morning and many people who will give evidence.

I thank Trond, Tim and David for coming along this morning.

We are now joined by Malcolm Reid and Anne Gibson of Strathclyde Passenger Transport.

**Malcolm Reid (Strathclyde Passenger Transport):** First, I introduce Anne Gibson, the

financial accountant in SPT who is responsible for looking after the concession scheme. I will pass any difficult questions to her.

I do not want to go over the evidence that COSLA has presented. I thought that members of the committee might be interested to hear a bit more detail about the operation of the Strathclyde scheme, which is probably the largest in Scotland. My perspective will be different, but I will touch on a number of the issues that have already been mentioned.

We have 309,000 cardholders in Strathclyde; that is a significant proportion—probably around 15 per cent—of the area's total population. Slightly more than 80 per cent of cardholders are elderly, with the balance made up of people with various categories of disability, of whom about 70 per cent are people with a physical handicap. The next biggest group—about 17 per cent—comprises people with either a mental handicap or a severe learning disability. About 7 per cent are registered blind and there are smaller numbers in several other categories. The tests that we use in Strathclyde are age, as defined in the relevant legislation; disability, satisfying criteria that have been agreed with the social work departments and the health boards; or inability to drive, for example someone who is epileptic and cannot hold a driving licence. We spread the net fairly widely to encompass groups of people who would find difficulty with independent transport and who have a social need.

It is fair to say that the Strathclyde scheme goes back to local government reorganisation in 1975. The vision of the scheme's founding fathers was of a scheme that would give mobility at a relatively affordable price to defined categories of the community that were less able to pay the full market price. COSLA's evidence has demonstrated how the cost of transport has become increasingly burdensome for some groups in the community.

Having said that, we recognise that the scheme is a crude tool for providing social assistance. Some people who benefit from the scheme are well able to pay full fares, but a choice has to be made between a scheme that is easy to administer and to understand but fairly blunt, and a scheme that is more targeted. We have always worked on the basis that the relative cost of the scheme justifies the broad approach.

Public support for the scheme and its value to the elderly and other eligible categories in Strathclyde were amply demonstrated at the time of local government reorganisation, when there was considerable pressure to retain the Strathclyde scheme in more or less its present form. The requirement to carry over a pre-reorganisation scheme into the current local

government structure has meant that we have a complex set of administrative arrangements for the Strathclyde scheme.

The Strathclyde Passenger Transport area no longer coincides with the former regional council area of Strathclyde. To retain the benefits of the Strathclyde scheme throughout the 12 new unitary authority areas, the scheme is the joint property of those unitary authorities and of the passenger transport authority. It is a very strange animal. It has its own set of accounts and as of next week will have its own administrative committee. It is a joint scheme for which the rules and regulations are jointly determined.

The passenger transport executive administers the scheme on behalf of the sponsoring authorities, but that is not part of the normal PTE function. We do that effectively as agents for the scheme sponsors. In practice, we are doing what we did before reorganisation: we are running the scheme throughout Strathclyde and we have built up a body of expertise and knowledge in applying the principles of the scheme and in interpreting the case law, which gets more complex as new administrative issues arise.

We have just over 300,000 cardholders in the scheme who make an average of 163 journeys each per annum—a total of 61.2 million journeys. The administrative cost to the councils is just over £18.5 million. The bulk of that is made up of compensation to the bus and other transport operators that provide the scheme. The basic principle on which the scheme operates is a flat fare—currently 35p—which is available for any journey of up to 10 miles that starts within the former Strathclyde area. We do not cater for long, cross-boundary journeys. For example, you could not travel to Edinburgh on the Strathclyde concession scheme. You could travel a maximum of 10 miles into an adjoining area.

The scheme applies to rail and also to ferry services for those who live on an island or peninsula in the scheme area. For example, if you live in Dunoon, you can get a concession fare to Gourock. If you live in Gourock you cannot get a fare across to Dunoon. The scheme is geared towards essential journeys and to the residents of the area. The residence test that we apply is that someone has to be a council tax payer or resident in the area—that is the sole test of eligibility.

For journeys in excess of 10 miles, the calculation is that we deduct the average fare for the 10 mile portion of the journey, and then the passenger pays 35p plus the additional cost for the extra mileage in the journey. That is how it applies on the bus. Because there is a national railway concessionary travel scheme that is half-fare based, for journeys over 10 miles, the charge is half the adult return fare. We have slightly

different reimbursement principles for bus and rail journeys over 10 miles, but the scheme is basically geared towards relatively short journeys. The average journey length is about three miles.

Compensation is based on reimbursing the operator for the revenue that it has lost because the concession fare is paid. You have already heard that we apply a generation factor of around 30 per cent; we calculate that about 30 per cent of the traffic carried at concession fare would not otherwise be carried by the operators.

I do not want to disagree with the previous evidence, but there is a fair body of expert evidence about elasticity and the effects of different fare levels. We are confident in our approach to elasticity because the concessionary fare legislation allows an operator to appeal if it disagrees with our figures. There was an appeal in the early 1990s to the then Scottish Office when both the operator and ourselves had the opportunity to present evidence. The inquiry found in favour of the principles that Strathclyde adopted at that time, which provides external validation of the principles that we have used in applying a generation factor to our fare calculation.

10:45

With regard to extending the scheme on a national basis, we have always taken the view that the scheme was designed primarily to cater for local journeys. To provide national travel involves new principles and a different category of travel from that which is catered for under our existing scheme. It would open up a different category of journey to existing cardholders in Strathclyde. It is difficult to predict the effect of incoming cardholders on the Strathclyde scheme. There has been interest for a long time at UK level in providing for national interavailability of travel concessions. It is a common complaint, for example, that when a cardholder goes on holiday in another part of Britain, they cannot get a concession. One must ask whether that is the purpose of the concession scheme.

We have adopted two basic principles, which could be useful in informing consideration of a national scheme and how the reimbursements should operate. An important principle is that the cost of the scheme should not be borne by other passengers. Remember that public transport users, by and large, are not among the wealthiest sector of the community. It would be wrong for other passengers to cross-subsidise the journeys of concessionary passengers. This is a social obligation, so it should be met by the community, not internalised in the public transport sector. That principle is well established in the case law on concessionary travel schemes.

The second principle has already been mentioned—that the bus operator should be no better and no worse off as a result of the operation of the scheme. That raises questions about the degree of generated travel, the amount of travel that would not otherwise have taken place. I accept that that involves dealing with hypotheticals as there is some imponderability, but it should be possible to establish reasonably accurately the extent to which travel is generated as a result of reduced fares.

Moving to a national scheme would create a new set of circumstances. Categories of journey would be carried that are not at present part of any local authority scheme, so it would be necessary to carry out surveys and research if such a scheme were to be introduced. There are comparators that we could use. For example, there is the rail national commercial concessionary scheme for elderly people. That should provide data on the type and length of trips that pensioners would make if there were a national interavailable scheme on all modes of transport.

On what was said earlier about franchise arrangements, I have no problem with building into the terms of any public transport concession an obligation to take concessionary travellers. We must respect the principle that the cost of providing that should be transparent and met from sources other than fare payers. As far as Strathclyde is concerned, I must declare an interest as we have a revenue interest in rail passenger carryings on the Strathclyde network. A national scheme that built that into the reimbursement arrangements for the ScotRail franchise would ultimately flow through Strathclyde Passenger Transport and back to the Scottish Executive, so money would go in a bit of a roundabout way. If rail passengers in Strathclyde were given a concessionary fare as part of the franchise agreement, the public purse would ultimately pick up the cost under present financing arrangements.

That is all that I will say on the general introductory principles. I am happy to answer any questions that committee members may have.

**The Convener:** Thank you, Malcolm.

**Tavish Scott:** We heard concerns about the bureaucracy involved in administering the scheme. It was mentioned that the total cost is £18.5 million per annum. What proportion of that is spent on administration? You said that it is a very small proportion.

**Malcolm Reid:** In total, less than £400,000 is spent on administering the scheme, the bulk of which is the payment to the Post Office, which issues our concession cards. Anne can tell us exactly how many of our staff are directly involved

in administering the scheme—it is a relatively small number.

**Anne Gibson (Strathclyde Passenger Transport):** We employ approximately eight clerical staff who issue the cards and a further four clerical staff who deal with compensation payments.

**Tavish Scott:** Are there annual negotiations with the 12 constituent authorities that work with you on the scheme? How does the committee that you are establishing to oversee the scheme work in practice?

**Malcolm Reid:** It does not work in practice—in fact, the scheme has consumed its own smoke since local government reorganisation. The budget has been sufficient to allow the scheme to roll on year on year. Although we have been pressing the constituent authorities to regularise matters and to hold a meeting, it has never been urgent, as we have not increased the call on the constituent authorities beyond the level of inflation.

It is necessary for the joint committee for the Strathclyde scheme to meet for the first time—it will be meeting shortly—because the national scheme for the blind will involve some changes to the scheme's conditions that must be agreed properly.

**Tavish Scott:** Thank you.

**The Convener:** Malcolm, you get about in the industry—you have been involved in it for a long time. Are you aware of models of good practice? Who does it better than us? Can you shed any light on the situation in continental countries? Do you think that their schemes are better?

**Malcolm Reid:** To be honest, I do not have much first-hand knowledge of continental practice. Generally, there is a greater willingness in Europe to build provision into the requirements of public transport operation, to meet certain social obligations. However, that is matched by the fact that, in general, public support for public transport and the local or national subsidy are much higher and part of a package. The requirement to provide concessions for certain categories of passengers—famously, the war wounded, but also the wider groups of society that we have been discussing—can be explicitly built into a public service obligation under European law.

In other British schemes, it is a matter of local priority. There is much to commend in the London scheme, which offers a wide travel area, but it is appropriate to a dense, built-up area. The Strathclyde area is comparable in some respects, but the public transport network is much less dense. One of the problems with concessionary travel schemes is that they are only as good as the available transport system. In a rural area,

where the choice is limited in any case, the fine detail of the scheme is probably less important than ensuring that there is a bus to carry people when and where they need to travel. In general, the practice in rural areas has been to move towards half-fare schemes, as they are easy to understand and to administer. We have a mixed area and have therefore gone for a compromise, which builds in some distance relationship but which maintains the flat-fare notion that is typical of and quite common among UK schemes.

In Strathclyde, we started off with a relatively low flat fare of 5p. To be honest, I have not tracked it against inflation, but we now charge 35p which, in UK terms, is quite expensive. We have no strong evidence of resistance by users to a particular level of fare when the fares are changed, although it becomes a political and emotive issue. Although there is some tailing-off of use—and we would expect that marginal journeys would be suppressed—and while the 35p fare may be higher than we would like to charge for social reasons, nevertheless it does not seem to be a significant deterrent to bus use. It is a question of whether one goes for a flat-fare scheme—or even a free scheme—or whether one implements a graduated scheme, which reflects more closely the fares that are charged to other members of the public.

**Mr Tosh:** I would like to explore the difference between the rail scheme, although I appreciate that Strathclyde Passenger Transport does not administer it, and the bus scheme, which you do administer.

Rail travel is obviously geared more towards journeys of more than 10 miles and allows beneficiaries to indulge in the sort of journeys that the rest of us enjoy—for leisure, shopping, family visits and holidays, for example. If our aim is to promote social inclusion, should not we seek to extend such benefits through bus schemes to people who do not have that facility? This may be saloon-bar wisdom, but, as off-peak, longer-range buses are running anyway, would there be substantial costs for operators and, therefore, ultimately for the public purse, if we extended such schemes to allow a more long-distance focus? What is your view on that, based on what you know about the rail scheme?

**Malcolm Reid:** Perhaps I did not make myself clear. Our rail scheme runs in parallel with the national rail scheme. The difference between the Strathclyde scheme and the national rail scheme is, first, that we apply a 35p flat fare for journeys of up to 10 miles on the local rail network, where—it is probably fair to say—journeys tend to be longer than on the bus network. Secondly, unlike the national railway scheme, we do not charge for a card. Therefore, someone living in Strathclyde

who wants to travel by rail within the Strathclyde boundary can get benefits close to those offered under the national scheme without having to pay the up-front cost of a card.

The national rail scheme is a commercial product offered by the railway companies, which have calculated—to pick up on your logic—that it is worth carrying the extra passengers generated by a half-fare scheme for the elderly: the extra fares that those passengers bring into the railway system, plus the flat fare for the card, more than outweigh the cost of any loss of revenue that results from people who would previously have paid the full fare paying the half fare. A number of bus and coach operators have made the same calculation: that it is commercially worth while to carry passengers on long-distance services at a concessionary rate, as long as the catchment area and target market are defined and the scheme is treated as a marketing exercise.

However, when one extends the principle of people in certain categories having an automatic entitlement to reduced rate travel—whatever the distance—the issue that then arises is, who pays? If we say, for example, that someone living in Scotland should have a right to half-price travel by coach or rail to London, do we then extend that right to travel on the airlines? The issue raises questions about modal comparisons.

One of the important principles that we have followed in the Strathclyde scheme is the use of marginal capacity—we are filling seats that would otherwise be empty. As long as that principle applies, the logic that you suggested applies. The difficulty is that different types of transport have different load factors and different displacement effects. For example, we do not as a rule allow concessionary travellers to travel before 9 o'clock, because the buses are busy and there is a risk that a concessionary traveller would displace a full fare paying traveller. The bus company would rightly want compensation for that. It is a question of judgment and, ultimately—as the previous witnesses have said—of how such schemes are paid for. It is a political choice, which it is open to the Scottish Parliament to make.

**Helen Eadie:** I have two questions. First, the issue of disability troubles me enormously. Do you feel that there is scope for research in that area? My experience in Fife is that there are many people who would like to travel, but who do not because, for one reason or another, the industry—I will call it that—does not facilitate it.

My second question follows the convener's train of thought on best practice, particularly on mainland Europe. Do you know anything about the Freiburg ticket, which is a very interesting scheme that has evolved over recent years and into which St Andrews University has done some research? I

understand that that ticket has resulted in a doubling of the use of public transport; that it is transferable among members of a family; and that it has halved the cost of travelling for people in the Freiburg area, which I think takes in around 32 or 36 authorities.

11:00

**Malcolm Reid:** I am sorry—I am not aware of that scheme. What you have said interests me and I shall certainly inquire into it. There may be lessons to be learnt. It sounds as if it is targeted not just at traditional concessionary ticket holders, but, as you say, at the whole family.

**Helen Eadie:** We are interested in the scheme not just because of concessions, but because of the desire to reduce the number of people on the roads.

**Malcolm Reid:** In the wider context of the Government's integrated transport white papers, reducing the cost of public transport for families and reducing traffic on the roads are the sorts of areas that we will have to get into. Travelling with four people in a car costs no more than travelling with one person; but taking a family out on public transport can be very expensive. In a marginal way, we have tried to address that in Strathclyde by providing tickets that are effectively day trip tickets for families. However, we have not gone as far as the example you gave.

On disability and the inability of certain groups to travel, one has to accept that there are some people for whom public transport will never be accessible. We are considering alternatives such as the dial-a-bus scheme that we operate in Strathclyde, which provides door-to-door transport for people who would find it difficult to walk to a bus stop. There will always be some people who will need special provision.

At one time, there was a fairly narrow definition of handicap when considering which groups would qualify for concessionary travel. That has now been widened. For example, it was regarded as something of a breakthrough when the deaf were admitted to the Strathclyde scheme. As I mentioned earlier, an inability to drive for medical reasons, for which we apply a general test, now allows a person to access the scheme. We also recognise temporary disabilities. For example, someone who is not of pensionable age but who has had a hip replacement would qualify—perhaps not for ever, but for a period of time.

The difficulty—it is a difficulty with any system that deals with disability—is the screening process. We rely heavily on social work reports, backed up by medical referrals, to determine people's eligibility. In the early years of the scheme, we had problems. One can understand

that general practitioners can be put under pressure by patients to certify them as disabled when they may not have met the scheme's criteria. The system probably works better now and creates fewer referrals than before. It is more objective and it avoids the difficulty of involving the doctor-patient relationship in the test of eligibility.

**Nora Radcliffe (Gordon) (LD):** I live in the Grampian area. We had a region-wide scheme that collapsed when one partner withdrew, as you will know. I wondered about the stability of the scheme in Strathclyde. How big a factor has the absence of financial pressures on it been?

You say that you use only marginal capacity for your scheme. If the scheme is extended to cover people who need to travel to work—you probably are including those people if you are talking about people who cannot drive as that does not mean that they cannot work—would that not put a fair amount of financial pressure on it?

**Malcolm Reid:** Yes, I agree; there is a 9 o'clock cut off. Until about 10 years ago we also had an evening peak restriction, which was eased when we increased the concessionary charge. I know that the committee will consider various ways of improving the scheme and the costs of doing so. It will be up to the scheme's sponsors whether they want to invest in extending eligibility or the hours of operation.

I agree that the coherence and stability of the scheme have been kept because we have not had to go back year on year for increases. It is fair to say that we have had one or two marginal problems. In particular, Argyll and Bute has asked whether a scheme that is largely focused on urban areas is appropriate for its needs. Arrangements in the scheme, which were agreed at reorganisation, give Argyll and Bute a different financial basis that reflects the fact that there is less public transport there.

Across the scheme area, the recharge basis is the proportion of elderly population within the local authority area, but marginal adjustments were made for Argyll and Bute because the ability to travel was less there. We also made arrangements to relax the 10-mile rule in remote areas in which the nearest town with shopping or medical facilities might not be within 10 miles.

**Nora Radcliffe:** I have other questions. Can I carry on?

**The Convener:** If the questions are brief.

**Nora Radcliffe:** Did I hear correctly that you said that a national scheme would involve nationwide travel? Why did you make that assumption? There could be a national scheme that replicated the 10-mile rule of your scheme.

**Malcolm Reid:** The assumption was wrong.

**Nora Radcliffe:** It is an option.

**Malcolm Reid:** There would be no problem having a scheme with national eligibility but within local travel bounds.

**Nora Radcliffe:** Does Argyll and Bute do complementary things, similar to what Aberdeenshire does in tendering for bus routes that would not otherwise be viable?

**Malcolm Reid:** Argyll and Bute procures its own bus services and tenders in the normal way.

**Nora Radcliffe:** So Argyll and Bute is outwith your scheme, but it provides a supplement?

**Malcolm Reid:** Obviously, concessionary travel income will be part of what the operator takes into account.

**Mr MacAskill:** I want to put to Malcolm Reid much the same points that I put to COSLA.

Do you see contracts or partnerships being part of a national travel concession scheme?

What is your view of COSLA's suggestion that a national scheme could be funded by an expansion of fuel duty rebate? If that happened, how would you deal with other forms of transport, such as ferries, which clearly could not be covered by FDR?

What is the position of SPT on fuel duty rebate and the fuel duty escalator, as we veer towards another 6 per cent hike?

**Malcolm Reid:** Fuel duty rebate is not a matter that we have addressed either at officer level or politically. My authority has not taken a view on it but has accepted it as part of the environment. I know that views on the appropriateness of extending fuel duty rebates have been expressed in other authorities.

**Mr MacAskill:** How does it affect your fares?

**Malcolm Reid:** Ultimately, fuel duty rebate is one element. Fares have been kept relatively stable in Strathclyde for the past couple of years despite the reduction in the effectiveness of the rebate.

How an extended concessionary scheme would be funded should be determined nationally. Fuel duty rebate is one way of doing it. My concern is that fuel duty rebate is a blanket rebate. Transparency would be lost and we would not be aware of how many passengers were being carried on each route. The result could be, in effect, to give a blanket subsidy to operators with little accountability for what they were providing.

This is not an issue to which I had given much thought before Mr MacAskill asked the question, but the fuel duty rebate seems to me to be something of a blunt tool. Our dialogue with the

operators about reimbursement and about the calculation has proved a useful discipline for both sides. It helps us to understand passenger needs and helps the operator to know what proportion of their costs is attributable to carrying concessionary travel cardholders. There needs to be some element of accountability—some way of tracking that the funding is matched by an uptake of benefits.

Mr MacAskill asked about building concessionary travel into quality partnerships or quality contracts. As a matter of course, we expect any of our subsidised bus operators to carry concessionary passengers as part of the contract. Obviously, it would be easy to extend that. Under the concessionary fare legislation, there are powers to serve a participation notice on an operator, so we already have a legislative means of compelling participation. At issue is whether we consider a different reimbursement mechanism and wrap up concessionary travel reimbursement in the arrangements for a quality contract or quality partnership.

**The Convener:** I thank both of you for coming along today. I now invite Marjory Rodger to submit evidence to the committee on behalf of the Confederation of Passenger Transport UK. I was waiting for questions, and then four came along at once. However, I will not draw any analogies.

**Marjory Rodger (Confederation of Passenger Transport UK):** Copies of the presentation have now arrived—better late than never.

**The Convener:** Thank you, Marjory. Would you like them to be handed out before you speak? David will take care of that.

**Marjory Rodger:** I thank the committee for giving CPT the opportunity to put the industry perspective. On seeing the names of today's other witnesses, I made the assumption that COSLA and SPT would present more than adequately both the historic and current situations regarding concessionary travel. I do not, therefore, intend to bore the committee by revisiting the Transport Act 1985.

Concessionary fare schemes are not a contentious issue between local government and the bus operators, so long as the concession schemes are seen to be fair and simple.

From the bus operators' perspective, these are the essential points to be borne in mind. First, concessionary fare schemes are not a subsidy to bus operators. They are instruments of social policy offering subsidised bus travel to elements of society for whom it is deemed appropriate. If concessionary fare schemes were withdrawn, the operators would be no worse off. Put simply, instead of 100 people paying 30p, there would be 30 people paying 100p. Turnover would go

down—but so would costs.

Secondly, operators need to be treated fairly by concessionary travel schemes. They need to be able to benefit by providing good services. For example, the largest concessionary travel schemes relate to senior citizens, who benefit from low-floor, easy-access buses. However, if the local authority says that there is no more money available to reimburse the operator, there is no incentive for the latter to make the additional investment. The operator should be allowed to make some level of legitimate profit.

Thirdly, reimbursement is normally calculated by using a generation factor. As previous speakers have said, that is based on the principle that passengers who are eligible for concessionary travel passes or subsidised travel make more journeys than they would have made if they did not have the concession passes and were required to pay the full cost of each journey. If a local authority offered a half-fare travel scheme, the operator would not be reimbursed for the full half of the revenue forgone—one-third reimbursement might be decided on. There is no standard method of calculating revenue forgone. Each scheme makes its own case.

11:15

The calculations might be based on average fare by route, on the revenue forgone by the journey or on some survey. The concept of extra journeys being generated is accepted by the operators, so long as the arithmetic is done in such a way that the operators are seen to be no worse off by participating in a concessionary travel scheme than they would have been had the full fare been paid.

About 25 concessionary travel schemes are operating in Scotland and most of them differ in their application and content. Some offer free fare, others half fare, and others a set fare. Some operators are involved in only one local authority area scheme, but Scottish Citylink Coaches, a cross-boundary service provider, is involved in nine concessionary travel schemes.

Concessionary travel schemes are legal arrangements and can be rigid and unvariable. When the local authority decides that it wants to introduce a variation to the scheme, the variation can be to the detriment of the participating operators.

Operators would welcome the introduction of a single national scheme for many reasons. It would be much simpler to ensure that drivers recognise passes, so a passenger's right to travel would not be queried—at present, drivers have to deal with a variety of passes. It would greatly simplify the administration involved in claiming payments.

However, operators would want such a scheme to be controlled centrally to ensure the correct payment structure and they would not want repayment calculations to be based on surveys, which, experience has shown, can be an inaccurate method of establishing the average for a set period of time. Ticket machine technology is sophisticated enough to provide accurate data, as long as the drivers are adequately trained.

The operators recognise the Government's concern about social inclusion issues. Similar concerns led to the introduction of the first concessionary travel schemes. The industry is doing what it can to make travelling by bus easier. It is investing heavily in easy-access vehicles, which will ensure that all but the most severely disabled will be able to travel by bus.

Bus and coach operators are also committed to driver training. Attainment standards for Scottish vocational qualifications have been set. A significant proportion of the SVQ standards relates to customer care. In addition, CPT and the operators are in discussion with groups such as ENABLE, which represents adults with learning disabilities, and the Scottish accessible transport alliance to try to incorporate their requests into the formal training programme.

CPT and the operators are committed to playing their part in improving integrated information. They aim to get the national golden number call centres up and running by 31 December 2000.

CPT is one of the lead bodies of project PTI 2000 and since CPT is the trade association for bus, coach and light rail, the funding that it has already laid out for the project has come from the operators, through their subscriptions.

The bus and coach industry is not averse to any concessionary travel scheme being broadened out to other groups in society, provided that the industry is not worse off by participating. Concessionary travel schemes are not a subsidy to bus operators. We can see an environmental benefit to broadening concessionary travel schemes in that a proportion of highly polluting older cars would be taken off the road.

The press release of 29 September 1999 about John Prescott's pledge for half-price travel for pensioners stated that the Government would give an extra £25 million to local authorities to fund the measure and that local authorities would be able to offer more generous schemes if they wanted to. Senior citizens who enjoy free travel, such as those in Fife, would cause an outcry if half-price travel were introduced. To the operators, it is a local authority budget decision relating to social policy.

The most recent example of development in the field is the national free concessionary travel for

the blind scheme, which will commence on 1 December this year. Bus operators are supporting the COSLA proposals, but they are concerned that as local authority budgets are already allocated for the current year, councils will not be required to pay any more than they do at present and any shortfall will be picked up by the operators as a gesture of good will. On the basis that the scheme is not a precedent and that it is being extended only because of the relatively small numbers involved, the operators are having to agree.

In summary, the concept of concessionary travel schemes is acceptable to the operators, provided that the industry would not be worse off by participating or that it would have to raise fares to fund such schemes. We would find it unacceptable if habitual bus users—a large proportion of whom come from the lower income groups—were required to subsidise travel for others.

**The Convener:** Thank you, Marjory.

**Cathy Jamieson:** I am looking for clarification. You mentioned that operators need to be treated fairly by concessionary travel schemes and that they should be able to make some level of legitimate profit.

**Marjory Rodger:** They should be able to profit generally, not through the travel schemes.

**Cathy Jamieson:** That answers my first point. My other point concerns the kind of schemes where local arrangements have been made with operators in relation to people on the new deal or those who are seeking employment. Is there scope for extending such schemes and, if so, what problems would we need to resolve?

**Marjory Rodger:** The operators made concessions over the new deal. A great deal of emphasis was put on the fact that it was a one-off initiative, that employers would give it only one chance and that young people would be disenchanted if it did not work. It was a gesture: to make an all-out effort for a finite period. We were worried about setting a precedent—where do you stop? One could argue that student nurses are badly off; one could keep going. There are many legitimate cases to be made—that is a worry. Ultimately, somebody has to pay.

**Cathy Jamieson:** Are you suggesting that extending the scheme in future is not an option?

**Marjory Rodger:** We went down that route for the blind scheme because of the small number involved. There is concern that the scheme will continue to be extended and that the operators will be expected to meet the cost. That is not possible without putting up fares.

**Mr MacAskill:** What are your views on the extension of the fuel duty rebate as a method of implementing a national scheme?



**Marjory Rodger:** It is not up to the industry to be prescriptive about how wide the scheme should be—that is a central and local government decision. It is up to government to define how schemes should be paid for. The fuel duty rebate is an option, but it is not the best solution.

**Mr MacAskill:** Why?

**Marjory Rodger:** You are talking about rural areas and social inclusion. The fuel duty rebate was brought in for environmental reasons. I am not arguing with those reasons, but the Government may wish to have a bigger overall review of funding so that rural areas—where fuel costs are recognised as being very high—might receive more help. It is not up to the industry to say how that should be done.

**Mr MacAskill:** Would you accept that the extension of FDR is a practical way for the industry to be subsidised directly?

**Marjory Rodger:** I accept that as an option. My point is that we should not be worse off by participating. It is not up to the industry to define how that is done.

**Nora Radcliffe:** I want to clarify something in your presentation. On the first page you say:

“Turnover would go down—but so would costs.”

Can you elaborate on that?

**Marjory Rodger:** As an example, Fife has a very generous concessionary travel scheme. Scottish Citylink has said that when its buses pull into Dunfermline, there are so many people with free passes going on shopping trips to Perth that the fare payers cannot get on. That means a second bus. If you duplicate, the costs go up. On some occasions you require less.

**Nora Radcliffe:** It is fairly marginal then.

**Helen Eadie:** You are absolutely spot on, Marjory. There would be a revolution in Fife if there was ever a hint of a suggestion that free fares would be taken away from elderly and disabled people.

Would you comment on my perception that although it is possible to negotiate with bus operators to maintain the low cost of a concessionary fare scheme and to have only modest increases, there is a hidden cost in that operators stop running bus routes in some of the more rural areas? When that happens, Fife has to come on board to subsidise additional costs. I know that Cathy and other colleagues around the table are very concerned about the withdrawal of bus services in rural areas and I know from my post-bag that that is a continuing problem.

**Marjory Rodger:** I am sorry. I lost the thread of that.

**Helen Eadie:** It was a difficult question.

**Marjory Rodger:** Yes, I followed you most of the way but lost you at the end.

**Helen Eadie:** I was trying to ask whether you think the bus operators are trying to pull a fast one in Fife by continually withdrawing services from rural areas?

**Marjory Rodger:** I remember the point I wanted to make. My perception is that it is the local authorities that fix the generation factors and the way in which reimbursement is made. That does not happen by joint negotiation. Only if the bus operators feel that they are losing out can they make a case. It is not as though there is a 50:50 basis for deciding reimbursement. The upper hand is with the local authorities.

**Helen Eadie:** But there is a virtual monopoly, and I am sure that a cartel is operating. Those are some of the issues here.

**Marjory Rodger:** I do not think that there is a cartel on concessionary fare schemes. I would have to take issue with that. We have been discussing concessionary fare schemes, and I do not see that they are used to cross-subsidise services.

**The Convener:** We will leave that issue there.

**Janis Hughes (Glasgow Rutherglen) (Lab):** Marjory, you mentioned that operators must be treated fairly under concessionary travel schemes. The converse is that travellers must be treated fairly too. You say that if the local authority says there is no money to reimburse the operator there is no incentive for the latter to make additional investment. Would you say that the operators have a responsibility in the current climate of social inclusion to consider how they could make further investment, irrespective of the reimbursement from local authorities?

**Marjory Rodger:** That is moving into the area that Kenny MacAskill describes as the quality partnership when he talks about senior citizens and easy access, and it is not the subject of today's presentation. I was trying to indicate by other measures that operators are thinking about how to make travel better. They are not just putting on buses to run from A to B; they are trying to improve information and they are opting for full Disabled Persons Transport Advisory Committee specifications. The law is moving that way for new registrations, but the operators have moved ahead of the deadlines. As fleet replacement goes through, all vehicles will meet DPTAC specifications. Depending on the model of the bus, the extra features cost £15,000 to £20,000 per vehicle. The industry is bearing those costs. Operators are trying to make bus travel easier and more acceptable—it is not as though they are

doing nothing.

**The Convener:** Marjory, I read the annual reports of bus companies—I am a sad person in that respect—and I see that profits are, on the whole, increasing. I am concerned that you keep returning to where the money is coming from, as if bus companies are on the threshold of disaster. That is not the impression that I get from the annual reports.

11:30

**Marjory Rodger:** I am not a financial accountant but, having been into some of the big transport groups' annual reports, I would say that money is not necessarily being generated by bus services as much as by other elements in their portfolios. That is, perhaps, a question more suited to the witness who will follow me.

**The Convener:** Perhaps it is. Thank you very much, Marjory—I appreciate your contribution.

We will now hear from Bob Montgomery from FirstGroup. He will be the last to give evidence in this part of the meeting on concessionary fares. Welcome to you, Bob. It is good to see you again.

**Bob Montgomery (FirstGroup):** Thank you, convener. I want to avoid covering things that have already been covered—particularly the issues that Marjory covered. I will, however, answer the question that she ducked out of and left.

**The Convener:** She cued you up well.

**Bob Montgomery:** We are to CPT what Strathclyde is to COSLA, in that FirstGroup is the largest bus operator in Scotland. We operate about 40 per cent of the buses in Scotland. We have a significant operation in Glasgow and another in Aberdeen. Our Edinburgh operation stretches from Balfron, across the central belt, through Edinburgh and down through the Borders to Berwick.

As an operator we have a fair amount of experience of different concessionary schemes, of how they impact on us and of how some of the things that Marjory mentioned in general terms impact on a particular operation. That is the area in which I might be able to help.

I would like to make three specific points and I will then be happy to answer any questions. My first point is one that Marjory made, but it is important—particularly in terms of the question that was left on the table when she left. As an operator we do not see concessionary fare schemes as any kind of subsidy to us. We see them as subsidies to particular customers of ours, because other people are contributing to the travel costs of the elderly, the infirm and various other

groups.

As an operator we are covered by the existing legislation, which obliges local authorities—or whoever is sponsoring the concessionary fare scheme—to ensure that the operator is no better or worse off as a result of participation in the scheme. We obviously appreciate the fact that concessionary fare schemes stimulate the market—we will support anything that stimulates the market and stimulates demand. At the end of the day, however, we cannot make any additional profit out of such schemes because of the way in which they are controlled.

Both COSLA and SPT have more or less confirmed that that is the situation. There have in the past been challenges to various schemes—FirstGroup has challenged certain schemes for not being generous enough. We felt that we would be worse off if we participated in them.

There are some schemes in which we have participated only as a result of receipt of a formal participation notice, because we felt that we were losing money by being involved in them. The general environment is not one in which concessionary schemes and the money that is put into them constitute subsidies to the operator. The schemes are a subsidy to those who use them.

As Marjory said, we are happy to co-operate with any concessionary fare scheme as long as it is fair and reasonable.

This might be the point at which I should pick up the issue of our annual report and investment. If members were to read the previous FirstGroup annual report, they would see that there are two significant figures. One figure is profit, which can be a big number in an organisation as large as ours. Our turnover is big and our business is big. If members revisit our annual report they should look at two numbers—profit and capital investment. From those two, members will see that we, as an operator, invest more in developing public transport than we earn from profits. Our capital investment is significantly higher than our profit figure.

It is worth pointing out that in a period of two and a half years we invested £50 million in our Glasgow business alone. We replaced almost half of the Glasgow bus fleet and virtually all that investment was in low-floor, easily accessible buses, which are of particular benefit to people who are covered by concessionary fare schemes.

I can speak only for FirstGroup, but to be fair to the other large public limited companies that are involved in bus operation in Scotland I will say that all have invested significant sums of money in the business. That is why Marjory commented that operators need a level of profit. If there is no profit, we cannot invest and we cannot get people to

invest in us. We can assure the committee that we are investing far more in developing the future of our business and in the future of public transport in Scotland than we earn from profit. That probably answers what seemed like a difficult question.

Although my second point is not of specific concern to us, we know from the way in which our business develops with our participation in concessionary fare schemes that it is of concern to the committee. We would be just as happy to participate in a national scheme as we are to participate in the series of local schemes that are run by local authorities. In some ways, a national scheme might be better for us in terms of administration, because our drivers would have to deal with just one pass instead of three.

A national scheme would have significant financial and political implications. It would impose national standards in place of local standards, and that would have different financial implications depending on the market environment, the kind of operation in question and the way in which the scheme is designed. For example, the Strathclyde scheme works well in Strathclyde but might produce a different range of costs if applied in Aberdeen. The Fife scheme applied to different areas would also produce different costs. As soon as the move to a national scheme takes place, the odds are that it would not be as tailored to the market as local schemes are, which could have significant cost implications.

As an operator, we are concerned that a national scheme would have to be properly funded. If it was not, it would inhibit our ability to invest in new buses and in developing our service or it would push us into a position in which we had to ask some of our customers to cross-subsidise others.

That possibility would concern any business, but it is of particular concern to us. The issue arises occasionally in the debate on quality contracts and quality partnerships. As soon as we begin to cross-subsidise, we find ourselves asking people in the areas where our strongest bus services operate—such as Easterhouse in Glasgow, where earnings and rates of car ownership are relatively low and travel can be difficult—to pay even higher fares to provide safety-net bus services in places such as Newton Mearns, where there are high levels of car ownership and people use buses only occasionally. We would question whether it is sensible to move in that direction. Encouraging cross-subsidy in the bus industry means that those without much money will end up supporting services in areas where there is a significant amount of money, and that is a dangerous path.

We also feel that, as Helen Eadie pointed out, there are political implications. Unless every authority is allowed to do what it wants, powers to

make local decisions about what is appropriate for an area will be taken away. We have a strong view that bus operation is a very local business. The bus service that people like in one town may not be the same as the service that people like in another. In running our business, we try not to impose national standards on the way in which we deliver services in Glasgow or in Aberdeen, for example. There are different markets and different environments, and the politicians with whom we deal all have different views. The committee must be aware that that is a political concern rather than our concern as operators. We are happy to co-operate with political decisions, but we recognise their significance, as we know that all the authorities that we deal with are proud of their own schemes and would not like them to be changed. We are happy to leave that dilemma for politicians to resolve.

My third point is that, whatever decisions are taken in future about concessionary fare schemes, we think it important that those decisions be taken in the context of where the public transport market, the environment and the industry are all going, rather than where they have come from.

As an industry, we have emerged from the toughest 30 years that we will ever experience. In the period between the mid-1960s and the mid-1990s, there was rising level of car ownership, rising prosperity and a reasonable amount of road space. The volume of people using buses declined fairly sharply; as a result, there was a limited amount of public finance, which caused fares to rise considerably. The whole environment of running buses has not been a pleasant place to be during the past 20 to 30 years. The market has been in constant decline and we have had to contend with that.

Earlier, Trond said that one of the main reasons for concessionary fare schemes was the tendency of the bus industry to increase fares regularly throughout the 1970s and 1980s. Every time that those fares increased, elderly people and others found it more difficult to travel, so concessionary fares became more important.

Malcolm Reid said that the fact that fares in Strathclyde had been relatively stable for the past couple of years had assisted the SPT scheme. The stability of the scheme is owing to the fact that there have been no increases in fares in the Glasgow area for two and a quarter years. There have been some fare reductions in that time. There was no pressure on the Strathclyde scheme, because the fares against which the reimbursement is benchmarked have been stable.

We are involved in partnership arrangements throughout Scotland—Aberdeen, Glasgow and Edinburgh—to develop the local bus market commercially, treating it as a consumer business,

considering what customers want and trying to encourage more people to use buses. That is a market-related strategy. We want to create a bus network, providing a bus service for everyone. That relates to social inclusion, because we want to create a bus network that people will choose to use, whether or not they have a car. If we can do that and maintain reasonable concessionary fares, we will have met the social inclusion factors.

It is important to look forward. The committee does not need to consider how to handle concessionary fares in an environment of declining bus use and substantial fare increases—the war zone of the past 20 or 30 years. We are now close to announcing the first significant passenger growth in bus use in Glasgow for 30 years. We are at a stage where all the partnership activities—including holding fares for more than two years—are creating a buoyant bus market: more people are using buses. There has also been an increase in passenger numbers in Edinburgh.

In Aberdeen, we made a commitment not to increase fares this financial year. That is something that we have never done before. We have advised Aberdeen City Council that, unless there is an absolute disaster, we will not increase fares in Aberdeen. There was a huge sigh of relief at the news, because the budget had always been based on the assumption that bus fares increase every year, with a knock-on effect on the concessionary fare scheme. That was a factor in the break-up of the joint Aberdeenshire Council and Aberdeen City Council scheme.

We want to pursue our Aberdeen strategy nationally. We are desperately trying to reverse the trend of declining bus use in the country as a whole. That is why we are investing and developing in such a way. Any changes to concessionary fares should be considered in that context. We must consider the direction that the public transport market is taking. The operators—particularly the large plc operators—take a fundamentally different approach to the market. We are driven by the need to get more people to use buses.

If we continue the policy of public sector-private sector partnership, in which the operator is developing the market and encouraging growing use, while the local authorities and the Government are investing in infrastructure and—where it makes sense—supporting concessionary fare schemes, we see a bright future for the industry. Concessionary fare schemes will also be less of a problem, because in the long run fares will be better value. The business is growing. As the largest operator in Scotland, we are keen to work in partnership with Government and local authorities to find the best commercial solutions to the various social problems.

11:45

Marjory alluded briefly to the national scheme for the blind, which will be introduced in November. That scheme will probably cost us money, but not a huge amount. Therefore, we are happy to participate in the scheme, to discover how it will work and develop. I repeat what Marjory said: no one should take that as a precedent. It should not be presumed that, if we will do that for a penny, people can come along and ask us to get the chequebook out and contribute a few thousand quid. That would be a slightly different charitable donation. However, we are happy to participate in the scheme for the blind. Similarly, we would be happy to participate in the development of concessionary fare schemes, provided that that is not at the expense of our other customers or investment. Investment in public transport in Scotland is essential.

**The Convener:** Thanks very much, Bob. Do members have any questions?

**Robin Harper:** I was interested to hear your remarks about your commitment to social inclusion. Does your company have plans to improve specific rural services?

**Bob Montgomery:** A lot of what I have told the committee today concerns the way in which the urban market is developing. There has been a significant decline in the use of bus services in urban areas, which has had knock-on effects on the environment there. There has been significant success for our Scottish operations, which are predominantly urban—we are the major urban operator in the country. We are also considering, in conjunction with local authorities, a number of rural operations.

During the past few weeks, we have spoken to SPT about reviewing some of our rural operations in the Strathclyde area—particularly those that have declined in recent years. We have taken a broader perspective and have examined the situation with the local authorities to determine whether there is any way in which we can develop those operations more successfully. We are willing to consider any situation, and we are keen to find ways in which we can develop our rural networks.

I will be honest with you. Changes in the market have resulted in 30 years of decline in the industry everywhere. The urban markets have begun to turn, and we are keen to ensure that the rural markets will follow.

**Des McNulty (Clydebank and Milngavie) (Lab):** Picking up on concessionary fares as a set of social objectives, I would be interested to hear your views on the way in which the operators map out the pattern of use by concessionary travel pass users, compared to that of other users. Is that a factor in determining the provision or

withdrawal of routes? I ask that question in a particular context. In my constituency, there has been some annoyance at the withdrawal of services that link Clydebank and Gartnavel hospital, which has caused difficulties for some categories of bus users. In the context of inclusion objectives, is not the pattern of service that should be provided an issue that goes beyond price?

I have a second, related question. How do we know that the service that is provided is the one that particular groups of people—elderly or blind people, for example—actually want? Does your organisation specifically target such groups of users, by considering patterns of use or expectations of service provision? Do you have any such information to share with the committee?

**Bob Montgomery:** The way in which we develop our business falls into two categories. The first involves the examination of the commercial implications of developing the network and various services, as we are anxious to provide bus services that people have intimated that they want to use and that they will choose to use.

We are wary of designing bus services in such a way that buses run around empty—we would rather design services that people will use. Therefore, we take account of the total demand for services when considering how to design them. There may be occasions when the elderly community's demand for a service is different from that of the rest of the community; that is the case with services such as the one that Des McNulty mentioned.

That leaves us in a constant dilemma. For example, we might make a change to a service, gaining an extra 50 passengers who leave their cars at home and use the bus instead, but losing two passengers—we have to make the right decision about such situations. Do we look after the two passengers whom we had already or do we look after the 50 passengers who would choose to use the bus? Where do we go? We generally take the view that it is more appropriate for us to look after the 50 passengers.

We should always look forward to the way in which the market is changing and the way in which travel patterns are changing; we should not freeze the bus network at the stage that it was 20 years ago, say. That provides us with tough decisions—we may have to change services in a way that meets the market changes, but leads to one or two people being inconvenienced. We have to deal with those one or two people as best we can.

Under the policy that we have adopted in Glasgow, which we may extend elsewhere, we do not change services without first consulting the local authority. We are not legally obliged to do that, but we feel that it is the appropriate course of

action to take. We consult the local authority confidentially—for competitive reasons, it can be difficult to do that publicly at that stage of the process—in order to flush out some of the issues.

If there is a social inclusion factor—if there is a particular social need for a service—our second move is to review the options for dealing with that factor and to try to identify a commercial way of dealing with it. We feel that it is far better to deal with these matters commercially than to make any call on public funds. However, if we identify a need to do that, we try to reach an agreement with the local authority, to ensure that it is happy to provide the funds and that we shape the service so that it fits the social need. Consultation is the only way in which to deal with such situations.

We take our social responsibility as a network operator very seriously. We can give you a number of examples where we have deliberately restored or run loss-making services because we felt an obligation to include those services as part of the network and give them every possible chance. We are examining the service that Des McNulty mentioned to see whether we can find a way of resolving the situation. However, in that case, which I happen to know well, it is interesting to note that the number of people who have lost the link to Gartnavel hospital is exceeded by the number of people who have gained a link. You cannot win them all. We have yet to decide whether we can move the situation forward, but we are considering it.

The second category of business development involves market research. We conduct a national, monthly programme of market research for each of our 30 UK subsidiaries. That research monitors how our customers feel about a range of aspects of our services, including the design of the network. It includes analysis that segments the market down and that identifies elderly people who are part of the concessionary fare scheme. Because we monitor very carefully, we know what our concessionary passengers think of our service as opposed to what other passengers think. One of the business' major drives is to increase those ratings.

**The Convener:** Thank you. I will take the next questions from Nora and Helen and then pass over to Bob to wind up.

**Nora Radcliffe:** Can Bob comment, or provide a commercial slant, on the implications of extending concessionary schemes to cover people who want to use buses at peak times?

**Bob Montgomery:** Extending concessionary schemes into the morning peak, in particular, would increase demand. In the morning peak, most of our businesses are at capacity or close to capacity. If the extension of the scheme increased

demand and the fare was relatively low, there would be implications in terms of being neither better off nor worse off. The balance of the fare would have to be covered, but we would also incur additional costs. The reason why most local authorities avoid the morning peak is that there is a significant cost factor. We would have to buy buses and employ drivers who would work for only about half an hour a day. That would be very expensive.

In many concessionary fare categories, time is not critical. It is possible to move the journey past 9 am or past 9.30 am, depending on the authority.

**Helen Eadie:** Some people say that quality partnerships and quality contracts are the only way forward. Others say that franchises are the way forward. How do the operators see that?

**Bob Montgomery:** Our understanding is that quality contracts and franchising are the same thing. The choice is between partnerships and contracts, and making a contract is, in effect, franchising.

That is one of the reasons why I said that we should consider the past 30 years and the next 30 years. We are beginning to see significant benefits from deregulation, especially in urban areas. Some of the deep-rural operation is more difficult to handle, but the vast bulk of urban bus operation and large-town operation is commercial. The operators fund it and there is significant investment. Passenger growth and greater bus use are beginning to emerge. The market approach of bus operators is beginning to turn back the trend of decline. It would be a huge mistake and a great pity to turn the tap off and revert to a situation where buses were centrally planned and the rigidities associated with contracts and franchising came into the market. That would take decisions about bus services away from the customers, where they belong, and make them political, which would not be the best way of ensuring growing bus use as efficiently as possible.

There is a huge benefit in positive partnerships between operators and local authorities, where the operator designs and develops the commercial service and seeks to maximise its use, while the local authority and the Government invest in the infrastructure to facilitate that. Operators, such as ourselves, are happy to contribute towards infrastructure development. At the moment, we are spending money from our profits on infrastructure and investment in major cities across the UK. We are strongly in favour of partnerships and counsel strongly against franchising.

**The Convener:** That is a debate for another day Bob.

**Bob Montgomery:** I was answering the

question.

**The Convener:** Yes, thank you, Bob. I thank all the participants this morning, from COSLA, SPT, CPT UK and FirstGroup. The evidence has been useful. If the committee wants to take the matter further, we will have an informal discussion at the end of the meeting to examine the terms of reference of any inquiry that we may want to undertake.

## **Smoke Control Areas (Exempted Fireplaces) (Scotland) Order 1999 (SSI 1999/58)**

**The Convener:** We now move on to agenda items 2 to 6, which are the SSIs.

The first instrument was laid on 10 September 1999 and is subject to annulment until 3 November. The Subordinate Legislation Committee considered the instrument on 21 September and had nothing to report. As members will see, a briefing has been provided. Have members had a chance to examine the SSI and are they content with it?

*Members indicated agreement.*

## **Road Traffic (Permitted Parking Area and Special Parking Area) (City of Glasgow) Designation Order 1999 (SSI 1999/59)**

**The Convener:** This instrument was laid on 13 September and is subject to annulment until 6 November. As the committee was notified, the Subordinate Legislation Committee considered the instrument on 21 September and decided to draw it to the attention of the Parliament on the following grounds:

“(i) that its drafting appears to be defective; and

(ii) that its form or meaning could be clearer.

(iii) that it makes unexpectedly narrow use of the powers under which it is made.”

The Subordinate Legislation Committee's report is attached. Are there any other views on the paper, or are members content?

12:00

**Nora Radcliffe:** If we say that we are happy with it, do the points raised by the Subordinate Legislation Committee still stand?

**The Convener:** Yes.

**Nora Radcliffe:** That is fine.

## **Road Traffic (Parking Adjudicators) (City of Glasgow) Regulations 1999 (SSI 1999/60)**

**The Convener:** This order was laid on 13 September and is subject to annulment until 6 November.

The Subordinate Legislation Committee considered the instrument on 21 September

“and draws the attention of the Parliament to the above Regulations on the ground that they make an unexpectedly narrow use of the enabling power.”

As before, that point will still stand even if we say that we are happy with the order. The Executive is responding in general to all those who draw up SSIs. Are we content with the instrument? We are.

## **Road Traffic Act 1991 (Amendment of Schedule 3) (Scotland) Order 1999 (SSI 1999/61)**

**The Convener:** This order was laid on 13 September and is subject to annulment until 6 November.

The Subordinate Legislation Committee considered the instrument on 21 September and had nothing to report. Are we content with that? We are.

## **Parking Attendants (Wearing of Uniforms) (City of Glasgow Parking Area) Regulations 1999 (SSI 1999/62)**

**The Convener:** This order was laid on 13 September and is subject to annulment until 6 November.

The Subordinate Legislation Committee considered the instrument on 21 September and had nothing to report. Are we content with that? We are.

## **Invitations**

**The Convener:** We have received four invitations. For members' information—and participation, if they deem it appropriate—the first is from the Association of Chief Police Officers in Scotland, which has invited us to a small PR event on 13 December to launch its festive safety campaign. Details are available from the clerk.

Next, Comhairle nan Eilean Siar is seeking a meeting with us. Although we will be discussing matters of rural transport, we thought that we

would put that one on the back burner until a more appropriate point in the committee's work plan, as we have done with other invitations that are being kept on file. Are we agreed? We are agreed.

The Scottish Association for Public Transport has written to us to ask for a meeting. We will discuss that later when the Scottish Executive's transport proposals come to the committee. Are we agreed? We are.

The Institute of Logistics and Transport has also asked for a meeting. Again, that may be more appropriate when we are discussing the Executive's transport proposals. Are we agreed? We are.

**Mr MacAskill:** May I go back to Comhairle nan Eilean Siar? I think that there would be merit in meeting that organisation; if it has something worth while to draw to our attention, we might want to change our agenda. Unless we hear what organisations such as Comhairle nan Eilean Siar—and others, for example in Shetland and Orkney—have to say about transport, we might go in a direction that is not appropriate for rural areas. We should at least be open to them. I appreciate that there are budget limitations, but Comhairle nan Eilean Siar seems to have particular problems and we should listen to what it has to say.

**The Convener:** I have no difficulty with that. We will ask the clerk to find out the issues that Comhairle nan Eilean Siar wants to raise with us. The problem with attendance is not money, but our short-term work programme. I take Kenny's point on board. When we have more details about what the organisation has to say, we will see how that would affect our work programme.

**Nora Radcliffe:** We might get more benefit from a visit if we go when our ideas about a national scheme are a bit clearer.

**The Convener:** Yes. We will look into the matter further.

**Robin Harper:** Could we invite the organisation to submit a paper to us anyway?

**The Convener:** I am sure that the clerk will take that up.

*Meeting closed at 12:04.*





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