

**Committee for Regional Development**

# Report on the Inquiry into Comprehensive Transport Delivery Structures

Together with the Minutes of Proceedings of the Committee  
relating to the Report and the Minutes of Evidence

Ordered by the Committee for Regional Development  
to be printed 18 September 2013  
Report: NIA 80/11-15

**REPORT EMBARGOED  
UNTIL COMMENCEMENT OF  
THE DEBATE IN PLENARY**



# Membership and Powers

## Powers

The Committee for Regional Development is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of Strand One of the Belfast Agreement and under Assembly Standing Order No 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Regional Development and has a role in the initiation of legislation. The Committee has 11 members, including a Chairperson and Deputy Chairperson, and a quorum of 5.

The Committee has power:

- to consider and advise on Departmental budgets and Annual Plans in the context of the overall budget allocation;
- to approve relevant secondary legislation and take the Committee Stage of relevant primary legislation;
- to call for persons and papers;
- to initiate enquiries and make reports; and
- to consider and advise on matters brought to the Committee by the Minister of Regional Development.

## Membership

The Committee has 11 members, including a Chairperson and Deputy Chairperson, and a quorum of five members. The membership of the Committee is as follows

- Mr Jimmy Spratt MLA (Chairperson)
- Mr Sean Lynch MLA (Deputy Chairperson)<sup>1</sup>
- Mr Alex Easton MLA<sup>2</sup>
- Mr John Dallat MLA<sup>3</sup>
- Mr Stewart Dickson MLA<sup>4</sup>
- Mr Ross Hussey MLA<sup>5</sup>
- Mrs Dolores Kelly MLA
- Mr Declan McAleer MLA<sup>6</sup>
- Mrs Brenda Hale<sup>7</sup>
- Mr David McNarry MLA<sup>8 9</sup>
- Mr Cathal Ó hOisín MLA

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1 With effect from 02 July 2012 Mr Seán Lynch replaced Mr Pat Doherty as Deputy Chairperson

2 With effect from 01 October 2012 Mr Alex Easton replaced Mr Stephen Moutray

3 With effect from 23 April 2012 Mr John Dallat replaced Mr Joe Byrne

4 With effect from 06 June 2011 Mr Stewart Dickson replaced Mr Trevor Lunn

5 With effect from 23 April 2012 Mr Ross Hussey replaced Mr Roy Beggs

6 With effect from 10 September 2012 Mr Declan McAleer was appointed as a Member

7 With effect from 16 September 2013 Mrs Brenda Hale replaced Mr Ian McCrea

8 With effect from 26 September 2011 Mr Michael Copeland replaced Mr Mike Nesbitt

9 With effect from 06 February 2012 Mr David McNarry replaced Mr Michael Copeland



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## List of Abbreviations

DRD	Department for Regional Development
ISNI	Investment Strategy for Northern Ireland
KPI's	Key Performance Indicators
NIAO	Northern Ireland Audit Office
NITHC	Northern Ireland Transport Holding Company
PfG	Programme for Government

# Executive Summary

1. The Committee for Regional Development (the Committee) has expressed their long-standing concerns with regards to transport structures in Northern Ireland. This has principally emanated from a complete absence of transparency in the case of the Northern Ireland Transport Holding Company (NITHC) operating under its brand name of Translink and averseness by the Department of Regional Development (DRD) to allow Translink to be effectively challenged and scrutinised by the Committee.
2. In undertaking the inquiry, the Committee hoped that it might unravel some of the common misunderstandings around the governance of NITHC/Translink, in particular with regard to its relationship with the Department and in the operation of the three subsidiary companies. Additionally, the Committee wished to see whether these structures were “fit-for-purpose” in delivering modern, integrated and efficient transport services to the Northern Ireland public.
3. Significantly, the conclusion reached by the Committee does not match the aspirations expressed at the outset of the inquiry. The Committee believes that the relationship between the Department and NITHC/Translink, often described by Members of the Committee as “cosy”, is not sufficiently challenging due to the departmental governance model and the absence of relevant and key experience and expertise within the Department. Although outside of the Committee inquiry, Members have received a recent presentation on the proposal to enter into an “agreement” in order to meet the requirements of EU Regulation 1370/2007. Members are not content that the proposed service level agreement meets with the requirement for a Public Service Contract defined in the regulations and that this could leave the Department open to infraction proceedings.
4. In its report on integrated transport,<sup>1</sup> the Committee stated that they believed the Department’s decision not to proceed with the agreed independent agency model opportunity “*significantly diluted*” the potential for an “*...more coordinated, integrated and functional transport model*”. The Committee reaffirms this belief and is content that the Transport NI model is not the most appropriate structure and does not achieve the objectives espoused during the public transport reform process or in the Outline Business Case published by the Department. The Committee is not content that Transport NI has the expertise, skills or experience to direct NITHC/Translink or champion public transport. The Committee notes in recent correspondence from the Department<sup>2</sup> that it proposes to “*...procure an expert transport modelling and planning service*” to aid in the development of local transport plans. The Committee believes that this is too narrow and will not address the dearth of skills, expertise and experience within Transport NI
5. The Committee does not believe that the levels of departmental scrutiny applied on NITHC/Translink to be sufficient, particularly given the amounts of capital grants and subsidy that are provided from the public purse. The Committee has noted that NITHC/Translink accounts are audited by external auditors, as required under the Companies Act. However, NITHC/Translink accounts are not open to scrutiny by the Northern Ireland Audit Office (NIAO) despite being in receipt of very significant levels of investment. The Committee believes this to be a significant weakness.

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1 NIA 65/11- Inquiry into the Better Use of Public and Community Sector Funds for the Delivery of Bus Transport in Northern Ireland

2 SUB 663/2013

## Introduction

6. At its meeting on 10 October 2012, the Northern Ireland Assembly's Committee for Regional Development agreed to commence an inquiry into Comprehensive Transport Delivery Structures.
7. The Terms of Reference for the Report were agreed as follows:
  - To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;
  - To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland;
  - To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe;
  - To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives; and
  - To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery
8. On the 12 November 2012 the Committee inserted signposts in the Belfast Telegraph, Irish News and News Letter seeking written evidence on the Inquiry by 18 January 2013. The Committee also wrote to key stakeholders with the same request.
9. During the period covered by this Report the Committee considered written submissions from in excess of 15 individuals and organisations. A copy of submissions received is included at Appendix 3.
10. The Committee also heard oral evidence at meetings between the 10 April 2013 and 8 May 2013 from the following organisations:
  - The Department for Regional Development
  - The Northern Ireland Transport Holding Company/Translink
  - Community Transport Association
  - Professor Austin Smyth
  - The Office of Fair Trading
  - The Consumer Council for Northern Ireland
  - The Transport Planning Society
  - The Transport Salaried Staffs' Association
  - The Northern Ireland Transport Working Group
  - Belfast Taxis Community Interest Company
11. The relevant extracts from the Minutes of Proceedings are included at Appendix 1. Minutes of the evidence extracts are included at Appendix 2. The Committee would wish to thank all those who provided both written and oral evidence.
12. Whilst the Committee did not undertake any Study visits specifically in respect of this inquiry, those undertaken during the earlier Inquiry into the Better Use of Public and Community Sector Funds for the Delivery of Bus Transport in Northern Ireland helped inform Members of the potential structures in place elsewhere. The Committee would wish to thank all those who provided presentations and tours during the study trips.

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## Summary of Recommendations

13. The Committee recommends that the Minister and the Department reverts to the agreed agency model as described during the public transport reform process and as presented to the Northern Ireland Assembly and the previous Committee for Regional Development during the passing of the Transport Act (Northern Ireland) 2011. This would rectify the conflicting anomaly whereby the Minister is the public owner, policy maker and part regulator of public transport.
14. The Committee recommends that the Department invests in recruitment of appropriately qualified and experienced personnel as championed in the revised Outline Business Case.
15. The Committee recommends the Department undertakes an urgent and extensive review of its future budget allocations to ensure that a more proportional apportionment is made between the roads infrastructural budget and that of public transport.
16. The Committee recommends that the Department proactively introduce tendering and franchising opportunities for private operators in delivering the public transport requirement. This should include Belfast Rapid Transit and existing network bundles.
17. The Committee recommends that the Department offer a short term contract in order to allow for the development of transport bundles based on local transport plans. These bundles should then be offered to the market for tender and/or franchise opportunities.
18. The Committee recommends that the Minister commissions an urgent and fundamental review of the NITHC structures against requirements of existing and developing EU transport regulations, Programme for Government (PfG) and the Investment Strategy for Northern Ireland (ISNI) commitments and “Ensuring a Sustainable Transport Future - A New Approach to Regional Transportation” to ensure that it is the most efficient and effective model to meet the future Northern Ireland public transport requirements.
19. The Committee recommends that, as an additional layer of scrutiny, the Group Chief Executive and Chief Operating Officer cease to be full members of the Board of NITHC, instead leaving themselves accountable to the Board for operational matters.
20. The Committee also recommends that, given the significant levels of public grant and subsidy to NITHC/Translink, the Minister assess what legislative considerations need to be put in place to allow the NIAO full access to NITHC accounts and those of the three subsidiary companies. Members would also indicate that, in the event the Minister and the Department decline to put in statute the necessary powers to allow this access, the Committee will bring forward the appropriate legislation themselves.

# Key Issues

## Departmental Structures and budget implications

21. In November 2009, the Department published its consultation document into public transport reform.<sup>3</sup> In this, the Department highlighted its vision for the future of public transport:

*“The provision of a customer-focused, high quality integrated public transport system, which is sustainable, provides good value for money, enhances competitiveness, helps sustain economic growth, promotes regional development and contributes to equality and social inclusion”.*

22. The overall policy objectives of these public transport reforms were to deliver a public transport system that:

- Supported the implementation of the Regional Transportation Strategy, enabling the maximum possible integration of an effectively regulated public transport network;
- Provided safe, efficient and high quality public transport services;
- Complies with EU regulations, with contractual and funding arrangements that provide incentives to deliver an efficient, customer-focused and continually improving public transport service;
- Encouraged the greater use of public transport in support of the Executive’s economic, social, equality and sustainability objectives; and
- Maximised efficiency and value for money through the use of benchmarking, continuous improvement of services and, where necessary, competitive tendering for some transport services.

23. This was to be achieved through the establishment of an executive agency within DRD, a model that, at the time, was considered fundamental to the success of public transport reform proposals. The Outline Business Case for public transport reform stated that the agency would result in benefits such as efficiency and improved service. It envisaged *“A single client body with expertise in the specification of integrated transport services and facilities, and in procurement and contract management...”* as a means of achieving and sustaining *“...the best possible value for money over the long term”.*<sup>4</sup>

24. The Department emphasised that it would be an independent body that would bring together stakeholders. Importantly, the proposed agency model was consulted on and agreed to by the previous Minister, the Department and the key stakeholders.

25. The Transport Act (Northern Ireland) 2011 received Royal Assent in 16 March 2011. Whilst this did not refer to the proposed structures, it was passed through the Northern Ireland Assembly and the previous Committee on the basis that the functions being legislated on would be carried out, where applicable, by the Executive Agency. Giving evidence during the Committee Stage of the Bill<sup>5</sup>, a senior official from the Department indicated to the previous Committee that:

*“The main new element in that structure is the agency, which will be a part of DRD and will be responsible to the Minister and the Assembly for the delivery of the proposed transport functions. It will not be a stand-alone body requiring separate administrative support*

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3 Public Transport Reform Consultation: Summary Document

4 Professor Austin Smyth, written submission to the Committee for Regional Development, January 2013 and McClure Waters (2009) Outline Business Case for Public Transport Reform. DRD: Belfast [online] available from: <http://nia1.me/10e>

5 Official Report (Hansard) Transport Bill, 8 September 2011

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services. It will not be a quango or arm's-length body. It will rely on the new powers in the Transport Bill to perform many of its functions. However, the establishment of the agency does not need to be specified in legislation: it can be brought about by administrative action under the powers of the Departments (Northern Ireland) Order 1999".

26. The official continued:

*"We envisage that specialist transport and contracting skills will need to be developed in the agency as those do not exist at the moment because contracting is not in place.*

*"The benefits of the structure are in achieving the important separation of the responsibilities for design and setting requirements for public transport services from the operating organisations involved in the delivery of those services. Again, stakeholders attached a lot of importance to that clarity of role and function during the consultation phase. Therefore, there will be greater clarity of roles and responsibilities if the agency is part of the Department, rather than NITHCo, and representing the public interest in the provision of public transport services.*

*The agency will be directly accountable to the Minister and the Assembly. Its decisions on public transport will be taken in the context of wider transport policy developed in the Department. It will be able to contract for services and secure more joined-up services. It will also have the ability to direct NITHCo on certain commercial matters, and, importantly, it will be compliant with EC Regulation 1370/2007".*

27. The new structure imposed by the Minister combines the functions carried out by Roads Service and the newly acquired public transport authority functions. The reasons for this reversal have not been made clear to the Committee.

28. The new structure has not been consulted on and the Committee and key stakeholders were not invited to offer opinion on the structure. The Committee is concerned that the Minister and the Department implemented this considerable shift in departmental policy without appropriate consultation. The Committee is in agreement that the new Transport NI model falls significantly short of the proposed and agreed agency model. Having stressed the need for any new body to be independent, the Department has now implemented a model that fails to provide for the independence claimed by the agency model. In addition, the revised arrangements are not consistent with the goal of maximising the efficient and effective delivery of public transport legislative and policy objectives.

29. **The Committee recommends, therefore, that the Minister and the Department reverts to the agreed agency model as described during the public transport reform process and as presented to the Northern Ireland Assembly and the previous Committee for Regional Development during the passing of the Transport Act (Northern Ireland) 2011. This would rectify the conflicting anomaly whereby the Minister is the public owner, policy maker and part regulator of public transport.**

30. In addition, the new structure has limited specialists or expertise in the following areas:

- Local transport planning
- Contract specification
- Performance and contract management; or
- Fares regulation

31. The Committee wrote to the Department on 30 July 2013<sup>6</sup> asking that the Department identify the number of officers within Transport NI who possessed the skills, experience and expertise in respect of the above areas. In response<sup>7</sup>, the Department stated the following:

6 DALO 27/2/2013

7 SUB 663/2013

- Local transport planning - three officers had been involved in annual corporate and business planning with Translink, which involved negotiation over the provision of services, seven had been involved in the analysis of services provided through the Rural Transport Fund and two were involved in the integrated transport pilot in Dungannon;
  - Contract Specification – four staff involved in agreeing performance indicators and the passenger charter with Translink, eight involved in developing specifications for the demand responsive services and Transport NI staff worked with Translink in developing the proposed service level agreement.
  - Performance and contract management – six officials from the Public Transport Services Division (not Transport NI) have experience of managing the performance of Translink, the Rural Community Transport providers and the Rathlin Ferry contract.
  - Fare Regulation – three staff with accounting experience have knowledge of high level fare analysis and associated financial matters.
32. The Committee holds a strong view that the above response is indicative of an absence of the skills-set envisaged in the agency model. The Committee notes that the Department intends to procure "...an expert transport modelling and planning service". Whilst this is a positive, if somewhat late, move, the Committee still believes that a solid skills base is required within Transport NI in order to commission services from the procured organisation and to effectively challenge NITHC.
33. **The Committee recommends that the Department invests in recruitment of appropriately qualified and experienced personnel as championed in the revised Outline Business Case.**
34. The Committee is not convinced that a Division that continues to be branded as Roads Service can effectively champion public transport, particularly in light of future budget cuts. A number of witnesses commented on the imbalance between the roads infrastructure budget and that of public transport, currently proportioned at 80:20. This imbalance needs to be redressed urgently. The Committee is not content that the current Transport NI model will achieve this as, culturally and historically, their emphasis has been on the construction of roads.
35. **The Committee recommends the Department undertakes an urgent and extensive review of its future budget allocations to ensure that a more proportional apportionment is made between the roads infrastructural budget and that of public transport.**

## NITHC/Translink Structures and budget implications

36. The Transport Act (Northern Ireland) 1967 established the Northern Ireland Transport Holding Company as a public authority charged with the delivery of public transport services. NITHC delivers on this responsibility through three subsidiary companies, Northern Ireland Rail, Citybus (branded as Metro) and Ulsterbus, under the overall brand name of Translink.
37. The Chairmanship of NITHC is a non-executive position appointed by Government and like the other Directors is appointed for a renewable term of 3 years. The Group Chief Executive and the Chief Operating Officer of the subsidiary companies are also a member of the NITHC Board.
38. According to the Translink website,<sup>8</sup> the Board is "...responsible to the Department for Regional Development for the operation of its subsidiary companies, Citybus, NI Railways and Ulsterbus, which deliver public transport services. Its role is to approve the strategic direction of the operating companies and ensure their property governance. It also owns a portfolio investment throughout the Group".
39. As required by the Transport Act (NI) 1967 the Minister, the Department and NITHC/Translink agree a broad framework under which NITHC/Translink operate. This is published in the

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8 <http://www.translink.co.uk/Corporate/About-Us/History/>

Management Statement and Financial Memorandum (MSFM). The Management Statement includes:

- NITHC's overall aims, objectives and targets in support of the Department's wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of NITHC's functions, duties and powers;
- the conditions under which any public funds are paid to NITHC; and
- How NITHC is to be held to account for its performance.

40. The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which NITHC is required to observe.<sup>9</sup>
41. Whilst the MSFM is reported on and monitored by the Department, this monitoring is limited to an assessment of performance against the Key Performance Targets (KPI's), including some financial targets. However, NITHC/Translink, as a public sector monopoly, maintains a significant level of independence.
42. The Transport Act (Northern Ireland) further protected the NITHC/Translink position as a monopoly, ensuring that it would deliver "most" of the public transport requirement. This was presented as a defence by departmental officials on a number of occasions during the inquiry and in subsequent evidence sessions on the proposed new contract to Translink, namely that the previous Committee and the House had passed the Transport Act (Northern Ireland) 2011. However, as previously stated, Members voted this Act through on the basis that an independent agency would be in place to ensure appropriate segregation to avoid the situation where the Minister is the public owner, policy maker and part regulator of public transport.
43. In addition, the 1967 Act stipulates that the "majority" of services are to be provided through the NITHC/Translink model, a concept endorsed by the 2011 Act which allows for new service delivery arrangements to contract with "public transport operators". The Committee is supportive of the potential for competition as embraced by the 2011 Act. However, the Committee is gravely concerned that the Department is only paying lip-service to this element of the Act, a view supported by the Department's intention to award a 10-year contract for public transport services and the contract for the Belfast Rapid Transit system automatically to Translink without any formal testing of the market.
44. Whilst the introduction of competition and the award of exclusive contracts can result in higher regulatory costs, the Departments own strategic business case<sup>10</sup> states that:
- "...the introduction of competition has also resulted in significant operating savings and increased service levels. Research conducted for the European Commission suggests that the introduction of competition can generate cost savings of **10 – 20% when only minimal restructuring of the industry is required**. Savings of 35% or more have been achieved where greater restructuring was required".*
45. Over the last 20 years EU member states have had to adapt and reform their transport governance arrangements in order to comply with various EU regulations which have sought to:
- liberalise the public transport market;
  - encourage competition;
  - attract public sector involvement; and ultimately
  - improve services for citizens while lowering costs to government<sup>11</sup>

9 NIAR 602 – 12, Public Transport Reform

10 Strategic Business Case, Public Transport Reform, May 2008 Strategic Business Case, Public Transport Reform, May 2008

11 NIAR 103 – 13, Local Transport Governance

46. During oral evidence sessions, Professor Austin Smyth, Director of the Centre for Sustainable Communities at the University of Hertfordshire, stated:

*“Translink could operate a franchise. In fact, there are various models of that sort throughout Europe. You could split the whole managerial side from the delivery side. You could have all sorts of possible combinations, and various countries have implemented those things.*

*“A franchise is what applies to the Luas tram system in Dublin, and it is very effective. People do not see it as a private sector operation. It has been run by Veolia for a period. That contract was won under competitive tender, with the specifications for quality of service set out by the state, not by the private operator. Therefore, it is all perfectly possible to do that”.<sup>12</sup>*

47. An analysis of other European models would support the introduction of limited competition through the franchise model. An examination of the process of reform across a number of member states indicate that a number of common issues and themes have arisen:

- To comply with EU regulations the regions considered have shifted from largely nationalised transport model where government (national/regional/local) owned and operated transport services to a quasi-nationalised franchising model whereby a relevant public authority retains control but contracts routes to private sector companies;
- Among the cases of public transport reform considered the tendency has been to form an autonomous transport authority, overseen by government, to take control of transport issues such as policy development and local planning. The main advantages of these autonomous bodies appears to be based on their focus and expertise in transport planning which have led to innovative services, increased patronage and lower costs to the transport authority;
- While government takes the lead in policy, planning and financing there is a growing trend to involve local stakeholders. Regional bodies made up of representatives from regional and local government, transport operators, local business and consumer groups have been set up across GB and the EU with the literature suggesting that these regional structures are a common characteristic of all successful transport systems;
- Regulated competition through competitive tendering enables transport authorities to set parameters in which tenders must operate. This enables transport authorities to monitor and control important operational issues such as fare levels; integration; and customer satisfaction.<sup>13</sup>

48. The Prime Minister, writing in the Daily Telegraph on Tuesday 17 September about a White Paper on public reform, stated:

*“We will create a new presumption – backed up by new rights for public service users and a new system of independent adjudication – that public services should be open to a range of providers competing to offer a better service”.*

49. **The Committee recommends, therefore, that the Department proactively introduce tendering and franchising opportunities for private operators in delivering the public transport requirement. This should include Belfast Rapid Transit and existing network bundles.**

50. The Committee is opposed to the awarding of a 10-year contract to Translink on the basis that it discourages competition, removes the potential for incentivisation and reduces innovation on behalf of the current provider.

51. **The Committee recommends that the Department offer a short term contract in order to allow for the development of transport bundles based on local transport plans. These bundles should then be offered to the market for tender and/or franchise opportunities.**

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12 Briefing from Prof Austin Smyth, Hansard 8 May 2013

13 NIAR 103 – 13, Local Transport Governance

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52. The Committee is not content that the current NITHC structure is fit for purpose in delivering a modern, integrated public transport service. Conclusions formed during the public transport reform process indicated that there was a distinct lack of clarity with regards to the NITHC relationship with the Department and its relationship with its three subsidiary companies and its other commercial concerns. These still exist despite the Committees best efforts to encourage greater transparency.
53. The Committee is concerned that the Group Chief Executive and Chief Operating Officers both sit as Board members. In addition, the Committee is very concerned that, despite very significant investment since devolution in 2007, the Northern Ireland Audit Office (NIAO) does not appear to have access to NITHC/Translink accounts or those of the subsidiary companies.
54. **The Committee recommends, therefore, that the Minister commissions an urgent and fundamental review of the NITHC structures against requirements of existing and developing EU transport regulations, Programme for Government (PFG) and the Investment Strategy for Northern Ireland (ISNI) commitments and “Ensuring a Sustainable Transport Future - A New Approach to Regional Transportation” to ensure that it is the most efficient and effective model to meet the future Northern Ireland public transport requirements.**
55. **The Committee recommends that, as an additional layer of scrutiny, the Group Chief Executive and Chief Operating Officer cease to be full members of the Board of NITHC, instead leaving themselves accountable to the Board for operational matters.**
56. **The Committee also recommends that, given the significant levels of public grant and subsidy to NITHC/Translink, the Minister assess what legislative considerations need to be put in place to allow the NIAO full access to NITHC accounts and those of the three subsidiary companies. Members would also indicate that, in the event the Minister and the Department decline to put in statute the necessary powers to allow this access, the Committee will bring forward the appropriate legislation themselves.**





Northern Ireland  
Assembly

Appendix 1

# Minutes of Proceedings



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## Wednesday 7 November 2012

### Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
Mr Séan Lynch MLA (Deputy Chairperson)  
Mr John Dallat MLA  
Mr Stewart Dickson MLA  
Mr Alex Easton MLA  
Mr Declan McAleer MLA  
Mr Ian McCrea MLA  
Mr David McNarry MLA  
Mr Cathal Ó hOisín MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
Mr Nathan McVeigh (Assistant Assembly Clerk)  
Ms Tara McKee (Clerical Supervisor)  
Ms Alison Ferguson (Clerical Officer)  
Mr Brian Mahon (Bursary Student)

**Apologies:** Mr Ross Hussey MLA

**10:30am** The meeting commenced in open session.

#### **6. Committee Inquiry into Transport Delivery Structures: Terms of Reference**

The Chairperson informed members they had been provided with the draft Terms of Reference for the Inquiry into Translink.

**10:45am** Mr McAleer left the meeting.

**10:48am** Mr McCrea joined the meeting.

**10:50am** Mr McAleer rejoined the meeting.

*Agreed:* The Committee agreed to the Terms of Reference for the inquiry subject to amendments.

*Agreed:* The Committee agreed to write to the Department asking for information on Translink's procedures for awarding procurement contracts.

The Chairperson also informed members they had been provided with a draft press release relating to the Inquiry.

*Agreed:* The Committee agreed to publish the press release.

**11:50am** The meeting was adjourned

**[EXTRACT]**

## Wednesday 20 March 2013

### Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
Mr Sean Lynch MLA (Deputy Chairperson)  
Mr John Dallat MLA  
Mr Alex Easton MLA  
Mr Declan McAleer MLA  
Mr Ian McCrea MLA  
Mr David McNarry MLA  
Mr Ross Hussey MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
Mr Nathan McVeigh (Assistant Assembly Clerk)  
Ms Tara McKee (Clerical Supervisor)  
Ms Alison Ferguson (Clerical Officer)

**Apologies:** Mr Stewart Dickson MLA  
Mr Cathal Ó hOisín MLA

**10:35am** The meeting commenced in open session.

#### **8. Inquiry into Comprehensive Transport Delivery Structures**

The Chairperson advised Members that they have been provided with a list of those who submitted evidence to the Inquiry.

*Agreed:* The Committee agreed to invite the list of organisations to brief the Committee.

**12:44pm** The meeting was suspended.

**12:45pm** The meeting recommenced in public session.

**12:48pm** The meeting was adjourned.

**[EXTRACT]**

# Wednesday 10 April 2013

## Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
Mr Sean Lynch MLA (Deputy Chairperson)  
Mr John Dallat MLA  
Mr Alex Easton MLA  
Mrs Dolores Kelly MLA  
Mr Declan McAleer MLA  
Mr Ian McCrea MLA  
Mr David McNarry MLA  
Mr Cathal Ó hOisín MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
Mr Gavin Ervine (Assistant Assembly Clerk)  
Ms Tara McKee (Clerical Supervisor)  
Mr Brian Mahon (Bursary Student)

**Apologies:** Mr Stewart Dickson MLA  
Mr Ross Hussey MLA

**10:33am** The meeting commenced in open session.

### **8. Belfast Taxis Community Interest Company Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**11:46am** the following representatives joined the meeting.

Brian Barr, Belfast Taxis Community Interest Company, Transport Manager.

Stephen Savage, Belfast Taxis Community Interest Company, Manager.

Eamonn O'Donnell, Belfast Taxis Community Interest Company, Director.

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

**11:46am** Mr McNarry re-joined the meeting.

**11:53am** Mr Dallat joined the meeting.

**12:00pm** Mrs Kelly left the meeting.

**12:02pm** The representatives left the meeting.

*Agreed:* The Committee would write to the Belfast Taxis Community Interest Company asking for a copy of their Business Plan when it has been completed.

### **9. Transport Salaried Staff Association Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**12:03pm** the following representatives joined the meeting.

Lorraine Ward, TSSA, Assistant General Secretary.

Gerry Kennedy, TSSA, Executive Committee Member.

Neil Davies, TSSA, Policy Advisor.

Jeremy Saulters, TSSA, Committee Member.

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

**12:04pm** Mr Kelly re-joined the meeting.

**12:08pm** Mr McAleer left the meeting.

**12:18pm** Mr McAleer left the meeting.

**12:24pm** Mr McAleer left the meeting.

**12:26pm** The representatives left the meeting.

**12:30pm** The meeting was adjourned.

**[EXTRACT]**

# Wednesday 24 April 2013

## Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
 Mr Sean Lynch MLA (Deputy Chairperson)  
 Mr John Dallat MLA  
 Mr Stewart Dickson MLA  
 Mr Alex Easton MLA  
 Mrs Dolores Kelly MLA  
 Mr Declan McAleer MLA  
 Mr Ian McCrea MLA  
 Mr David McNarry MLA  
 Mr Cathal Ó hOisín MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
 Mr Gavin Ervine (Assistant Assembly Clerk)  
 Ms Tara McKee (Clerical Supervisor)  
 Ms Alison Ferguson (Clerical Officer)

**Apologies:** Mr Ross Hussey MLA

**10:33am** The meeting commenced in open session.

### 7. **Community Transport Association Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**12:00pm** The following representative joined the meeting.

Kellie Armstrong – Director, NI Community Transport Association.

The representative presented to the Committee in respect of the above. Following the presentation, Members put questions.

Mr McCrea declared an interest as a member of Cookstown District Council.

**12:03pm** Mr McNarry re-joined the meeting.

**12:15pm** Mr Lynch left the meeting.

**12:17pm** Mr Lynch re-joined the meeting.

**12:20pm** The representative left the meeting.

### 8. **Northern Ireland Transport Working Group Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**12:21pm** The following representatives joined the meeting.

Dr Stephen McCabe – Policy and Projects Officer, Northern Ireland Environment Link.

Dr Joanna Purdy – Public Health Development Officer, Institute of Public Health.

Steven Patterson – Northern Ireland Director, Sustrans.

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

**12:21pm** Mr McCrea left the meeting.

**12:25pm** Mr McAleer left the meeting.

**12:41pm** Mr McNarry left the meeting.

**12:45pm** The representatives left the meeting.

**12:49pm** The meeting was adjourned.

**[EXTRACT]**

# Wednesday 1 May 2013

## Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
Mr Sean Lynch MLA (Deputy Chairperson)  
Mr John Dallat MLA  
Mr Alex Easton MLA  
Mr Ross Hussey MLA  
Mrs Dolores Kelly MLA  
Mr Declan McAleer MLA  
Mr Ian McCrea MLA  
Mr David McNarry MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
Mr Gavin Ervine (Assistant Assembly Clerk)  
Ms Tara McKee (Clerical Supervisor)  
Ms Alison Ferguson (Clerical Officer)

**Apologies:** Mr Stewart Dickson MLA  
Mr Cathal Ó hOisín MLA

**10:30am** The meeting commenced in open session.

### 5. **Consumer Council Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**10:37am** The following representatives joined the meeting.

Scott Kennerley – Head of Transport, Community Council.

Aodhan O'Donnell – Director of Policy, Consumer Council.

The representatives presented to the Committee in respect of the work of the above. Following the presentation, Members put questions.

**10:41am** Mrs Kelly joined the meeting.

**10:55am** Mr Hussey left the meeting.

**11:01am** Mr Hussey re-joined the meeting.

**11:15am** Mr McNarry left the meeting.

**11:18am** Mr McNarry re-joined the meeting.

**11:18am** The representatives left the meeting.

*Agreed:* The Committee would write to the Consumer Council asking for a brief overview of the types of consumers they engage with on public transport issues and the areas in which they have engaged with them.

### 6. **Translink Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**11:19am** The following officials joined the meeting.

John Trethowan – Chairman, Translink.

Catherine Mason – Chief Executive, Translink.

The officials presented to the Committee in respect of the above. Following the presentation, Members put questions.

**11:55am** Mr Dallat left the meeting.

**12:00pm** The officials left the meeting.

*Agreed:* The Committee would write to Translink asking how much money is left in Translink's reserves following the use of the £5.8m and what is the value of the assets currently held by the Northern Ireland Transport Holding Company.

**7. Department for Regional Development Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**12:01pm** The following officials joined the meeting.

Ciaran Doran – Director of Transport Finance and Governance Division, DRD.

Sean Johnston – Head of Public Transport Reform, DRD.

Anne Breen – Transport Services Division, DRD.

The officials presented to the Committee in respect of the above. Following the presentation, Members put questions.

**12:02pm** Mr McAleer left the meeting.

**12:09pm** Mr McCrea joined the meeting.

**12:20pm** Mr McAleer re-joined the meeting.

**12:21pm** Mr Hussey left the meeting.

**12:29pm** Mr Dallat re-joined the meeting.

**12:30pm** The officials left the meeting.

*Agreed:* The Committee would write to the Department asking what is the rental income on properties held by the Northern Ireland Transport Holding Company.

*Agreed:* The Committee would write to the Department requesting a briefing on the new contract process.

**12:33pm** The meeting was adjourned.

**[EXTRACT]**

# Wednesday 8 May 2013

## Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
Mr Sean Lynch MLA (Deputy Chairperson)  
Mr Stewart Dickson MLA  
Mr Alex Easton MLA  
Mr Ross Hussey MLA  
Mrs Dolores Kelly MLA  
Mr Declan McAleer MLA  
Mr Ian McCrea MLA  
Mr David McNarry MLA  
Mr Cathal Ó hOisín MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
Mr Gavin Ervine (Assistant Assembly Clerk)  
Ms Tara McKee (Clerical Supervisor)  
Ms Alison Ferguson (Clerical Officer)  
Mr Brian Mahon (Bursary Student)

**Apologies:** Mr John Dallat MLA

**10:31am** The meeting commenced in open session.

### 6. **Professor Austin Smyth Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**11:12am** The following representative joined the meeting.

Prof Austin Smyth – Director of the Centre for Sustainable Communities, University of Hertfordshire.

The representative presented to the Committee in respect of the above. Following the presentation, Members put questions.

**11:12am** Mr McNarry left the meeting.

**11:19am** Mr McNarry re-joined the meeting.

**11:27am** Mr McCrea left the meeting.

**11:33am** Mr Hussey left the meeting.

**11:38am** Mr McAleer left the meeting.

**11:40am** Mr Hussey re-joined the meeting.

**11:43am** The representative left the meeting.

### 7. **Office of Fair Trading Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**11:44am** The following representative joined the meeting.

Kyla Brand – Representative for Scotland, Wales and Northern Ireland, Office of Fair Trading.

The representative presented to the Committee in respect of the above. Following the presentation, Members put questions.

**11:46am** Mrs Kelly left the meeting.

**11:55am** Mr Spratt left the meeting.

**11:55am** Mr Lynch assumed the role of Chairperson.

**12:00pm** Mr McAleer re-joined the meeting.

**12:03pm** Mr Dickson left the meeting.

**12:04pm** Mr Spratt re-joined the meeting.

**12:04pm** Mr Spratt assumed the role of Chairperson.

**12:05pm** The representative left the meeting.

**8. Transport Planning Society Briefing: The Inquiry into Comprehensive Transport Delivery Structures**

**12:06pm** The following representative joined the meeting.

Tim Morton – Director, Transport Planning Society.

The representative presented to the Committee in respect of the above. Following the presentation, Members put questions.

**12:06pm** Mrs Kelly re-joined the meeting.

**12:06pm** Mr McNarry left the meeting.

**12:08pm** Mr Dickson re-joined the meeting.

**12:09pm** Mr Dickson left the meeting.

**12:13pm** Mr McNarry re-joined the meeting.

**12:17pm** Mr Spratt left the meeting.

**12:17pm** Mr Lynch assumed the role of Chairperson.

**12:21pm** Mr McCrea re-joined the meeting.

**12:22pm** The representative left the meeting.

**12:24pm** The meeting was adjourned.

**[EXTRACT]**

# Wednesday 18 September 2013

## Room 21

**Present:** Mr Jimmy Spratt MLA (Chairperson)  
Mr John Dallat MLA  
Mr Stewart Dickson MLA  
Mr Alex Easton MLA  
Mrs Brenda Hale MLA  
Mr Declan McAleer MLA  
Mr David McNarry MLA  
Mr Cathal Ó hOisín MLA

**In attendance:** Mr Paul Carlisle (Clerk to the Committee)  
Mr Gavin Ervine (Assistant Assembly Clerk)  
Ms Tara McKee (Clerical Supervisor)  
Ms Alison Ferguson (Clerical Officer)

**Apologies:** Mr Sean Lynch (Deputy Chairperson)  
Mr Ross Hussey MLA  
Mrs Dolores Kelly MLA

**10:34am** The meeting commenced in closed session.

The Committee discussed the draft report on the Inquiry into Comprehensive Transport Delivery Structures.

**10:43am** Mr Easton joined the meeting

**10:47am** The Committee recommenced in open session

### 6. Consideration of the draft Report of the Inquiry into the Comprehensive Transport Delivery Structures

*Agreed:* The Committee agreed the Membership and Powers section of the Report.

*Agreed:* The Committee agreed the List of Abbreviations and Acronyms section of the Report.

*Agreed:* The Committee agreed the Executive Summary section of the Report, subject to agreed amendments.

*Agreed:* The Committee agreed the Introduction section of the Report, subject to agreed amendments.

*Agreed:* The Committee agreed the Summary of Recommendations section of the Report, subject to agreed amendments.

*Agreed:* The Committee agreed the Key Issues section of the Report, subject to agreed amendments.

*Agreed:* The Committee agreed that the Committee office takes forward production of the appendices to the Report.

*Agreed:* The Committee agreed that the Report be ordered to print.

*Agreed:* The Committee agreed to forward a manuscript copy of the Report to the Minister.

**11:55am** The meeting was adjourned

**[EXTRACT]**





Northern Ireland  
Assembly

Appendix 2

# Minutes of Evidence



## 10 April 2013

### Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr John Dallat  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr Ian McCrea  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Mr Brian Barr *Belfast Taxis CIC*  
 Mr Eamonn O'Donnell  
 Mr Stephen Savage

1. **The Chairperson:** I welcome Brian Barr, transport manager; Stephen Savage, manager; and Eamonn O'Donnell, director. You have 10 minutes in which to make a presentation and then you should leave yourselves open for about 10 or 15 minutes for questions.
2. **Mr Eamonn O'Donnell (Belfast Taxis CIC):** On behalf of Belfast Taxis Community Interest Company (CIC), I thank the Committee for this opportunity to address it. For over 40 years, Belfast Taxis CIC has been central to the provision of local transport services, primarily in north and west Belfast. The delivery of that community-based service has sustained thousands of drivers in employment, often in times of high unemployment down the years, while contributing significantly to the economic life of Belfast. That essential contribution to the social and economic life of Belfast has been sustained solely by Belfast Taxis CIC. To date, there has been no public investment, despite the employment of 200-plus drivers.
3. Belfast Taxis CIC has undergone considerable internal change, providing it with a strong foundation on which to build for the future. That includes a complete restructuring of its board, new governance policies having been adopted and a successful application to the Department for Regional Development for fuel duty rebate, which generates an additional income stream for its drivers. Belfast Taxis co-exists alongside Translink on a number of routes in north and west Belfast.
4. When Belfast Taxis became aware that the Committee was holding an inquiry into comprehensive transport delivery structures, we decided to set out our stall given the terms of reference. We would like to address a number of points. I would like the Committee to look at the cost of our services and that of Translink services for the same area. We understand that we are not Translink, but we ask the Committee to look at issues of fairness. Translink completed 66.5 million bus passenger journeys last year across the North and received £69.2 million in bus subsidy that we did not get. Most of that subsidy is explained away in non-profit-making routes and night-time services. Every passenger journey costs the Assembly at least £1.04. Every person getting on a bus costs the Assembly over £1. In north and west Belfast, we lifted over three million passengers last year without that cost to the Assembly.
5. We would like you to recognise the level of service that Belfast Taxis delivers without subsidy — not only the frequency of service but the higher standard of service for people with disabilities in wheelchairs, in that we will manually handle those who need assistance into our vehicles; bus drivers do not. The frequency of service of Belfast Taxis is better than that of Translink. We have over 200 vehicles servicing routes in north and west Belfast. Our drivers will manually handle a wheelchair into the vehicles. Translink policy is that a person must board the bus themselves.
6. There is unfairness within the transport market in north and west Belfast,

- where one provider is subsidised to cover a large percentage of the market and another significant provider in the same area is not subsidised. We are talking about concessionary fares and a large portion of the market. Translink is subsidised to lift older people, schoolchildren with passes and people with disabilities, including those on disability living allowance (DLA), at no charge to the passenger. That is 20% of the market receiving free transport from one provider, paid for by the Assembly. No one can compete for that trade. That is serious market unfairness. Our belief is that the Assembly is about establishing fairness, equity and free and fair markets for all citizens. There is market unfairness in the transport sector in north and west Belfast, which has cost us 30 jobs and a loss of two million passenger journeys a year since 2008, which is when concessionary fares were introduced in our area.
7. Belfast Taxis CIC would like to explore new services that we believe would enhance the delivery of services across north and west Belfast. New technologies allow for new services to be delivered. We want to explore Belfast Taxis becoming part of the new integrated ticketing system that is being planned for Belfast. We plan to install a new transport management system for the fleet, which will allow new services to cater for people with disabilities and the more vulnerable in society.
  8. The new service would deviate off route to pick up passengers who struggle to reach the route. It would be a more people-friendly service that would serve our citizens well. New technologies would allow us to service uneconomical routes better. We could direct vehicles to passengers.
  9. Belfast Taxis CIC would like to talk about some uneconomical routes that would be better served by a taxibus service and the monopoly that Translink has across the board. It is time for a new discussion about uneconomical routes. People living along uneconomical routes suffer a lack of service. We believe that it is time for a new discussion on uneconomical routes that goes further than Translink. We believe that a taxibus service has the potential to service those routes for a fraction of the cost.
  10. Most uneconomical routes are in areas with high unemployment, high incidence of poor health and high numbers of people claiming DLA. Belfast Taxis would like to set out our stall about how we see our future plans tying in with those set out by the Department for Regional Development and the Office of the First Minister and deputy First Minister's Programme for Government. We would like to talk about sustaining and growing employment and better service delivery through new technologies. We are talking about the traffic management system, some of the other new technologies, upgrading our fleet through a one-off £6 million grant and beginning a conversation about access to the concessionary fares scheme.
  11. We believe that we can sustain our current workforce and grow it by another 50 sustainable jobs through the introduction of concessionary fares for taxibus services, night rider services and the development of new services. Given our insurance commitments, we can also offer jobs to young people between the ages of 21 and 24 who are not in education, employment or training (NEET), in line with Programme for Government targets.
  12. We wish to upgrade the fleet in north and west Belfast. To do that, we need a one-off grant of £6 million from the Department. That grant would set up a new fund to buy a new fleet. Drivers would pay back into the fund, and the fund would continuously replenish the fleet. We would like a grant to purchase new technologies and for fleet management, onboard cameras and integrated ticketing services. We would also like to be part of the overall transport network in Belfast.
  13. Our vision is for Belfast Taxis to play our part in the transport network across Belfast, along with our colleagues on the Shankill Road, who we recently assisted to get a stage carriage licence,

- to be part of the integrated system that is seamless and delivers for all our citizens. We want to be recognised as the reliable service provider that we are, delivering cost-effective services.
14. I will recap. We are asking for access to the concessionary fares scheme, to begin the conversation on uneconomical routes with a taxibus service and for a £6 million grant for new taxis and to set up a fund. We estimate that a grant to buy new technologies would cost around £1 million. We also invite the Committee to come out to our operating centre at some stage and view our services and facilities.
15. We thank you for this opportunity to address the Committee.
16. **Mr Ó hOisín:** Thanks, Eamonn, for your presentation. On the face of it, you are looking to replace a new fleet at a cost of around £6 million and to buy new technologies. What would the return on that be? What would be the benefits across the board for that investment of £7 million?
17. **Mr O'Donnell:** You would get 50 new jobs for £7 million, which we believe to be cheap at the price. You would be sustaining 200 jobs into the future. Without investment or input from the Department, those jobs could be lost, which would cost a lot more than the money that we are asking for. There would be a new fleet, which would provide a new look for Belfast. It would build on the whole vibrant image of Belfast. The taxibus drivers would be your ambassadors across the city, and it would provide a good image of Belfast. It would bring in new technologies and greater accountabilities for the Department, for KPMG or whoever the auditors are who want to come out to us. It would also reduce the carbon footprint.
18. **Mr Ó hOisín:** Would that be a one-off payment that would mean you are self-sustaining thereafter, ad infinitum? How do you see that being managed?
19. **Mr O'Donnell:** There are two parts to that. The first is the new technologies, which we need for the accountabilities that the Committee and the Department would need. Secondly, we would set up a fund for people to buy vehicles for the new fleet in north and west Belfast. We would ensure that the drivers pay back into the fund, which would replenish itself and renew the fleet. From a one-off payment, the fleet would continuously replenish itself.
20. **Mr McNarry:** You are very welcome. Do you have a business plan for items 4, 5 and 6 in your briefing paper: new services; uneconomical routes; and the £6 million grant?
21. **Mr O'Donnell:** The business plan is in development. We have the outline plan. We applied to the social investment fund to develop the business plan to a far greater degree.
22. **Mr McNarry:** When will you have that?
23. **Mr O'Donnell:** I expect that we will have a finished business plan within two months.
24. **Mr McNarry:** It would be interesting to see that.
25. **The Chairperson:** We will write to ask for it.
26. **Mr McNarry:** How cost-effective would the one-off £6 million grant be in comparison with the services that you are trying to replace or compete with?
27. **Mr O'Donnell:** It would be very cost-effective. The drivers would get new vehicles and new jobs would be created and sustained. We do not foresee big price hikes for the services that we deliver on the streets. Access to concessionary fares will allow drivers to pay back into the fund. It will be cost-effective for the individual on the street because it will put taxibuses into streets where they were not operating previously.
28. **Mr McNarry:** The £6 million of public money comes from all the public. This is specifically for Belfast, and I am quite supportive of that, but I would like you to come back having developed your business plan to cover the cost-effectiveness of the grant. It is public

- money for Belfast; in other words, my constituents in Strangford would be putting their hands in their pockets for it as well.
29. **Mr O'Donnell:** Can I answer that?
30. **Mr McNarry:** Of course you can.
31. **Mr O'Donnell:** We have a model for a taxibus service that will be rolled out in north and west Belfast. We want that model to be taken into other areas, including rural areas. It can be adopted for towns, villages and whatever.
32. **Mr McNarry:** But the £6 million is for Belfast.
33. **Mr O'Donnell:** This £6 million is specifically for Belfast, but the model could be adopted elsewhere.
34. **Mrs D Kelly:** Thank you for your presentation. What is the structure of the company? Who owns the company? You mentioned your colleagues on the Shankill. The £6 million is for your company. Would there potentially be a similar requirement for the other providers in other districts, in south and east Belfast, for example?
35. **Mr O'Donnell:** The company was restructured recently. We have turned it into a community interest company. We have an asset lock, which locks the company into the community. The drivers' association and community groups have been locked together to form a board, which includes a solicitor and representatives of local businesses. I sit on the board to represent taxi development. All those people, including the drivers, are locked together, which forms a community ethos. The people we deliver our services to are represented by the community groups. The people who are running the business sit on the board, so it is structured as a community interest company.
36. **Mrs D Kelly:** It is basically a social economy.
37. **Mr O'Donnell:** Yes, it is.
38. **Mrs D Kelly:** On that basis, are you not eligible for grants from the Department of Enterprise, Trade and Investment (DETI)?
39. **Mr O'Donnell:** To be honest: accessing grants from DETI has been extremely difficult. My experience has been that DETI, more or less, looks for you to be exporting goods across borders, overseas and whatever. There has not been the level of investment in the social economy that we would have expected. We have found it very difficult to get at.
40. **Mr McAleer:** You are very welcome here. I like what we are hearing. The Committee was in Glasgow recently, and we learned how they have the whole thing integrated. So, I like your ideas for an integrated ticketing system or something like that. You aspire to get access to the concessionary fares scheme. What sort of accountability mechanisms would you put in place for that?
41. **Mr O'Donnell:** We are aware that accountability around concessionary fares is a massive issue. It is a massive issue for the Committee and the Department. Having worked with the Department's auditors, KPMG, we understand the issue. We want to explore the new technologies, which will include an onboard camera, a swipe card that goes from the car to the base or somewhere in the Department, and a transport management system. The new technologies will mean that there is a paper trail, footage of a person getting into the vehicle and an electronic readout. We believe that that would address accountability issues over and above what we are expected to do or what is in place.
42. **The Chairperson:** The 2007 review of the concessionary fares scheme found that the taxi card had quite a number of deficiencies around the risk of fraud and the cost of administration. How would deal with that issue?
43. **Mr O'Donnell:** It is similar to my answer to the last question. When we talk about

investment in the new technologies, we are talking about putting in the cameras, the swipe card and the traffic management system. You will be able to see a vehicle from your operating centre, wherever it is. There will be footage of somebody, whoever it is, getting in with their card for the concessionary fare. There will be footage, a paper trail and an electronic readout. As regards administration, we have an office staff of five people who deal with fuel duty rebates and stuff like that. They could do the admin and work alongside the likes of KPMG to address whatever other accountability measures are required.

44. **Mr Stephen Savage (Belfast Taxis CIC):** Our place also employs 12 loading staff, who deal with customers.
45. **The Chairperson:** OK; thank you for your presentation.
46. **Mr O'Donnell:** Thanks for the opportunity.



## 10 April 2013

### Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr John Dallat  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr Ian McCrea  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Mr Neil Davies	<i>Transport Salaried</i>
Mr Gerry Kennedy	<i>Staffs' Association</i>
Mr Jeremy Saulters	
Ms Lorraine Ward	

47. **The Chairperson:** I welcome Lorraine Ward, assistant general secretary of the Transport Salaried Staffs' Association (TSSA); Gerry Kennedy, TSSA executive committee member; and Ray Edwards and Jeremy Saulters, who are TSSA committee members. You have 10 minutes in which to make a presentation, then there will be 10 or 15 minutes of questioning.
48. **Ms Lorraine Ward (Transport Salaried Staffs' Association):** Thank you. First, I will amend the record by saying that, rather than Ray Edwards, we have with us my colleague Neil Davies, who is the research and policy officer in the TSSA.
49. **The Chairperson:** OK; Ray Edwards is not here. Instead, it is Neil Davies; and your position is?
50. **Mr Neil Davies (Transport Salaried Staffs' Association):** Policy adviser in the TSSA.
51. **Ms Ward:** The TSSA welcomes the opportunity to give oral evidence to the inquiry into comprehensive transport delivery structures following our written submission, which was given to you in January. I am the assistant general secretary of the TSSA in Scotland and Ireland. Neil Davies is our policy officer; Gerry Kennedy is a member of

our executive committee; and Jeremy Saulters is a workplace representative in Translink. The TSSA is an independent trade union. We represent 23,000 members who are administrative, managerial, professional, clerical and technical workers in the railway, travel, port, bus and ferry trades. Our members range from highly skilled engineers and senior managers to booking office staff and call centre workers. In Translink, we have approximately 325 members who are employed across a wide range of jobs and undertake various duties.

52. The TSSA's policy supports a publicly owned and operated transport network that is run in the public interest and not for private profit. An integrated and well-developed public transport system is a vital part of economic strategy and assists in the productivity and competitiveness of both the public and private sectors. That contributes to adding value and job creation. In respect of economic development, it is the most efficient and cost-effective way of linking all centres of economic activity.
53. I turn to the funding of transport in Northern Ireland. As stated in the TSSA's written submission, Ulsterbus funding is set to be reduced by £17.6 million in the next two years. Metro funding will be reduced by £5.9 million over the same period. Those figures represent declines of 19% and 17% respectively from current revenue levels. The basic problem in Ulsterbus companies is that total revenue is set to decline in real terms. A rise of 2.7% to £96 million over three years will be less than inflation. If the lowest prediction for UK inflation — 3% per annum — is realised, that will represent a real cut in Ulsterbus's revenue of 6.6%. Operating costs are expected to rise by 14.5% and overheads by 11.5%. There is no room for further savings through cost-cutting. The TSSA is of the view that the problem lies on the revenue side. A similar

- pattern emerges in Citybus/Metro, as per the revenue projections and the operating costs quoted in section 2.3 of our report.
54. In Northern Ireland Railways, there was no funding shortfall for 2011-12. However, there is a planned funding shortfall for 2012-13 of £1.9 million, which will rise to £2.6 million in 2013-14 and £7.2 million in 2014-15. The main reason for that funding shortfall is the proposed cut in the public service obligation (PSO) from £24.3 million to £20.6 million, which is 15%.
55. The transport arm of the Department for Regional Development (DRD) currently spends the majority of its budget on roads. Construction and maintenance of roads cannot solve Northern Ireland's transport needs alone; that fact was not lost on the previous DRD Minister or his officials. A shift in budgetary emphasis to public transport is required to deliver sustainable and environmental transport solutions for the Province in the future that will also contribute to economic growth and social inclusion. A properly funded, fully integrated public transport network eases the pressure on our current road network. Simply put, if more people use public transport, there will be fewer cars on the roads; a reduced requirement for new or upgraded roads; reduced pressure on the road maintenance budget; a reduction in our carbon emissions; and less congestion on our roads. All of that put together contributes to a healthier population.
56. Subsidies made to the public transport network system should be seen as an investment and not purely as a subsidy to the user of public transport, because that investment delivers real benefits to businesses, other road users and the entire community through lower congestion. Making public transport more affordable means an increase in people's disposable income. They will spend that on other goods and services and thereby contribute to increased economic activity, which is especially important at present.
57. In relation to revenue and service provision, the growing funding problem opening up in all areas could be met by two options: raising passenger fares or cutting back services.
58. Any significant increase in passenger fares above inflation will lead to a fall-off in demand, lower revenue and worse funding problems. Increasing passenger fares in a recession will be self-defeating. Moreover, it would defeat Translink's public service obligation. Those least able to afford services would cut back the most, leading to a substantial fall in transport use by the less well-off, disabled people, the elderly and children. On grounds of economic efficiency, equity and environmental targets, as well as in accounting terms, increasing fares will not address the problem.
59. In relation to cutting back on services, the majority of services operated by Translink are not profitable on a purely commercial basis. Services such as town-to-town, rural and school services are strongly cross-subsidised to achieve maximum coverage. Any attempt to separate out those services for commercial purposes would lead to losses for passengers on all services. As those services require the greatest subsidies, cutbacks would only be effective by concentrating largely in those areas. That would be socially unacceptable and economically damaging to large areas of Northern Ireland, especially the loss of bus services, as in most areas there are no rail services that could be used as an alternative.
60. It is crucial that Translink needs to better engage in protecting and collecting revenue going forward. Currently, revenue protection and collection is under-resourced. Under-resourcing that area results in significant slippage of revenue and potential revenue. It is acknowledged by all that an element of fare evasion exists on the Translink services, and there is a belief by our members that more effective strategies should be put in place to deal with that specific

- issue. A much more robust approach to revenue protection needs to be adopted so that staff undertaking those duties are solely engaged in that crucial activity. A revenue protection organisation with a much sharper focus should result in reduced revenue loss, as demonstrated by transport companies elsewhere, the approaches of which should be examined in depth. The TSSA would like an investigation of how much potential revenue is being lost through fare evasion and other reasons for non-payment.
61. To state the obvious: the more people who use public transport, the more revenue will be raised. Private car use remains predominant. A small percentage shift from car to rail and buses will result in larger percentage increases in the usage of those modes. We believe that the Government should seriously consider committing itself to modal-shift linked to realistic targets. The TSSA calls on the Committee to commission an impact analysis on the economic, social and environmental effects that would result if cuts to services were implemented.
62. Privatisation is, of course, another option, but not one that we support. The TSSA's experience is that that does not work. It is wrong to assume that private sector operators are better than anything deliverable in the public sector. The experience from private sector companies in the rest of the UK and elsewhere is that, once that occurs, private operators are less committed to meeting the social objectives than public service organisations, even when they are subsidised. On the whole, private operators are agnostic about providing services. They do not care where they get the money from, whether it is the fare box, the public purse or anywhere else, as long as it shows up at the bottom of the profit line.
63. Bus deregulation in the rest of the UK has, on the whole, been disastrous and a complete failure. In Northern Ireland, the public transport provision delivers greater social and economic returns than a fragmented, competitive market
- would. It has created a highly integrated bus and rail system, with integrated management, procurement, IT, planning and depots. Privatisation would require a significant break-up of that level of integration, creating more interfaces and increasing costs between the various parties working within a more complex structure. It would lead to less efficient services to the public.
64. I will now outline our view of the future of public transport in Northern Ireland. Translink, as an integrated public service transport provider, will play a vital role in Northern Ireland's future development. It has already played a significant role in opening venues such as the Titanic centre in Belfast to huge numbers of visitors. Northern Ireland's three airports need better linkages to each other and to the wider transport network via public transport. That is documented in the examples that we give in our report in sections 5.1 to 5.5.
65. In conclusion, quality public transport cannot be done on the cheap. One of our main concerns is that scarce public money is not wasted in any restructuring of public transport in Northern Ireland and that lessons are learned from other various privatisations in the rest of the UK. Naturally, at a time of change, we are concerned that staff and service cuts will be seen as a short-term fix to costs.
66. In closing, the TSSA would like an investigation of how much potential revenue is being lost through fare evasion and other reasons for non-payment. We call on the Committee to commission an impact analysis on the economic, social and environmental effects that would result if cuts to services were implemented. As part of a process of ensuring good corporate governance, transparency and a better managed transport system, the TSSA asks that the Committee considers our view that the board of the Northern Ireland Transport Holding Company should establish two seats for worker directors elected directly by the staff at Translink. I will pass over to you for questions.

67. **Mr McNarry:** You call for all public transport — hospitals, education and library boards, etc — to be brought into an “adequately funded public transport sector”. You then say:
- “If funding cannot be sourced from elsewhere within the block grant then the DRD must redirect funds from other projects to ensure we have a properly funded public transport system.”*
68. What funds are you talking about being redirected if the money is not there?
69. **Ms Ward:** We are referring to a shift in the budgetary funds. Already, there have been proposed cuts, which are likely to impact on jobs, etc. We are saying that you have to properly invest in the railway. In order to do that, the Committee needs to consider other budgets that it has. For example, we know that you put a lot of your investment into road transport. What we were trying to achieve here was to show you examples of moving some of that budget to rail and the benefits that that would bring about.
70. **Mr McNarry:** You also said that privatisation will not work. Is Translink not a private operator through the Northern Ireland Transport Holding Company?
71. **Ms Ward:** Translink is a publicly owned company at present, but it has been referenced with regard to the potential for privatisation. We felt the need to come to you today to share with you our experience of privatisation in Great Britain. We can provide evidence of examples to show that that has not worked.
72. **Mr McNarry:** I can see the purpose of your presentation. I found it interesting, but are you really anxious about job cuts? Where does that anxiety stem from?
73. **Ms Ward:** That anxiety predominantly stems from the people that you employ who are the members of our union. I will invite my colleagues, who are employees of Translink, who will want to comment specifically to that question.
74. **Mr Gerry Kennedy (Transport Salaried Staffs’ Association):** I am a TSSA executive committee member. Our main worry is the drop in budget for next year through Ulsterbus and Northern Ireland Railways. The short cut in the budget will incur costs in our membership, which will end up as redundancies. Management have not consulted with us yet or talked about this yet, but, as sure as God made little green apples, that is what will happen. It happened last year when the budget was slightly shorter and we lost members. That is our main concern with regard to the lower budget being put.
75. **Mr McNarry:** Can you estimate how many jobs would be lost as a consequence of what you believe might happen?
76. **Mr G Kennedy:** At the present time, I cannot answer that. The company has not suggested a business plan going forward or the extent of the damage that a smaller budget would cause.
77. **The Chairperson:** Cuts are already taking place even before the budget — in rural areas, services are being discontinued.
78. **Mr G Kennedy:** Individual managers are reducing services in rural areas, but staffing levels are not being reduced. Services are being cut back and those staff are being used for other duties.
79. **The Chairperson:** Are the public suffering?
80. **Mr G Kennedy:** The public will suffer from that.
81. **Mr Ó hOisín:** Thanks for your presentation. I noticed from the paper that we are looking at a year-on-year reduction in total over the past five years of almost 20% between Ulsterbus, Metro and NI Railways. I know from talking to some of your members and, indeed, some of the management staff that they are treading a very thin line in trying to juggle between keeping staff on and keeping stations open, particularly for Ulsterbus and rural services. To date, they have been able to use voluntary

- redundancy for the most part. When do you see compulsory redundancies kicking in? Gerry, you said that you cannot predict that over the next three years, but you could make a stab at it. That is a major concern among your members and, indeed, the wider public, particularly in rural areas where services are being reduced.
82. **Mr G Kennedy:** We had 150 voluntary redundancies over the past two years. However, that does not allow for natural wastage whereby people retire or go off on long-term sick and are not replaced. So, the figure throughout the network is actually a lot greater than those 150 voluntary redundancies.
83. With regards to the future, again, as I say, if I had a crystal ball or if the company discussed this with us, we would know. Unfortunately, however, I cannot give a figure, but I can see it kicking in in another 18 months or sooner.
84. One of the issues raised in our presentation was revenue protection. It is a vicious circle: if we do not have staff on the ground to protect revenue, which pays for jobs and the public service, we lose it. So, the public are being serviced less because of that. The number of booking offices and services at Northern Ireland Railways stations has now been reduced, so people are able to walk through barriers without buying tickets for the train. Northern Ireland Railways has non-manned halts and only the main stations are served, so you can step off and on to a train anywhere on the network; it is like a sieve.
85. **Mr Ó hOisín:** We all agree that the uncertainty that exists is damaging staff morale. What has been seen, particularly in rural areas, is profitable routes being creamed off at the expense of other routes, which will not be serviced. As we heard from previous contributors who talked about north and west Belfast, there will be routes that will perhaps never be serviced again.
86. **Mr G Kennedy:** A reduction in services means that we lose the public. Those people will go back to their cars and never come back. In certain areas, disabled people and the less well-off will suffer because we are not providing a proper public transport service. That is what our appeal is about today.
87. **Mr Dallat:** From the statistics that you provided, certainly those for rail transport, it seems clear that where there has been investment, there has been a substantial increase in the number of passengers. However, in the conclusion — I wonder whether this view is still current — it is stated that the current proposed funding levels could result in the railway line north of Ballymena and the one north of Whitehead being under threat. Given that there was substantial investment in trains and track, are you saying that, because of the cutbacks, we will make the same mistakes again and run the trains into the ground?
88. **Ms Ward:** Basically, what we are trying to get across, by and large, is that we recognise that there is a funding crisis in Translink. That is blatantly obvious. We have put the statistics together, and that is contained in the report. There is a threat of reduced Translink services, and we do not see that as representing a good integrated transport system for the benefit of people in the wider community. The reality is that, because of the impact of the voluntary severance scheme on staff employed at Translink over the past couple of years, it seems to us that Translink is now trying to address the funding crisis by looking at reducing services as well as the number of staff. Neither of those will suffice or work. The unions and the TSSA have worked with Translink in the past, but what we will not do is continue to endorse further job cuts or any reduction in the service within a community, which does not address social inclusion.
89. **Mr Dallat:** If you had a choice, would you support the co-operative model? If you were on the balcony looking down on this, would you support the co-operative concept that has been introduced in Wales and, I think, in Scotland? Would that appeal to your members?

90. **Ms Ward:** What would appeal to our members is for the railway to stay in public hands. What also appeals to our members is the creation of the worker director seats, so that there can be transparency and our members can have input to wider discussions on the future of Translink and the railway to consider and discuss the problems that we continue to face. What we would welcome is to be a party to those talks, where we can make a valid contribution to the future of Translink.
91. **Mr Dallat:** You may know that some members of the Committee were in Glasgow recently, where I note that you come from. Are there any lessons to be learned from there or things to be avoided?
92. **Ms Ward:** If I had more than 10 minutes, I could share many lessons with you.
93. **The Chairperson:** You certainly do not have more than 10 minutes, let me assure you. *[Laughter.]* You have about two minutes left.
94. **Ms Ward:** I will not outstay my welcome, but, yes, I could share with you at another time and in a different forum many lessons that could be learned, not just from Scotland but from England and Wales. We are a railway trade union; that is predominantly where we represent our members. We have dealt with pre- and post-privatisation and have had many experiences during that time. Unfortunately, I have no more time to share that with you.
95. **Mr Dallat:** I want to pay tribute to your members, who have not had it easy over the years. It has been difficult, and I have the utmost admiration for you.
96. **Ms Ward:** Thank you.
97. **The Chairperson:** I think that those comments reflect everyone's views on that issue. Thank you very much for your presentation.
98. **Ms Ward:** Thank you.

## 24 April 2013

### Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr John Dallat  
 Mr Stewart Dickson  
 Mr Alex Easton  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr Ian McCrea  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Ms Kellie Armstrong     *Community Transport Association*

99.     **The Chairperson:** I welcome Ms Kellie Armstrong from the Community Transport Association (CTA). This evidence session forms part of our inquiry and, as such, is being recorded by Hansard. You have 10 minutes in which to make a presentation, after which members will have an opportunity to ask questions.
100.    **Ms Kellie Armstrong (Community Transport Association):** Thank you, Chairperson. The Community Transport Association is delighted to be able to give evidence to the comprehensive transport delivery structures inquiry. I will quickly go through and reiterate our submission.
101.    Unfortunately, CTA is not able to answer definitively or give further evidence on some of the questions that were posed. For instance, the Committee asked about assessing the current legal status of the Northern Ireland Transport Holding Company (NITHCo) and its relationship with the Department for Regional Development (DRD). The CTA and the community transport sector are not at liberty to know any more details about that other than that which is already in the public domain, which is that NITHCo was established by the

Transport Act (Northern Ireland) 1967 and that its functions, along with those that will be carried forward by Transport Northern Ireland, will be changing.

102.    The Committee asked about a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and its service delivery in the UK and the Republic of Ireland. Again, looking at the wider picture, there are certain elements of the way in which public transport is funded elsewhere across the UK and in the South with which we cannot make a comparison.
103.    We have a regulated system in Northern Ireland. We have a public transport delivery service through Translink that is funded by government. Other areas of the UK do not have a similar system; the only one that comes close is London. However, when you compare the London landscape and the social geography of the people who live there with Northern Ireland, it is clear that our system is completely different.
104.    Given EU regulations and changes in EU legislation, the community transport system in the Republic of Ireland is significantly different. It no longer has the ability to use non-profit community transport services to deliver transport in certain areas, and the result of that has been an increase in rural isolation and social exclusion. In order to be able to continue to deliver services, community transport organisations in the South have become commercial interests or hire in commercial bodies to deliver a level of service. We work quite closely with them, and we know quite a bit about Meath Accessible Transport Project Limited and Kerry Community Transport Limited and their delivery of services on that basis.
105.    The Committee asked whether the current structures and the Transport NI proposals are best suited for the

- efficient and effective delivery of public transport legislative and policy objectives. With the limited information that we have about Transport NI, we have taken it from what was to be the public transport agency and what has moved now into Transport NI.
106. The CTA and the community transport sector know from the pilot in the mid-Ulster area and Dungannon, which has been mentioned, that the Department has engaged a transport planner. They are trialling software there that will help what we have asked for all along, which is an accessible transportation plan. However, having looked at Transport NI, we would like a strong transport planning division being moved into the Department that would not only look to the current public transport system but would consider, on a cross-departmental basis, how transport is being planned across Northern Ireland. We believe that the absence of skilled transport planners or a robust, transparent transport planning process has a substantial impact, and we welcome the fact that a transport planner has now been brought into the Department, albeit on a short-term basis. We hope that that will be brought forward in the future to realise the improvements and efficiencies that can be created through that more skilled base.
107. You asked about how to optimise the organisational delivery structures to improve the efficiency and effectiveness of service delivery. There are many reports about public transport, but, unfortunately, very few of them make it to the public domain. There is no comparative investigation of how public money is spent on transport in other Executive Departments, and that needs to be examined and rationalised, based on resource and financial duplication. The pilot aims to do that, but it will be a slow burn. A lot of barriers are created because of legislation and how Departments work in Northern Ireland to how we can effectively bring transport together. To improve the efficiency and effectiveness of service delivery, we consider it a fundamental need to try now to evidence how much money is being spent by the Departments of the Northern Ireland Assembly. We believe that transport is considered an operational detail for many Departments, including Education and Health, and, as they centralise services, access to those services is becoming difficult for people, especially those from rural areas, older people and people with disabilities, and we need to see how further linking of services can create solutions for those people.
108. We congratulate the Department for the establishment of the integrated transport group. The pilot has been mentioned, and everyone talks about that pilot, but it comes with a bit of a health warning. I sit on that group. There are people around the table with a will to try really hard to get that moved forward, but there are many hurdles for us to jump, which we are working through. No one has walked away from the table, thank goodness. Health and Education are still there, but there are legislative details that we need to work through with the Department of the Environment (DOE) through the licensing that would allow education vehicles — the yellow buses — to be able to pick up the public. As we know, community transport is not allowed to pick up the general public; it has to be specific members. In the same way, the Health Department is limited by its licensing arrangements, but this is the first time that an attempt has really been made, and the Department has to be congratulated on the start of this process. I do not imagine that a report will come out any time soon, but it is a good start.
109. In our previous submission to the Committee for the inquiry into the better use of public and community sector funds for the delivery of bus transport in Northern Ireland, we confirmed that we would like a 10-year approach that would enable appropriate cross-departmental strategic planning, centred in Transport NI, to lead to the creation of a Northern Ireland integrated accessible transport plan. That approach would identify how any public money is spent

- on transport, review where and why people travel, integrate resources and use the most effective suppliers to deliver transport needs for the Northern Ireland community. I am delighted that the software is being considered through the new transport planning function; I believe that it is called Accession. That is an accessible transport planning model that looks at where people want to travel to, when they need to travel there and why they are travelling there, and tries to plan transport to make that happen.
110. Thank you very much for your time. I have rounded up very quickly for you.
111. **The Chairperson:** Thank you very much, Kellie. That was very helpful. We will move straight to questions.
112. **Mr Lynch:** Thank you, Kellie. You said that you sit on the group that is involved in the pilot. You seem confident but said that there are many hurdles. Will you explain those hurdles in a little more detail?
113. **Ms Armstrong:** We are looking at a very small area in and around Dungannon, and, very recently, we have been looking at the Coalisland area. The Department and Translink have already mapped with the Department of Education what routes are provided by Translink and the education services, particularly in a triangular area around Coalisland. I appreciate that it may seem like a small area, but it is just a start. The community sector and Community Transport have been focusing on the issue whereby, at 8.30 am or 9.00 am, it might look a certain way but that, at 2.00 pm, it will look significantly different. Some of the barriers are: what are the expectations out there? If there is no transport at 2.00 pm, is there a need for transport at 2.00 pm? We need to engage with the community to identify when and where people need transport. Is it an assumption or a reality that people are being excluded or set aside because there is not available transport? That is one of the issues.
114. As I mentioned, the other issue is, of course, the legislation and the barriers faced because of the DOE's licensing of operators. The Education Department's yellow buses are licensed in the same way that smaller buses for community transport are licensed. They can deliver only services for education purposes or for people who are there to help children in education, and they are not, therefore, permitted to carry members of the general public. So, under the legislation, an empty school bus is not allowed to collect members of the general public. I know that the Department has talked to the DOE about that. Those are just a few of the issues.
115. **Mr Lynch:** Can you give us an example of how you are engaging with the community? What way are you going about that?
116. **Ms Armstrong:** That is at a very early stage in the integrated transport group, but we are talking about how we will do it. I know that the Department has already gone to some local councils, such as Dungannon and South Tyrone Borough Council, and will be going to Cookstown District Council. We are now looking at who the community transport passengers are, how we can reach Translink passengers, and how we can talk to the Education Department. We are starting to do that.
117. Community transport takes a bit of a different view. We just get out there and ask people because our passengers are the community. Unfortunately, we do not have the investment or opportunity outside the Department to gain research. We have been talking to the Northern Ireland Council for Voluntary Action (NICVA) about the Department of Enterprise, Trade and Investment (DETI) innovation vouchers and such things. Unfortunately, nobody wants to fund transport research at the moment. However, thankfully, the Charity Commission's public benefit test will allow community transport to examine that area and say, "Today, we are servicing 50% of the population, but that needs to improve" or "Today, we have serviced 90% of the population". It

- is a difficult one, but the group will work through that as time goes on.
118. **Mr Ó hOisín:** Thanks, Kellie. You said that nobody in the group has walked away from the table. I appreciate the difficulties with licensing, particularly with community transport. Are there any glaringly obvious issues that have come to light through the group's work that might have an impact on the integration of community transport in the network?
119. **Ms Armstrong:** The Departments represented around the table have not raised any other issues. In fact, a lot of learning is coming forward from that, and it is about getting access to that learning. I think that everyone has a fear that the group will ask for millions of pounds to make this work. We are not looking for that yet. It is all about goodwill. We want to talk to the Education Department and the Health Department about their buses without frightening them off. However, other issues are emerging. For instance, within the Health Department, social services may have purchased transport for, say, an Alzheimer's day-care centre, and through its procurement of support for people who need day care, there is the provision of transport, but that is not under the spend for transport in the Health Department. So, we are coming up with lots of different organisations and companies that are delivering transport for the Health Department and the Education Department that are not part of the statutory provision. That is starting to emerge.
120. It is a bit frustrating because it is like a spider's web, and it is about trying to link everything together. We will get there, however, because the will is there. This is not about using a hammer to crack a nut. It is about goodwill and everybody coming together. It will take time, for which I can only apologise, but by taking time, we will do it right.
121. **Mr Dallat:** Kellie, thanks very much for your presentation, which I found invigorating. How do you propose to use the skills, knowledge, research, and so on, from the pilot study in the Dungannon area and apply that to a model that fits Northern Ireland?
122. **Ms Armstrong:** As I say, the pilot is centred on Dungannon and, very specifically, Coalisland. We are trying not only to establish the operational detail but to look at it from a strategic level. Are there barriers, for example, through licensing that prevent integration of services? Are there barriers through departmental budgetary spend and how things are procured that prevent integration? If we can sort that out and perhaps have an Assembly-wide proposal involving all the Departments, that would be very positive. We could talk to the Education Department and say, "You have an empty bus heading away from that school. How can we best use it?", but that would be a sticking-plaster approach. If we wanted to go Northern Ireland-wide, we need to look at what these barriers are and, at a strategic level, create the ability for Northern Ireland to have a transport planner come in and tell us, "We have all this need: this is how we are going to deliver on it". That is what we hope will happen.
123. **Mr Dallat:** Finally, you referred to the absence of skilled transport planners. Would you envisage them being in the Department or being a separate body or entity?
124. **Ms Armstrong:** I see it being within the function of Transport NI. We need somebody within to be planning for the Government, and I think that the best place for that is in the Department. I am not going to criticise Translink; it has its own transport planners looking specifically at Translink because that is what they are there to do. I think that Transport NI has a holistic and strategic view for government. If I talk to the Department for Social Development or DETI or whoever, they always tell me that, if I want to talk about transport, I have to go back to DRD, so I think that DRD is the right place for it.
125. **Mr McAleer:** I was going to draw on a reference you made earlier to hurdles, but you have touched on that already.

- The trip that we made to Strathclyde taught us that this can be done; we saw the model in Glasgow. Kellie, I know that it is not strictly a DRD matter, but your submission refers to the 10b permit and how it has enabled community transport solutions. Can you update us as to where that is now with the Department of the Environment, because I am aware that it makes the licensing arrangements.
126. **Ms Armstrong:** Officials from the Department of the Environment are going to Brussels on Thursday and Friday this week. They will not necessarily talk about the 10b permit, but they will be talking about cross-border cabotage issues. The bus operators issue will follow that. We hope to have the second version of the straw man discussion paper. The DOE hopes that the straw man paper will be the final one to go to the Minister for consideration and enactment of European legislation.
127. As far as community transport is concerned, we have negotiated, but we still do not know where we stand. The likelihood is that any community drivers that are paid for —that is, any driver who receives cash payment — will be commercialised. We will still be able to use volunteers, thank goodness, but we will be outside of all procurement. That causes us a few difficulties.
128. You mentioned Strathclyde. Recently, a number of us visited Hampshire County Council, where community transport is included in the procurement framework rather than being a grant, because we all know that grants are being whittled down. However, because of the licensing, we have been told that we will not be in the procurement system. It is a concerning time for us, but the doors are not closed. We hope that the Department of the Environment can work through some of our issues with their paper, particularly when we talk about the integration of services. We do not want a system whereby the community sector is willing and able to take people to a bus station but is then prevented from doing so because of legislation.
129. It is an ongoing process. All I can say at this stage is that I am waiting for the paper. We are all waiting for the paper to see what will come out of it. I know that the Department is taking internal legal advice on the definitions of commercial, non-commercial, profit and non-profit. A knowledge of those definitions will go a long way in helping to understand whether the 10b permit will continue to exist or will have to move into a more commercial framework.
130. **Mr I McCrea:** I declare an interest as a member of Cookstown District Council. You mentioned the pilot scheme, and I am slightly disappointed that it is taking place in Dungannon and not in Cookstown, but you said that you intend to speak to the local councils. Have you any idea when that will happen? From speaking to officials on Cookstown council, I know that they would be interested in having that conversation.
131. **Ms Armstrong:** I do not have the information here to hand, but it was disclosed at our last meeting. Michael Deery and Sean Johnston from the Department have already made, or tried to make, dates with Cookstown council. One meeting is not due to happen until May or June. They will go to Cookstown. As you say, the pilot is looking at the Dungannon area. If you head north of Dungannon towards Cookstown, you see that it impinges only very slightly on Cookstown. In order to ensure that everybody knows what is going on, the conversation with Cookstown council will happen. However, as far as I know, it will not be the stakeholder group that will visit the council; it will be officials from the Department who are working on the process. They met Dungannon and South Tyrone Borough Council and they will meet Cookstown District Council. I think that the date will be in May.
132. **The Chairperson:** Thank you for your presentation, Kellie.



## 24 April 2013

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Mr Jimmy Spratt (Chairperson)  
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 Mr Stewart Dickson  
 Mr Alex Easton  
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 Mr Ian McCrea  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Dr Stephen McCabe	<i>Northern Ireland</i>
Mr Steven Patterson	<i>Transport Working</i>
Dr Joanna Purdy	<i>Group</i>

133. **The Chairperson:** I welcome Dr Stephen McCabe, who is the policy projects officer at the Northern Ireland Environment Link; Dr Joanna Purdy, who is the public health development officer at the Institute of Public Health; and Steven Patterson, who is the Northern Ireland director of Sustrans. As you know, your comments will be recorded by Hansard as part of the inquiry. You have 10 minutes to make a presentation, and then leave yourselves open to questions.
134. **Dr Stephen McCabe (Northern Ireland Transport Working Group):** Thank you, Chair, for having us present to you today. As you know, we represent the Northern Ireland Transport Working Group, which is co-ordinated by the Northern Ireland Environment Link. The transport working group is a cross-sectoral group comprising members with interest in transport policy, planning and delivery. The group advocates best practice transport planning and appraisal approaches, including proper consideration of cross-sectoral benefits in a number of key areas — for example, health and well-being, economic development, environmental protection and targets, energy security, social justice and inclusion, and mobility. All those things will lead naturally to the development of a more sustainable, more integrated transport system.
135. The group is responding to three of the terms of reference in the inquiry — namely, 3, 4 and 5. I will make the point at the outset that with appropriate policy objectives, sustainable transport and active travel can play a very significant role in the delivery of the Programme for Government. In fact, they can deliver on all five priorities and 20 of the 80 key commitments. An annex to our submission details that. So, for example, public transport can help us to deliver on environmental targets. That should be reflected in public transport policy objectives for Northern Ireland. The transport sector now accounts for 25% of Northern Ireland's total greenhouse gas emissions. So, greater investment in sustainable public transport is a key way forward in reducing that and meeting targets.
136. Before I pass over to my colleague, I will comment briefly on term of reference 4 on current structures and Transport NI proposals. The Transport Working Group welcomed the published proposals for a new independent middle-tier public transport authority that is responsible for translation of high-level policy objectives into meaningful operation standards for Translink. We agreed with the Department's preferred option in that the independence of such a body would be an important factor in bringing together all the stakeholders, providing a cohesive voice for them and bringing about the best possible service. We have some concerns that the latest proposals result in combining public transport responsibilities with those of Roads Service. In that transition, we stress that there is a need for monitoring to ensure that delivery of public transport does not come off as the poor cousin in that relationship.

We suggest that the budget is already weighted towards roads where the regional transport strategy (RTS) suggests a 65:35 split. It is drifting towards roads rather than public transport. We therefore recommend a significant shift in budgetary emphasis towards public transport. I will now pass to my colleague Joanna Purdy.

137. **Dr Joanna Purdy (Northern Ireland Transport Working Group):** Good morning, Chair and Committee members. Following on from Stephen's comments, I will talk briefly about public transport and active travel, which is walking and cycling, in the context of improving health and will also outline some recent policy developments at a UK level and in the Republic of Ireland that might be helpful in informing the development of transport policy and delivery for Northern Ireland. Transport is one of a number of social, environmental and economic factors that are outside the remit of healthcare but known to influence health. Well planned and designed transport policy and delivery structures can help to promote access to facilities and services, as well as facilitating walking and cycling, all of which have a positive impact on health. That is particularly important in the context of providing fair and equal access to public transport for all members of society and helping to address health inequalities. If we consider areas of Belfast in particular, or even Northern Ireland, we find that people in deprived areas are less likely to have access to a car, so there is a greater need for a public transport system that serves those communities well. It is also important to look at transport poverty. For those who do own cars, we have to consider the cost of fuel, running a car, insurance and maintenance, and balance that against access to public transport and how that could be promoted. It is worthwhile to highlight the point about rural dwellers, who are, clearly, more reliant on cars. They may well be at an increased risk of social exclusion because of poor infrastructure for active travel or poor public transport networks.

138. As part of the inquiry into comprehensive transport delivery structures, I want to draw attention to the links between public transport and active travel. If we look at the current levels of those who are obese and overweight in Northern Ireland, we see that over half of the adult population and one third of children are either overweight or obese. That is coupled with low levels of physical activity among adults. Just over one third of adults in Northern Ireland participate in the recommended 30 minutes of physical activity five times a week. Currently, 1% of journeys are made by bicycle and 16% by walking. Those percentages are lower than those of our counterparts in Great Britain. I know that that is addressed in the active travel strategy. We encourage the promotion of active travel for the obvious health benefits of reducing the number of people who are overweight and obese and helping to tackle chronic conditions, such as coronary heart disease, cancer and strokes. International evidence demonstrates that countries with the highest levels of active travel have the lowest levels of obesity. You will find details in the institute's report on active travel.
139. I want to highlight some current policy developments in the UK. The Department for Transport in England recently published its door-to-door strategy, which sets out how it wants to achieve more sustainable transport through public transport, walking and cycling. The strategy focuses on access to reliable information; affordability of public transport; straightforward connections; and comfortable and safe facilities. Wales takes a different approach, focusing on active travel, and has introduced the Active Travel (Wales) Bill, through which it wants to make active travel the safer, more practical option. It is anticipated that the Bill's provisions will come into effect in January 2014.
140. I want to make a final point about the Republic of Ireland's transport strategy, which was published in 2009. The Republic of Ireland wants to reduce

- private car usage and make transport accessible to all members of society. A number of its initiatives are outlined in the briefing paper. Steven will, probably, refer to some of the additional benefits through job creation. Thank you.
141. **Mr Steven Patterson (Northern Ireland Transport Working Group):** As Joanna said, Northern Ireland fares badly when compared with the UK average for the number of walking and cycling trips. We are at 17%; the UK average is 25%. There is a lot of potential to get people walking, cycling and linking into public transport. One third of the trips that we make are journeys of less than two miles, which could easily be cycled or walked, yet 50% of these trips are made by car. So, immediately, we could target short journeys.
142. No doubt, the Department presented the active travel strategy for Northern Ireland to you. It sets targets to double walking and cycling trips by 2020. We have had some successes. The Northern Ireland census figures show a 60% rise in cycling in the Belfast area over the past 10 years, with up to 5% and 6% of commuter journeys now being made by bike in some wards of South Belfast and East Belfast. This is because of good infrastructure, such as greenways and bus lanes, and the Government's cycle-to-work scheme.
143. There is a difference between the delivery of active travel and that of roads and public transport. All roads are owned by Roads Service, whose engineers deliver that service, whereas the infrastructure for walking and cycling may include roads, parkland owned by councils, riverside paths owned by the DCAL or pavements being upgraded by Department for Social Development. Behavioural cultural programmes, such as cycle training and motivational programmes for walking, involve the Public Health Agency, the Department for Regional Development (DRD), local councils, the Tourist Board and Translink. Most of the Department's and the Committee's emphasis is, of course, on regional initiatives, but what is hugely important in active travel are
- the local, council-based or town-based strategies with local targets and local forums. They bring together all the government agencies that I have just listed, along with the third sector, in a co-ordinated approach that delivers cross-departmental benefits but requires cross-departmental involvement, local councillors and the third sector coming together on the local, town-based strategies and plans.
144. Finally, I thought it prudent to let you know that the UK's all-party parliamentary cycling group produced its report today and has come up with 18 points. No doubt, the Committee will have an opportunity to hear a bit more about that in late June when the cycling conferences take place.
145. Just to finish, there are four —
146. **The Chairperson:** Very quickly, draw your remarks to a close. Time is up.
147. **Mr Patterson:** There are four summary points in the paper. The first is that public transport involves more than just buses; it is about the door-to-door journey, which, inevitably, has a walking or cycling element. The second point is the importance of local, short journeys. The third is the cross-departmental benefits, and the final point is that the delivery of short journeys requires cross-departmental structures.
148. **Mr Lynch:** Thank you for the presentation. Most of it covered active travel. Recently, we were in the Netherlands, where they have been very successful in implementing active travel strategies, and you see that everywhere you go. What are the main barriers here? Are you happy with the planning here?
149. **Mr Patterson:** I will start off with the structural side. A lot of the transport work in Northern Ireland is done on a regional basis, so much of the focus is on inter-urban dual carriageways and railways. The focus is on long journeys. We feel that much more focus is needed, in addition to that, on short journeys. As I said, 65% of journeys are under 5 miles, so we think that the

- regional approach to this is not really the appropriate approach for delivery. That is why I say that the local town targets, the local town partnerships and the local town forum should deliver. Structurally, we need to get that right and involve elected council members, who will be picking up local transport issues such as traffic calming and the state of roads and pavements. There is no natural way for councillors to feed into the delivery. I do not think that, under RPA, councils will take over roads, but maybe one of the Committee's recommendations will be to examine how, through RPA, to encourage that integration.
150. **The Chairperson:** In fairness, councillors and local government play a very significant role in feeding back into government centrally, but I will not get into that debate today.
151. **Mr Lynch:** You mentioned the South of Ireland. In County Cavan, which I live beside, any roads that have been upgraded recently now have cycle lanes, no matter how small the upgrade.
152. **Dr Purdy:** It is also important to highlight the local employment benefits for the construction industry. There are opportunities and learning to be gained from that. If I may add to Steven's comment about barriers, we need to ensure that people have information on the transport facilities and services that are available. People need to know that, if they choose to cycle, a cycle route and cycle map are available; there are facilities at bus and train stations to safely store their bike; or they can bring their bike with them on the next leg of their journey.
153. **Mr McNarry:** That was an excellent and informative presentation on encouraging people to use public transport. The value for money of hybrid electric cars received very poor press recently. Have you thought about introducing hybrid buses here? Will you comment on increasing the use of electric-powered bicycles?
154. **Dr McCabe:** On buses, the first thing that we have to do is change the mindset of people so that they use public transport more. I am not an expert on electric vehicles, but we are some way off bringing in that technology in buses.
155. **Mr McNarry:** What about bicycles? I am thinking about older people.
156. **Mr Patterson:** Absolutely, especially for hillier environments. *[Laughter.]*
157. **Mr McNarry:** I am not so old; I am just thinking ahead.
158. **Mr Patterson:** You are right. The Netherlands was mentioned, which is almost entirely level. That is not the case in Northern Ireland, although parts of the east, south and centre of Belfast, where a good cycling culture has begun, are fairly level. Obviously, in other towns and cities, there are hills. Bicycle brochures advertise electric bicycles much more now, even in Holland. So Sustrans is piloting a scheme in one of the national parks in Scotland to trial electric bicycles.
159. **Mr McNarry:** If you want to lend me one for a couple of weeks, I am up for testing it.
160. **Mr Patterson:** You would pilot one?
161. **Mr McNarry:** Yes.
162. **The Chairperson:** You could lend him your Brompton.
163. **Mr Patterson:** I would need to get a battery put on it.
164. **Mr McNarry:** Is there a satnav with it as well? There are plenty of hills in Strangford.
165. **Mr Patterson:** There are issues of social inclusion. About 40% of households in Belfast, 25% across Northern Ireland, do not have access to a car. One has to ask how much the Government should be investing in electric cars. They still cost £25,000, and maybe they could give a £5,000 subsidy. I work beside the DRD office, and I have never seen anything other than a DRD promotional electric car at the charging points. So that may be one for the future. Are we

- giving households without access to cars enough alternatives to encourage them to get to jobs and services?
166. **Dr McCabe:** The Department's recent consultation on future rail investment included an option for electrification of the railways, but that was over a 30-year timescale. We suggest bringing that forward, but it must go hand in hand with the development of renewables.
167. **The Chairperson:** Maybe you could explain that to us another day. I understand that it would cost several billion pounds.
168. **Mr McNarry:** I have more chance of getting a bike to Comber than getting a train to Comber.
169. **The Chairperson:** John is next to ask a question, and he does have trains in his area.
170. **Mr Dallat:** Thanks for your presentation. Steven, I have met you several times. Has the time not come for legislation to force the Department, when designing roads, to make provision for cycle lanes?
171. **Mr Patterson:** Infrastructure is crucial, Mr Dallat. The 18 points on which the UK parliamentary inquiry reported can be split into infrastructure, legislative issues and behavioural change programmes. Four or five of the 18 are on infrastructure. The Connswater Community Greenway commissioned research by the UK Clinical Research Collaboration Public Health Research Centre of Excellence, which found that 60% of all households around the greenway think that the roads are unsafe for cycling. So getting the infrastructure right must be at the core of this. We are starting to see shoots of cycling kicking in. A total of 6% of adult trips to work in the council wards of Ballynafeigh and Woodstock is a start. They have good greenways — the Chairperson will know and use them — and they have good bus lanes. So it is all about the infrastructure.
172. **The Chairperson:** That lets you into a secret that I am active on the greenway, John — not so much in the past few months, but I do use it.
173. **Mrs D Kelly:** Thank you for your presentation. At least two of you mentioned short journeys in particular. Am I right in thinking that the targets for active schools are at the whim of boards of governors or headmasters? If so, have you ever analysed the aims and objectives or done any promotional work to encourage others?
174. **Mr Patterson:** As you know, the Committee held one of its meetings in Gilnahirk Primary School, and some of your colleagues got on a bike. The Programme for Government (PFG) and the active travel strategy now have targets. I am aware of only two transport targets out of 80 in the PFG, one of which is about school travel and increasing the numbers walking and cycling to school. There is a big demand from children to walk and cycle to school. Our research shows that 45% of kids want to ride a bike to school but only 4% do, so there is lots of potential there. Hopefully, because the issue is cross-departmental, involving transport, health and education coming together, there is a real chance to have a major impact on school travel if adequate resources are put into that Programme for Government target.
175. **Mrs D Kelly:** Yes, but the targets are very much led by schools rather than their being incentivised by the Department.
176. **Mr Patterson:** Yes. Sustrans runs a range of practical projects in schools. The Bike It project has increased the rate of cycling to school from 4% to 17%. Our approach is school-centred, but the school principal, boards of governors and teachers need a bit of support to guide them through that. You are absolutely right that the school is key, but schools need infrastructure support. The Department of the Environment is initiating a cycle training review, which will, we hope, mean that kids will get cycle training, not just in the playground but in practice out on the road. There is a range of measures

that will come together. That PFG target provides a great opportunity to focus on cycling.

177. **Dr Purdy:** I will add one final comment. It might be helpful to look at the Green-Schools initiative in the Republic of Ireland, whereby the schools set their own targets. They look at walking and cycling using what they call “park and stride” facilities, car pooling and public transport. It is probably worth looking at that example because they operate within the wider Eco-Schools programme, which also runs here in Northern Ireland, as part of a holistic environmental approach.
178. **The Chairperson:** Thank you, Joanna, Steven and Stephen for your presentation. I am sure that we will talk to you again in the future.

# 1 May 2013

## Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr John Dallat  
 Mr Alex Easton  
 Mr Ross Hussey  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr David McNarry

## Witnesses:

Mr Scott Kennerley                      *Consumer Council*  
 Mr Aodhan O'Donnell

179. **The Chairperson:** I welcome Aodhan O'Donnell, director of policy for the Consumer Council, and Scott Kennerley, head of transport for the Consumer Council. Gentlemen, you are very welcome. Neither of you is a stranger to the Committee. Go ahead and make a 10-minute presentation and then leave yourselves open to questions please.
180. **Mr Aodhan O'Donnell (Consumer Council):** Thanks very much, Chair. I welcome the opportunity to present evidence from the Consumer Council. We have provided evidence at several inquiries, so we welcome the opportunity to provide a written submission and to follow that up with an oral submission to the Committee. I doubt that we will take the full 10 minutes. Hopefully, we will provide a recap and revision of some of the information that we have provided to date.
181. To recap on our evidence: we have a statutory role to represent the interests of passengers, and we seek to do that by working with the Department and with Translink on policy and operational issues while also seeking consumer and passenger views of their expectations and experiences of using public transport. Importantly, we seek to engage with non-passengers as well, because the aim is to encourage people to make more use of public transport. The evidence suggests that 80% of people have been using public transport for about two years or more, so in order to get new passengers and increase numbers, we need to explore what barriers are preventing people from making more use of transport provision.
182. Our briefing document followed the terms of reference set out by the Committee. I will summarise the areas that we touched on. First, we raised issues around the structures and transport policy; we then touched upon the areas where we sometimes feel frustration around the transparency and reporting of some of Translink's performance issues; and, lastly, we focused on passenger engagement and passenger focus. That looks at expectations of service of key performance indicators, measuring what passengers want from the service, and reporting on it.
183. Before I open it up to discussion, it is important to flag up that we have tried to put forward a balanced view of the public transport issues that we come across in the Consumer Council. Some are challenging. On the other hand, however, progress has been made in some areas in the past year or two, and I point to our work with the Department on public transport reform policy and the projects on modal shift and passenger information. We have been engaged with Translink over some time in looking at complaints policy and how improvements can be made there and looking to revise the passenger charter so that the reporting of Translink's performance is made more meaningful for passengers.
184. That is a brief introduction to the points that we sought to add to the submission that was provided to members. We are happy to take questions on the detail of the submission.

185. **The Chairperson:** Aodhan, thanks for that. Scott, do you want to say anything?
186. **Mr Scott Kennerley (Consumer Council):** Not at this point, Chair; I will wait to see what questions are asked.
187. **The Chairperson:** I will start with some questions for you, Aodhan. You appear to have issues with Translink's transparency, as many of the rest of us do. What are those issues, and how will you attempt to resolve them? You are also critical of Translink's corporate planning process and are in discussions to review your role in the process. What options are you discussing in the review?
188. **Mr O'Donnell:** I will take the second question about the corporate planning process first if that is ok. There has been some progress on that over the past few years, and there has been earlier engagement on how financial plans are developed and how they are shaping up. From the Consumer Council's point of view, it is always difficult to determine at what stage we should be involved and what level of information we require. We turn to the Department to give us the assurance that is required that the financial plans and efficiencies have been worked through to give you your high-level indication of fare increases, be it 2%, 3% or 4%. Once assurance has been given and the decision taken, we always seek to try to influence some of the individual fares to try to lessen the impact on passengers. We have a frustration that, sometimes, when that high-level decision is made, there is very little opportunity to influence the nature of fares. With the fare increase that was announced recently, the average is 3% on buses and 5% on trains, but some tickets have gone up by more than 9%. I think that a third of Metro tickets sold are day tickets, which went up by about 5%. Our concern is that even though the average fare increase is 3%, there is much more impact on more passengers, and there is a difficulty and a frustration for us in trying to get the detail on what passenger numbers are affected by those larger increases and what percentage of passengers are affected by a 5% increase compared to the average. We asked for that level of detail, but we do not have it.
189. **The Chairperson:** You mentioned the recent increase in fares. Were you consulted before it or did you hear, as the Committee heard, the announcement being made?
190. **Mr O'Donnell:** There was engagement between the Consumer Council, the Department and Translink earlier when it was shaping up its financial plans to show what the fare increases were likely to be.
191. **The Chairperson:** The question is: did Translink consult you on the percentage increases? Did it tell you what they were?
192. **Mr O'Donnell:** Translink told us what they were likely to shape up to be; yes. It informed us of that.
193. **The Chairperson:** Did it give you the figures across the board? There was no mention of a 9% increase at the Committee last week.
194. **Mr O'Donnell:** It is quite a high-level brief across the three operating companies to decide what the percentage increase will be. Once the average fare increases are agreed, there is some further information on what fare increases are likely to be for the various ticket types. We try to exert influence to reduce some of the increases. We try to get the least impact for the most passengers; that is what our negotiation is about. I do not think that there is any really —
195. **The Chairperson:** Have you an idea what percentage of passengers have been affected by the 9% increase?
196. **Mr O'Donnell:** We have asked that question.
197. **The Chairperson:** Did you not get an answer from Translink?
198. **Mr O'Donnell:** No.

199. **The Chairperson:** Is that to do with Translink's transparency on issues?
200. **Mr O'Donnell:** The response that we got when we followed up the subsequent information was that it is difficult to provide figures that could be stood over.
201. **Mr Kennerley:** The main issue that we have had with the corporate planning process that we have been involved in in the past is that we have not had sufficient engagement. The Consumer Council felt that it had not had sufficient opportunity to raise its concerns, although I have to say that that was not the case this year. We have engaged with the Department and Translink on the high-level proposal for fare increases. Once it was decided that a high-level fare increase was likely, we were given information on how it would be broken down in the different ticket types and routes, for example.
202. It was at that stage that we went back to Translink directly to raise concerns about services such as the Maiden City Flyer and park-and-ride services. For example, how do above inflationary fare increases for park-and-ride services tally with government policy to achieve modal shifts, etc? As Aodhan said, one of the issues that we raised is that although this is being presented as a 3% increase for bus and 5% increase for rail, it was obvious from the information that we received that it was not a standard 3% across the board. We were trying to find out what level of fare increase the majority of passengers will pay, based on the types of tickets sold. Translink was unable to give us that information.
203. **The Chairperson:** It was not able to give you that information; is that what you said?
204. **Mr Kennerley:** Yes.
205. **The Chairperson:** Did Translink mention 9% at any point? It did not mention 9% to the public. I do not think that the public is aware that some fares have increased by 9%.
206. **Mr Kennerley:** In the press release that we issued that day, we made the point that fares are increasing and that some fares are increasing by more than 3% or 5%.
207. **The Chairperson:** At no time was Translink open, clear and transparent in what it said to the Committee or the public outside. It was not clear about that 9% increase. Do most passengers have to pay 9% more now?
208. **Mr Kennerley:** I do not think that it would be fair to say that most of them will pay 9% more. Nine per cent is an example at the high end of ticket types and routes, and some passengers may be impacted by that. In our public work and in our press release, we tried to make consumers and passengers aware that fares are going up and that their journey prices may increase by more than 3% or 5%, although they may increase by less than that. We told passengers, "If you are concerned, contact Translink to find out exactly what your new fare will be."
209. **Mr O'Donnell:** It is a fair question. There is a range of fare increases, but what percentage of passengers will experience those increases, based on the number of tickets sold?
210. **The Chairperson:** You cannot get an answer to that.
211. **Mr Kennerley:** No; we did not get an answer to that specific question.
212. **The Chairperson:** Let us move to openness and transparency, which was the first part of the question. You have issues regarding Translink's transparency. You have just given the Committee a pretty good example of Translink's openness and transparency on most issues.
213. **Mr Kennerley:** It is my responsibility and part of my day-to-day role to work with Translink on an operational basis. We work very closely and very effectively together in many areas. A great deal of positive work has been done, such as revisions of the passengers' charter and Translink's very active engagement with us on how it handles passenger complaints and engages

- with consumers. There are very positive elements to our work together.
214. In our response, we have tried to do an analysis of the information on reporting structures — the management statement, the financial management and the annual reports — and how that information is presented. There are challenges in how that performance information is put out into the public domain. It is important that an organisation such as ours, as well as the public, can understand fully what Translink is targeted to achieve, whether it has achieved it, and how that is demonstrated publicly. One of our recommendations is in respect of the opportunity to shape, change and improve the key performance indicators that the Department will look for in the contracting regime that is upon us.
215. **Mr Lynch:** Given the fare increases, do you feel that passengers are getting value for money from Translink?
216. **Mr Kennerley:** That is a difficult question. I refer you to my previous answer on reporting, on key performance indicators and how information is made available. I have already outlined the challenges in that regard.
217. My challenge as head of policy for transport is that Translink fares compare very favourably with those in other regions in the UK. However, when a customer gets on a bus or train, they do not think: “How much would this journey cost me in Liverpool or Scotland?” They compare the cost and various different factors with the cost of other forms of transport. It is a difficult one to quantify. However, Translink’s fares are competitive compared with those in other UK regions.
218. In our submission, we highlight the fact that Department for Regional Development travel statistics report that passenger numbers and revenue levels have been increasing over the past 12 months. I was in the Public Gallery last week when the Committee heard evidence from Translink, and I heard Translink representatives confirm that passenger numbers and passenger revenues have increased. That is happening when operators in other regions are not experiencing such increases. Therefore you could argue that Translink is performing well, given the economic climate. However, does that add up to value for money for the consumer? That is hard to say when you consider the level of public investment.
219. **Mr McNarry:** You told the Chairman that you are aware of the pending announcement on fare increases. Were you aware that the issues in addressing the £17 million predicted loss are no longer issues, as we were informed last week? Those are no longer issues because of fare increases, efficiencies and a £5.8 million injection from Translink reserves. Were you aware that all that money was in the pot, so to speak? Was the availability of those reserves made known to you, in your role?
220. **Mr Kennerley:** It is fair to say that when we engaged in the corporate planning process this year, it was a new experience for us. We were engaged by the Department and Translink at a much earlier stage, and we were very grateful for that. We were also grateful for the level of information that was provided. It is not fair to say that it was presented to us in such a way as to say that we were £17 million in the red last year, and here is everything that we are doing to make sure that we break even this year. What was demonstrated to us were high-level figures on the performance for the financial year 2012-13, and the plans going forward. Based on the information that we were given, we made some operational assumptions, and the challenges that we put back to the Department were to seek clarity on some of those operational assumptions and some of the areas where we thought there needed to be greater clarity before a final decision on a fare increase could go ahead. Hopefully, that describes our involvement in the corporate planning process up to that point.
221. In relation to the point about a reserve, I was very happy with the level of financial information that we were provided with.

- It enabled us to inform our response to the Minister to say where we thought there needed to be greater clarity, but it was not presented to us in such a way as to say that there is a pot of money as a reserve and we will take £5.8 million out of it to make sure that the organisation breaks even.
222. **Mr McNarry:** We all welcome the news about passenger increases, but I am now a bit dubious about the reasons for those as things work themselves through. Can you assess, within the figures for passenger increases, how much of that is down to the increase in the uptake of concessionary fares?
223. **Mr Kennerley:** At this point, no.
224. **Mr McNarry:** Do you think that you might be able to assess that?
225. **Mr Kennerley:** Translink could provide you with the breakdown of the increase in passenger numbers, including the number of fare-paying passengers and the number who claim concessionary fares. I stand to be corrected, but my understanding from the evidence given to the Committee last week was that fare-paying passenger journeys had increased by approximately one million.
226. **Mr McNarry:** We, too, would like to see those figures. All we know is that the overall cost for concessionary fares is going up from £35 million to £42 million, which is a £7 million uplift. There seem to be a lot of free fares.
227. Finally, will the increases in price for paying passengers put people off using the transport services?
228. **Mr Kennerley:** You are into the realms of want versus need: how many people use public transport because they want to and how many use it because they have no alternative? Our research has consistently shown that there is a core contingent who will never want to use it, no matter what you do to improve the offering. However, most passengers whom we have researched and engaged with want to use public transport. When asked what stops them using public transport or what changes would make them want to use it, people always say that they would like cheaper fares, better availability of services and more frequent services.
229. **Mr McNarry:** It is quite an important mathematical equation for anybody, but having welcomed the increase in passengers, and taking out what may or may not be a sizeable element of free fares, do you think that, because of the introduction of increases, we could lose those passengers who have affected the increase?
230. **Mr O'Donnell:** It was reported that the strategy to hold fares had been a significant reason for pushing numbers up, and there is a worry that that could start to go the other way. Lots of assumptions are made in financial planning, and one assumption that was made around this fare increase was that passenger numbers would be maintained at the same level. We asked whether there is a trigger point; for example, if passenger numbers fall away by 500,000 or one million, is there a trigger point in Translink's mind that would nearly set the need for another fare increase or what will happen if things go the other way and numbers continue to increase? Those issues need to be considered as well.
231. **Mr Dallat:** I am not sure whether we should praise people here, but, listening to your evidence this morning, I get the impression that you are doing your job extremely well. How much of that is due to a better working relationship with Translink and how could it be improved further?
232. **Mr O'Donnell:** I echo what Scott said at the start: there have been quite a lot of positive developments on an operational basis, and that operational focus results in the things that customers feel and see when they use the service, such as complaints-handling and performance standards and targets. That is reflected in some of the work in the Department. Those things continue to develop and improve.

233. I will reflect on some of the earlier points. There can sometimes be a sense of frustration because of something not being completely clear, or because people are not confident or sure about some of the information and how it is presented. It is about how we can then reassure consumers and passengers, because we all have the same aim of trying to get more people onto the buses and trains. That is probably not at the forefront of a passenger's mind, but it is an issue that creates a bit more uncertainty or scepticism about the performance of the company.
234. **Mr Dallat:** It is probably the first time since the 1960s that there has been such a significant increase in the number of people opting for public transport, and I want to go on record as saying that I appreciate the work that you do, and I hope that the relationship with Translink can be built upon so that the difficulties or lack of information can be ironed out. When everybody is in harmony, the public will get a better service.
235. **Mr McAleer:** A number of efficiency reviews have been carried out in the past number of years. Have you had any sight of the performance and efficiency delivery unit (PEDU) review?
236. **Mr Kennerley:** Not at this stage. The PEDU review may have been completed, but my understanding is that the final report has not been made publicly available at this stage.
237. **Mr McAleer:** So, you have not had sight of it.
238. **Mr Kennerley:** Not at this stage.
239. **Mrs D Kelly:** I am sorry for my late arrival. You referred in your presentation to how Translink compares favourably with similar transport providers in GB. I am making the assumption that the majority of providers in GB are private rather than public. Have you done comparisons of management costs between the two?
240. **Mr Kennerley:** No, and I should clarify something. The Consumer Council has not conducted research comparing Northern Ireland public transport fares with those in other UK regions. However, other research reports are out there, and we have referenced a number of them in the evidence brief that we submitted to the Committee. Most recently, there is a reference to the Department's consultation on future investment for railways. That explains that, over short distances, Northern Ireland Railways fares compare favourably, and, as the distance increases, the value for money increases considerably. The outline business cases for the process of public transport reform said that bus journeys compared favourably. Information on the comparison of average journeys that is available through the Department for Transport shows that the level of fare increases has been below inflation since, I think, 2005. It is not our research.
241. **Mrs D Kelly:** Is it independent?
242. **Mr Kennerley:** As I say, there is a range of information. With regard to fare increases being below inflation, I have always had concerns about information that is presented to the public stating that fares have fallen in real terms, because people's incomes are not increasing at the same rate. The cost of living is increasing. So, when it is presented in the public domain that fares have fallen in real terms, I think it is cold comfort for consumers.
243. **Mrs D Kelly:** That is true.
244. **The Chairperson:** Can I just clarify something on that point? We know that, as it states in your submission, there were no fare increases in the first year of the previous mandate or the first year of this mandate. Of course, one thing that Translink said was that there have been no fare increases for x number of years. Given that the evidence is being formally recorded, I want to put this on the record. Your evidence states that, in the past 11 years, there have been 10 increases. That is now 11 increases if we include what was announced to

- the Committee last week. So, there have been 11 increases. In fact, in some years, there were two separate increases. In 2008, for instance, there were two increases. Fares were held in 2007 and 2011. Both those years were the first year of Assembly mandates. I was going to ask you this at the end: does that not indicate that, as is the perception among many of us, there is a cosy relationship between the Department and Translink? Would you like to comment on that?
245. **Mr Kennerley:** Not really, no, Chair. *[Laughter.]*
246. **The Chairperson:** Would you like to on behalf of consumers? There is a very apparent cosy relationship between Translink and the Department that emanated during direct rule and it appears still to be the case today.
247. **Mr Kennerley:** I do not think that it would be fair for the Consumer Council to say that, yes, there is a cosy relationship or that, no, there is not.
248. **The Chairperson:** That is fair enough. I have put it on record now. Certainly, that is my perception. I know that it is other people's perception.
249. **Mrs D Kelly:** If additional money is provided to Translink through bailouts, the public is paying by a different means. Has any research been carried out into the amount of public money that is used to substitute fare increases, and how does that compare with GB?
250. **Mr Kennerley:** Not by the Consumer Council. It is very difficult to make like-for-like comparisons with operators in different regions because we have a unique model in Northern Ireland. So, to date, the comparisons that are available will usually contain caveats.
251. **Mr O'Donnell:** Since 2009, as the evidence shows, there have been quite a few reports and reviews into Translink's efficiency. A lot of those also contain comparative analysis. A lot of the work also makes recommendations for improvements in practice and around efficiencies. So, there has been quite a lot of work done on that. I think it is then a case of looking at the outcome of all those reports and reviews into efficiencies, what recommendations have been put into practice and what progress has been made on them. Certainly, some of them had short- to medium- to longer-term areas for focus and action. It is a case of going back to check what progress has been made against those recommendations, and what impact has been achieved.
252. **Mr Easton:** What about the recent rise in Translink fares? Do you feel that Translink misled the public to a degree?
253. **Mr Kennerley:** That is a difficult one to answer. I have had experience of this. You put information out there, it is picked up by the media and delivered by them. The role of the Consumer Council is to inform consumers. So, our role was to put out a press release to say that fares are going up, when they are going up and the average rate of the increase. We also said that individual fares might be going up by more than that and that people should contact Translink to make sure that they know what their fare is likely to be.
254. **Mr O'Donnell:** When a decision is taken to increase fares, it is signed off by the Minister and work is then done on the different individual fares. It would have been beneficial for us to have had certain information, such as how many passengers were going to be impacted upon. In that way, we could have provided greater reassurance to consumers. Consumers asked us how the fare rise would impact on them, and more information on the impacts would have been useful, particularly for different the types of passenger.
255. **Mr Easton:** So, there definitely was a lack of information. That is what you are saying.
256. **Mr O'Donnell:** As we clearly said at the start, we asked for more details on areas of information but did not get it. Whether or not that was available, it made it more difficult for an organisation

- such as ours to provide reassurance or further information to passengers.
257. **Mr Kennerley:** I will make one point about the Chair's question as to whether the relationship between Translink and the Department is cosy. One thing I will say is that there is certainly no cosy relationship between Translink, the Department and the Consumer Council. I return to the point that my colleague made to John Dallat: we have some extensive sparring sessions. I have had some extensive sparring sessions with my counterparts in Translink and the Department. However, we all share the unifying objective of getting more people to use a public transport system that works for them and fits the Department's vision as outlined in the regional development strategy.
258. **The Chairperson:** I am very pleased to hear that you are holding them to account. That is what we are trying to do as well.
259. **Mr Hussey:** I am sorry; I nipped out there. I hope that this question was not asked in my absence.
260. **Mr Dallat:** It was.
261. **Mr Hussey:** But I will get the true answer.
262. The increased use of public transport is to be welcomed, but when we look at other areas, we find that there is a decrease in use. Do you find, or do you know, whether that decrease occurred in rural areas such as County Tyrone? Obviously, there is no rail network in Tyrone but there is an Ulsterbus service. Have you any idea where this increase occurs?
263. **Mr Kennerley:** Again, Translink is best placed to provide a breakdown. Whether it can do that, I do not know.
264. **Mr Hussey:** I accept that, but the Consumer Council represents everyone everywhere. Who are you speaking to about this? Is this Belfast-based, or are you speaking to people in the real world, like those in Tyrone?
265. **Mr Kennerley:** We conduct research across a range of areas. For example, for some of the most recent research that we did on passenger information and modal shifts, we engaged a research company to conduct an omnibus survey, which includes taking a random sample of the population from across Northern Ireland. We also conduct consumer panels in specific areas to gauge consumers' views and to see whether there is a difference of opinion over issues in inner-city areas as opposed to rural areas. A good example of the type of contrast that we get is through looking at customer service. The attitudes of bus drivers come up often. You will sometimes get a more negative response on that from consumers in focus groups in the Belfast area. However, we conducted a focus group in Omagh, and the references that the Ulsterbus drivers were getting from that area were glowing. We are the Consumer Council for Northern Ireland, and we conduct research across Northern Ireland.
266. **Mr Hussey:** My opinion is that it is increasing. I say that because the park-and-ride facility has been doubled in Omagh and is packed. It appears to me that there is a demand and clear use.
267. **Mr Kennerley:** I will go back to the point about a number of the research projects that we conducted. Where accessible forms of public transport exist that meet the travel needs of consumers, the majority of people tell us that they want to use them. When the Department and Translink work together to provide those services, as you say, on park-and-ride facilities, for example, in Omagh, people are availing themselves of those services.
268. **Mr O'Donnell:** We are more than happy to give an overview or provide a brief document on the types of consumers we have engaged with and where we have engaged with them. The last research was in Omagh, Dungannon and different places. That might be helpful to show the spread of engagement with different passengers and non-passengers, because there are issues of rural services and access to them.

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People sometimes do not have a service available where they live.

269. **The Chairperson:** I have one final question. In your opinion, does the Transport Northern Ireland model fall short of the independent transport agency that was proposed in 2009?
270. **Mr Kennerley:** My honest answer is that it is too early to say. We have had concerns. A model was proposed and a decision was taken that, instead of being a separate agency, it would be a roads and public transport organisation. That was the vision in the Department. It was a new model that was not consulted on. However, we have engaged with the Department and raised our concerns, and we have been given assurances that all the functions that were consulted on, which we were publicly told the agency would do, will still be taken forward under the model. Essentially, we have been told that the output that the consumer will see has not been diminished or changed. We are still working closely with the Department to keep an eye on what we thought was to be delivered compared with what we will see delivered.
271. **The Chairperson:** So, you are going to hold the feet of the Department to the fire on that issue.
272. **Mr Kennerley:** I do not know that I would go so far as to say that. Our working relationship with the Department is very positive on the process of public transport reform. We ask some challenging questions, but the Department has been very open and clear in its answers.
273. **The Chairperson:** Scott and Aodhan, thank you very much for your presentation. It has been very helpful.



# 1 May 2013

## Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr John Dallat  
 Mr Alex Easton  
 Mr Ross Hussey  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr Ian McCrea  
 Mr David McNarry

## Witnesses:

Ms Anne Breen	<i>Department</i>
Mr Ciaran Doran	<i>for Regional</i>
Mr Sean Johnston	<i>Development</i>

274. **The Chairperson:** I welcome Ciaran Doran, director of transport, finance and governance; Sean Johnston, head of public transport reform; and Anne Breen from transport services division. You are very welcome. You have about 10 minutes to make a presentation before we open the discussion for questions.

275. **Mr Ciaran Doran (Department for Regional Development):** Thank you for the opportunity to brief the Committee again. In January, in response to the inquiry, we sent you a briefing paper and you have been provided with a copy of slides that we will refer to today. We do not have time to go through each slide in detail, so I propose to highlight some key points from the Department's perspective that relate to the terms of reference that were published for the inquiry. Sean will talk you through part of that. Anne, who is part of my team, deals with Translink issues on a day-to-day basis, and is here to answer specific questions.

276. I will start with the legal status of the Northern Ireland Transport Holding Company (NITHCo) and its relationship with the Department for Regional Development. First, I will talk briefly about the legislation that controls

public transport in Northern Ireland. The Transport Act (Northern Ireland) 1967, which was referred to previously, established the holding company as a statutory public corporation. There is no shareholding in that organisation but, effectively, it is controlled by government as defined in the 1967 Act. The Act, for example, empowers the Minister to appoint a chairman and board of directors, and to give direction on policy matters, among other things. The board is appointed by the Minister and, in certain situations, the Minister can direct on specific issues. However, there is a commercial remit for the holding company, as set out in the Transport Act, and a degree of operational independence is built into the legislation.

277. The Transport Act (Northern Ireland) 2011, which went through the Assembly two years ago, is targeted on the issue of EU regulations — *[Interruption.]*

278. **The Chairperson:** I apologise for the noise. Someone has been sent to tell them to stop. Keep going, but bear with us for a few minutes.

279. **Mrs D Kelly:** I think that it is probably a band. I saw drums being carried up the stairs earlier.

280. **The Chairperson:** Well, they are about to be told to band together somewhere else.

281. **Mr McNarry:** You are always against the bands, Dolores. *[Laughter.]*

282. **Mrs D Kelly:** Only some.

283. **The Chairperson:** Let us not get into that debate. We will leave that for the Parades Commission. Go ahead, Ciaran.

284. **Mr Doran:** The point that we would emphasise is that the Transport Act (Northern Ireland) 2011 reviewed the Transport Act (Northern Ireland) 1967, and the Assembly effectively

- agreed that there would be no change to that legislation. I think that that is an important point. The 1967 Act introduced a regulated public transport system, which means that operators require a licence to provide regular scheduled public transport services. The 2011 Act retained that system. The key advantage from the Department's point of view is that that enables Translink to provide socially necessary transport routes in areas where the service would otherwise not be viable. In other words, it allows for a system of cross-subsidisation within the Translink group.
285. The other change was to give the Department clear contracting powers and, over the next 12 months, it is our priority to put in place a contract with Translink. As we have explained previously, that was to comply with the EU regulation 1370/2007, which requires that the relationship between the Department and NITHCo be controlled through a corporate and business planning process, the management statement and financial memorandum that we referred to in previous sessions, as well as a system of key performance indicators. It is certainly our intention that the contract with Translink or the holding company will be a further and improved means of performance management.
286. The second issue in the terms of reference that I want to refer to is the financial support given to public transport. In the slides, we set out the planned capital and revenue funding for 2013-14, which is £84 million of revenue and £16 million of capital. Most but not all of that relates to Translink. It is very difficult and complex to draw clear conclusions about the level of subsidies that are provided to Translink in comparison with England, Scotland, Wales, the Republic of Ireland, or anywhere else. Our approach has been to compare Translink to like regions and operators, as that allows us to be clear about the figures. That was the approach that was used when the outline business case for public transport reform was produced, and
- I know that the Committee has been briefed previously on that issue.
287. To some extent, the comparison of the levels of funding depends on Executive and departmental priorities for where budgets are provided. However, it also depends on whether you are comparing the level of funding for public transport for the whole population of Northern Ireland or for those who actually use public transport. Depending on the approach that you adopt to that, you can get different answers. I will now hand over to Sean.
288. **Mr Sean Johnston (Department for Regional Development):** In your packs, there is a slide about public transport-related objectives, which shows the business plan for the current year. Our plans have been influenced by the regional development strategy, the regional transportation strategy and the Programme for Government. We are moving to a new approach to public transportation, and the Committee will have seen a version of that some time ago. The outworkings of that will lead to what is termed a policy prioritisation framework, which will set out the aims and objectives of the Department, and a programme of investment, which will set out how that will be carried through in reality. It is expected that that will lead to a delivery plan of prioritised strategic transport investments from 2015 onwards. Obviously, that will be influenced by the next spending review.
289. The terms of reference specify public transport structures. The fourth slide in your pack is about Transport Northern Ireland and sets out the public transport authority functions carried out by Transport NI, including its roads functions. Those roads functions include the design of new roads and the management of the road network. The contract for transport will initially focus on the Department's sponsorship role and the existing services that are delivered by Translink. Transport NI will also focus on rural accessibility and urban schemes for disabled and elderly people. A number of functions are not yet part of Transport NI, including

- Belfast rapid transit; planning for the integration of publicly funded transport services in the Dungannon pilot scheme; a number of ongoing sustainable transport schemes; work with Translink on passenger information and new ticketing; enforcement of bus lanes; and use of geographic information systems, which will become a key area for us in future in trying to exploit the data available for the integration and planning of public transport.
290. **Mr Doran:** I will conclude with a couple of additional comments. We emphasise that the Department's key priority up to April 2014 is to put in place a contract with Translink to comply with EU regulations. Transport NI will take that forward in conjunction with other parts of the Department. Transport NI and the arrangements in that part of the Department will take some time to bed in, but we are keen to take account of your views and any suggestions from your inquiry about how structures should be developed, going forward.
291. **The Chairperson:** I hope that there will be quite a few. You heard at first hand a few minutes ago, Ciaran, the chairman of the holding company say that you supply a lack of funding. What will the Department do about that? Is the Department guilty of market foreclosure by denying competition to Translink? Finally, the general counsel to Translink has written to the Committee to state that the management statement and financial memorandum has no binding legal status. Those are not my words. How, then, does the Department carry out meaningful governance over Translink and the substantial grants and subsidies made it to from the public purse?
292. **Mr Doran:** I will try to deal with all those points, but you might have to remind me about some of them. We have never, at any point, said that the management statement and financial memorandum is a document with legal standing. It is common practice across the public sector for management statements and financial memorandums to be put in place between arm's-length bodies and Departments, and that is the arrangement with Translink. It is a document signed by the Translink board and by the departmental accounting officer. So, to an extent, it is a voluntary arrangement. However, it is based on Department of Finance and Personnel guidance, and we will place considerable focus on that document as we work through the arrangement. I think it is fair to say that the budgetary context up to 2015 for the Department for Regional Development generally, including Translink's arrangement, has been difficult. The Chair's previous comments about in-year monitoring funding being used to support Translink, particularly on the concessionary fares reimbursement scheme, are valid. That is what has happened. Our view about the corporate plan for the current year is that making realistic assumptions about the level of in-year support we can provide to Translink would prevent the implementation of higher fare increases, and the Department's view is that consumers would welcome that.
293. I cannot remember the third part of your question, Chair.
294. **The Chairperson:** It was about whether the Department is guilty of market foreclosure by denying competition to Translink.
295. **Mr Doran:** I am an official of the Department, and the Transport Act (Northern Ireland) 2011 continues a regulated public transport system and clearly defines that Translink is the lead public transport operator into the future, subject to EU regulation. That, effectively, is government policy. That is all that I can say about that.
296. **Mr Johnston:** To add one thing to what Ciaran has said, there is provision in the 2011 Act and, indeed, in the 1967 Act, for competition to fill gaps in the market that are not being filled by Translink. Some operators come forward with ideas from time to time. There are around 40 operators operating 100-odd routes, so if a commercial operator identifies a gap in the market and says that it can run a commercially viable

- service, we are not allowed to have willy-nilly cherry-picking of profitable routes because the public transport system depends on cross-subsidy, as we discussed earlier. The whole thing would fall apart on us. It is controlled through the regulated system, but that does not preclude operators from coming forward, as they occasionally do, to address gaps in the market. They get those licences.
297. **The Chairperson:** I suppose that every bus company, including commercial outfits, has a problem with the non-profitable bits.
298. **Mr Johnston:** Generally speaking —
299. **The Chairperson:** Has there ever been any appetite to put it out to other companies on these islands?
300. **Mr Doran:** The system in place now allows for what I would call a degree of limited competition. However, it envisages that Translink would be the lead operator in the system for the foreseeable future. Clearly, it is possible to revisit that policy, but it was part of the Transport Act (Northern Ireland) 2011. That was specifically part of the process that led to the completion of that legislation.
301. **The Chairperson:** I have one final point, which concerns not just my perception or that of others on the Committee, but a general perception among the public. How would you respond to what is often referred to as the cosy relationship between the Department and Translink? You are often seen coming along here, holding hands, and we have seen a highly paid chief executive refer to you before she would answer a question. How do you respond to that? That is one of the reasons why I, as Chair of this Committee, want you to come along separately so that you can be questioned separately.
302. **Mr Doran:** I am not sure whether I can comment on that terminology, but there is a structure of meetings in place with the Translink board involving the Minister and the permanent secretary of the Department. I regularly meet Catherine Mason in a series of monitoring meetings, all of which are minuted. I suppose the best way that I could answer that question is to say that we were subject to a Northern Ireland Audit Office review in the past two years. A report was published towards the end of last year that looked in detail at the governance arrangements of Translink over quite a long period. I ask the Committee to look at the conclusions of that report. It was not produced by me or the Department; it was produced by an independent organisation: the Northern Ireland Audit Office.
303. **The Chairperson:** Mr Doran, the public perception is that there is a lack of transparency. It is part of the Department's job to address that lack of clear and open transparency. It is not there. We are having to ask probing questions to try to delve into it and get some answers. It is not just my or the Committee's perception; it is the perception of the general public.
304. **Mr Johnston:** In 2010, there was quite a detailed review of Translink's performance. A review was done in, I think, 2008, and a follow-up review was done in 2010 that looked at how Translink had got on in the interim. I think that the 2010 review is worth rereading. I do not know whether it will answer all your questions, but it will certainly give you some information that will be useful in the overall context of your inquiry.
305. **The Chairperson:** Where is the performance and efficiency delivery unit (PEDU) review?
306. **Mr Johnston:** That is ongoing. We have seen a very early draft of it, but —
307. **The Chairperson:** When are we likely to get some transparency on it?
308. **Mr Johnston:** We hope to get it over the next few months.
309. **Mr Doran:** We are working with PEDU. We assure the Committee that we will share the results of that review.
310. **Mr Lynch:** How do you plan to redress the imbalance between road capital

- projects and public transport? That issue has been raised.
311. **Mr Doran:** That will be an issue to be considered as part of the remit of Transport NI and in the Department for Regional Development. Sean has previously referred to a new approach to judging the need for expenditure: the policy prioritisation framework. That is an attempt to look at all the relevant political and economic issues to be considered in decisions about spending and it is seen as the way in which this will be done from 2015 onwards.
312. **Mr McNarry:** We have established that Translink is a brand name. We are told that the Northern Ireland Transport Holding Company is a company for Ulsterbus, Citybus, Northern Ireland Railways and NIR Travel. Those are all limited companies. I take it that they are limited companies covered by separate articles and memorandums. Which of those companies holds the property portfolio?
313. **Mr Doran:** The Northern Ireland Transport Holding Company. Sometimes, the term “holding company” is used to refer to the entire group. I use the term specifically to refer to NITHCo. It holds at least some of the assets that you are referring to. For example, the fixed assets of Northern Ireland Railways include the rail infrastructure. As I understand it, the holding company includes the assets held for purely commercial purposes that are not directly involved in public transport provision.
314. **Mr McNarry:** You mentioned the contract. You tell me that the Northern Ireland Transport Holding Company has a significant property portfolio. Is that of any concern or interest to the Department?
315. **Mr Doran:** The Department has required Translink to produce an asset management strategy. That is a particular focus of the Executive at the minute. We expect Translink to consider the production of an asset management strategy. Yes; it is of concern to the Department, but we appreciate that the income that those assets generate helps to create a degree of profitability that, to some extent, provides subsidy across the operating companies such as Ulsterbus, Metro and Northern Ireland Railways.
316. **Mr McNarry:** I accept that, but I would like to see some evidence of that cross-pollination, where moneys have been taken from profits and assets into other loss-making parts of the holding company, which are, according to this paper, four separate limited companies.
317. **Mr Doran:** Yes, they are. I do not think that we could show —
318. **Mr McNarry:** How does that work in accountancy? Does one limited company borrow from the holding company? How does it handle that movement of money?
319. **Mr Doran:** The best way that I can answer that question, and avoid confusion arising from the way I describe it —
320. **Mr McNarry:** It is very difficult to avoid confusion.
321. **Mr Doran:** — is that the Committee has made a number of requests for us to specifically put in writing to you how that arrangement in respect of the companies works. We are about to write to the Committee on that.
322. **Mr McNarry:** Could you maybe include the extent of the property rentals and the annual incomes from the rental of those properties? Will you include that in your response?
323. **Mr Doran:** We will consider that; yes.
324. **Mr McNarry:** This is not a conclusion, but it is nearly there in my head. In looking at the new contract, do you think that it is worth considering the separation of Translink from the Northern Ireland Transport Holding Company? The public would find it more open and transparent to deal with just one company that looked after transport in Northern Ireland. That is likely to be more open and transparent, certainly for idiots like me, rather than us having to go round the houses about all these

- other companies moving money and property between them. It might be better if we just had Translink, which appears to be a successful brand name, also as the company. That is what we should deal with. You asked for some ideas. Is it possible that you could look at a contract with one company?
325. **Mr Doran:** It is one of the options that can be considered; yes. We have not made a final decision on all those matters. However, I refer you back to the transport legislation that specifically set up Translink, or the holding company, to combine rail and bus operations and have a holding company.
326. **Mr McNarry:** I am only suggesting that we have one company to look after both aspects, so that we know exactly who it is, and the public know exactly who they are dealing with and do not have to go all round the houses. We have established Translink as a brand name. A brand name has a chief executive.
327. **Mr Doran:** Translink is a brand name, but it incorporates the three major subsidiary or operating companies: Ulsterbus, Metro and Northern Ireland Railways.
328. **Mr McNarry:** I realise that.
329. **The Chairperson:** Mr McNarry makes a very good point. The governance arrangements for Translink and the Northern Ireland Transport Holding Company are, let us face it, many years old. Is it not time that the Department sat down seriously, looked at the governance arrangements and perhaps consigned the Northern Ireland Transport Holding Company to the dustbin of history?
330. **Mr Johnston:** The previous Act looked at —
331. **The Chairperson:** It is up to the Department to look at governance. The governance arrangements of Northern Ireland Water are about to be looked at. It is high time that you looked at these governance arrangements. That would be a good idea. I am asking you to come and give us a briefing on the new contract.
332. **Ms Anne Breen (Department for Regional Development):** Governance arrangements would have been looked at as part of the original public consultation in the early stages of the public transport reform process, which looked at that sort of issue and decided what structures we should use. A lot of it came down to the final decision to maintain the regulated system, with the ability for cross-subsidies within that.
333. **The Chairperson:** If we want transparency and openness, some of the present arrangements, which are complicated to say the least, need to be consigned to the dustbin and new arrangements put in place. For the public — the paying public; the customers — who pay a second time through the public purse, those governance arrangements should be made open, clear and transparent for everyone; not something that came from dear knows how many years ago. It is time that we got into the real world of today, and that is the Department's job.
334. **Ms Breen:** The other issue is about moving towards the contracting system. Transparency is key in complying with EU regulations, so we have a job to do at the moment.
335. **Mr McNarry:** As you do when it comes to procurement. I hope that your new contract system will include some more ambitious ideas on procurement. At the moment, it is a closed shop. That is what you have been saying to us.
336. **The Chairperson:** There is a lot for the Department to think about. Be assured that we will be asking more questions and that we will include these issues in our report to the Assembly. The bottom line is that there is not the openness, clearness and transparency from the Department, the holding company or Translink that we and the public demand. Thank you.

# 1 May 2013

## Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr John Dallat  
 Mr Alex Easton  
 Mr Ross Hussey  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr David McNarry

## Witnesses:

Ms Catherine Mason      *Translink/NITHCo*  
 Mr John Trethowan

337. **The Chairperson:** I welcome John Trethowan, chairman of the Northern Ireland Transport Holding Company (NITHCo) and Translink; and Catherine Mason, the chief executive of the Northern Ireland Transport Holding Company and Translink. You are both very welcome. You have 10 minutes to make a presentation and then leave yourself open for questions.
338. **Mr John Trethowan (Translink/NITHCo):** Thank you, Chairman. I understand that you asked us here today to explain the structure or the relationship between the holding company and the Translink companies, and my opening statement will refer to that. The Northern Ireland Transport Holding Company was created under the Transport Act (Northern Ireland) 1967, and it holds the operating companies of Translink. Translink is a brand name used to describe the group and the parts of the group, the main parts of which are Metro, Ulsterbus and Northern Ireland Railways. I am chairman of the group and all the companies in it, and Catherine Mason is the chief executive of the group and all the companies in it.
339. The statutory purpose of the holding company is to hold and manage the properties, buy the land and businesses that are vested or acquired by us and
- exercise the rights, as owner of those properties, of the holding company as if it were a commercial enterprise. Our general powers are to carry out any business that is usually carried out by a holding company and to do all other things that are incidental or conducive to our purposes.
340. Translink is not owned by government. It is sponsored by government and receives capital funding. A proportion of revenue funding is specifically for concessionary fares, fuel duty rebate and rail public service obligations. Translink land and other assets are its own and cannot accurately be said to be in state or public ownership. Translink's property is not to be regarded as property that is held on behalf of the Crown, according to the 1967 Transport Act.
341. With regard to our corporate accountability, the board has accountability lines, not only as a legally liable company board of directors — we are subject to the UK combined code for commercial companies — but with public appointees to the Department and through the Minister to the Assembly. In particular, the NITHCo board is responsible to the Department for delivery of public transport services within government policy frameworks, underpinned by our management statement and financial memorandum.
342. Our group's chief executive is also the accounting officer. She has a very important personal reporting line to the departmental accounting officer. She is acutely aware of and fully lives up to the exacting standards upon accounting officers, having due regard to regularity, propriety, and value for money over the organisation's public money. Our staff are not civil servants as a matter of statute. In classification terms, we are a public corporation, which should afford us a measure of operating freedom and independence that is befitting of a

- commercial group of companies. Thank you, Chairman.
343. **The Chairperson:** Do you want to say anything, Catherine?
344. **Ms Catherine Mason (Translink/NITHCo):** No thank you, Chairman.
345. **The Chairperson:** Today, you chose not to address what you deemed to be the more political reaches of the inquiry. However, as you indicated, they have a very obvious impact on your operations. Therefore, can you give me and the Committee some opinions on the Transport Northern Ireland model, its governance and what positive or negative impacts it will have on you strategically and operationally?
346. **Mr Trethowan:** First of all, Transport NI has just come into effect, and we have to interact with it. From our perspective in the holding company and the Translink companies, our job is delivery. We will react to whatever Transport NI asks us to do.
347. **The Chairperson:** Is that your answer?
348. **Mr Trethowan:** Yes.
349. **The Chairperson:** OK. You mentioned that you have a number of commercial interests.
350. **Mr Trethowan:** In Translink? Yes.
351. **The Chairperson:** In property, such as at the Abbey Centre, the mall in Lisburn and, probably, a plethora of other places. How do you check or account for public money that is being poured into Translink in order to ensure that none of it is used for your commercial interests? For instance, I noticed in your plans the other day that you are spending a couple of million pounds on the refurbishment of the Abbey Centre. You have a highly paid chief executive — very highly paid in comparison with the Prime Minister of the United Kingdom. How do you balance what is paid towards the commercial activities with the salary of your top team, which is over £1 million a year, before we even start paying anybody else within the Translink organisation? How do you differentiate
- the amount of time and work that all those people put in to the commercial activities as opposed to the highly subsidised, public end of the business?
352. **Mr Trethowan:** I anticipated that question about our chief executive's salary.
353. **The Chairperson:** The public wants to know. That is why I put it to you.
354. **Mr Trethowan:** Can I give you a lengthy answer to that?
355. **The Chairperson:** Yes.
356. **Mr Trethowan:** First, we were invited here today to discuss comprehensive transport delivery structures, but I anticipated —
357. **The Chairperson:** I can ask you whatever questions I want to, and so can members. I will allow members to do that.
358. **Mr Trethowan:** That is fine. I know that the Committee has a focus on the cost of the chief executive and of the executive. In any corporate business, any large board, price comes second to value delivered, so I would like to answer your question in two ways: first, by explaining the price we pay for our executives; and secondly, explaining the value that they deliver. I will cover some of the things that came up in the Consumer Council's presentation earlier.
359. Much has been made by the Committee and the media about the chief executive's salary. It is indeed £191,000 a year, and that goes to £198,000 a year with allowances. Translink is a public corporation. It is run as a commercial concern and generates at least over half of its revenues in the marketplace as a private company. It is the sixth largest company in Northern Ireland. That was reiterated yesterday in the list of top 100 companies printed in the 'Belfast Telegraph'. It has an annual turnover of £190 million, of which it makes over £100 million in the marketplace as a commercial operation. It employs 3,900 people. Its public money is not handouts but payment for making millions of journeys, whether

- they be carrying pensioners on free passes or young people to school, along with payments to support bus and train networks, the cost of which are not covered by the state. This is Northern Ireland Executive policy being delivered by Translink.
360. A rebate of fuel duty is paid to all operators of regular bus services. The same scheme is applied to all operators, public and private alike, and that helps keep the cost of fares down. That happens across the UK. Translink, under the holding company NITHCo, is a group of eight companies. The principal ones are Metro, Ulsterbus and Northern Ireland Railways. They are distinct businesses, but they are managed by one small team of executives. We do not have separate heads of HR in Northern Ireland Railways, Metro and Ulsterbus; one executive runs all those companies.
361. For Northern Ireland to be effective, we need to recruit top-performing executives to the public sector. In life, you get what you pay for. I have been around boardrooms for the past 20 years in public, private and voluntary sectors. I have worked with many executives from around the world, and of all the top-performing executives I have come across in those 20 years, Catherine Mason ranks among the best. Executive pay is set at the time a person is recruited at the rate needed at that time to encourage the best candidates to apply. The Minister and the board of Translink will review the rate needed to recruit a replacement for any of our executives if and when they chose to move on. That may be more or less than the current incumbents are paid. I am pretty sure that, in the top 10 companies named in the 'Belfast Telegraph' yesterday, very few of her counterparts will be paid less than Catherine Mason. I wonder how many top-quality candidates would apply for public sector jobs if we told them that they would not be paid as much as in the private sector and that they may face criticism of their pay publicly and possibly calls for it to be reduced.
362. That is on price, but I would like to spend a few minutes talking about value, because it covers —
363. **The Chairperson:** Maybe you will spend some time on the issue I asked you about, which was how you differentiate between what is paid to the public purse, which is of extreme interest, and the commercial activities and how those are paid for. You need to assure me and the public out there, who are listening, that no public money is being used in your commercial activities.
364. **Mr Trethowan:** OK. I will deal with it in the course of this answer, then, on value. I have stated that, in any corporate business, price comes second to value delivered. The chief executive and our executive team have delivered efficiency savings of £15 million over the past four or five years. We are doing more service with about 400 employees fewer than we had in 2008. Statistics show that Northern Ireland has the lowest funding of any public transport network in the UK and Ireland. It comes close to the bottom of the league table in the EU. If you take out the over-60 concession pass subsidy, which is unique to Northern Ireland and GB, it would be near the bottom of the UK league table. Those statistics are from the Treasury and the Assembly's own briefing paper, written in 2012. Even with that level of funding, the board regards the NITHCo/Translink executives as a high-performing team. They have delivered on all the regional strategy targets. Last year, MLAs expressed an opinion on Translink and in a survey, they voted five to one that Translink was delivering high-quality public transport and also a good return on public investment. In a recent survey across all UK rail operators, Northern Ireland Railways is the top scorer on value for money, staff helpfulness, cleanliness of trains and how delays are handled.
365. My board and the non-executive directors have a lot of different skill bases, including expertise in the transport industry. We hold the executives to account and look for efficiencies and delivery of service as

- part of value for money. We use the bus and train services routinely; we watch and listen to what passengers are saying. We also attend meetings across Northern Ireland at which our local managers meet MLAs and councillors to discuss local services. We see how well local managers respond to local queries. That gives us a fair feel for what the public are saying about Translink. We are not picking up a lot of complaints and angst from the public.
366. Translink takes no pleasure in fare rises, but evidence from the Office of National Statistics shows that Translink is the only bus or train region in the UK to have held or reduced fares in real terms since 2005. Indexed to 100 in 2005, Metro fares fell to 97.1 and Ulsterbus fares to 98.4, so both have gone down. Wales was the next best region, with a 9% rise in fares. Northern Ireland Railways has just about broken even, with a rise of 0.9, with the next best in London and the south-east of England at 115.6. So, fare rises over the past five years have not kept pace with the rest of the industry.
367. **The Chairperson:** You are not equating like with like, because you do not have to pay for the stock or the buses. Millions of pounds are poured in from the public purse, over and above the money that you get. Other commercial companies have to buy in their own stock. You do not have to do that; the public purse pays for that.
368. **Mr Trethowan:** The board is very clear on the strategy. Our strategy is to break even, over the course of a number of years, which is what we are doing. In business, profit is your main source of new capital. To break even, we try to hold the fares down and ensure that there is access to our services right across Northern Ireland.
369. You were talking earlier about the further west you go — well, the more challenging it gets in our environment, with the density of population, to make sure that we serve everyone. So, by holding our fares down and providing access to our services across the Province, and not just in the populous eastern side, we about break even every year. That means that we do not have the capital to invest in new buses and trains. That is where our partnership with the Northern Ireland Executive comes in.
370. Chairman, I would just like to say that investment in public transport is not a handout, just the way that building a hospital or a school is not a handout. It is public money for the public service. If it were a private company, our fares would reflect the need to generate profit to invest in capital. We, as a board, are very clear about our operating model.
371. Can I go back? On value for money, the recent survey was very poorly covered by the media. There were a lot of good things in there. Metro got it in the neck for three consecutive falls. On value for money, 11% of the public thought that Metro was poor, and 65% felt that it was good value for money. As for Ulsterbus, 13% thought that it was poor and 64% felt that it was good. And the railways: 12% poor, 64% good. The public are not saying that the public transport system is poor value for money.
372. As for our staff, 6% of the public felt that Metro staff were poor and 77% felt that they were good. Ulsterbus: 3% poor, 89% good. And the railways: 1% felt that our staff were poor, but 94% felt that they were good. In light of the size of the Translink group, which has a turnover of £190 million, comprising both commercial and public revenues for which services are provided, the employment of 3,900 people and a relative lack of funding for public transport in Northern Ireland, the effectiveness of our fare levels and the quality of the outputs, I consider that the chief executive and the very small executive team that we have provide a very good return on equity for their money.
373. You asked about the properties and how much public money goes towards them. We hope to invest money in the Abbey Centre to refurbish it. Every major investment comes to the board for

- appraisal. We look at the net present value of every investment. It does not get sanctioned unless there is a return on the capital for it, as there will be with the Abbey Centre.
374. **The Chairperson:** That is not the question I asked you.
375. **Mr Trethowan:** OK.
376. **The Chairperson:** I am going to move to other members, and we can come back to it at the end, but I asked you how you differentiate your commercial activities in a clear, open and transparent manner for the public and everybody else, given your very big dependence on the public purse, and how you show, in respect of the hours that your executive team spends on your commercial activities, that money is not being paid from the public purse for your commercial activities. That is not clear in your accounts or anything else. That is one place where you fail. You need to be transparent with the public and tell us exactly what is happening. I will always ask you questions about that, and I am sure that others will ask you. The public have a right to ask you those questions as well, because you are held to account for the money that you get from the public purse here.
377. **Mr Trethowan:** The properties are held by the Northern Ireland Transport Holding Company, which is one of the operating divisions of the Translink group. The buses and trains are separate profit centres, and so is the property area. The Transport Holding Company that holds the properties and invests in them is also a profit centre; it makes a profit and a contribution to the overall group profit every year. It is a business in its own right. Therefore, it can command investment as well.
378. **The Chairperson:** How do you demonstrate to the public and everybody else the transparency of what is coming back into the public sector? Some of that money from your commercial activities is going back into what is subsidised, mostly from the public purse, but there is no clear and transparent way of showing that. You have not shown that; you have failed to show that. Can you do that?
379. **Mr Trethowan:** We report each of our business units separately, so we know exactly how much each of them makes. At the end of the year, when we are looking at our fare increases, we look at the overall group situation. Any contribution that is made from the Transport Holding Company helps to hold down the fares for the consumer.
380. **The Chairperson:** Well, that is not clear and transparent to the public.
381. **Mr Lynch:** The £5.8 million reserves came up last week, but there was very little clarity on where it came from. Can you throw any light on that, John?
382. **Mr Trethowan:** I can indeed. I go back to our status as a public corporation. As a director of a public company, I have duties to the Executive because of the public money but also under the combined code of corporate governance that applies to all directors and businesses in the UK. I assume that the £5.8 million referred to is the unaudited profit for this year, post tax. The board has just signed off a statement of going concern to let our auditors audit our figures. I cannot talk about £5.8 million because it has not yet been approved by our auditors. However, assuming that £5.8 million is our final profit figure for the year, that will go into our reserve account and stay there until such times as it is needed, which, according to our plans, is likely to be next year when we show a loss. In that case, the £5.8 million in our reserve account will be drawn against at that time. We do not know what the profit or loss will be this time next year. We have a plan figure, but that is a plan. Whenever the final figure is determined, that will also go into the reserve account. If it is a negative figure, it will reduce the reserves at that stage. We do not apply reserves to the planned figure in advance of the year.
383. **The Chairperson:** How can you talk about £5.8 million now when you are

- only after telling us that it has not been audited?
384. **Mr Trethowan:** Because it has not been audited; that is the unaudited figure.
385. **The Chairperson:** You said a minute ago that it had not been audited.
386. **Mr Trethowan:** The accounts have been ruled off, but they have now gone to the auditors for an external audit. We will not have the accounts approved until the auditors come back and we hold the board audit committee.
387. **Mr Dallat:** Thanks for your evidence. I am sure that there are times, Catherine, when you would much prefer to be the Prime Minister.
388. Anyway, I am trying to get my head around the Transport Holding Company. Is that not a very cosy relationship you have, whereby you can dip in and out all the time? Would it be better if the Transport Holding Company was more independent or, in fact, serviced by different people? I ask that in innocence, because it is complex and I do not understand it.
389. **Mr Trethowan:** The Transport Holding Company allows us to differentiate between our three main businesses. Metro is a lot different from Ulsterbus, and, obviously, they both differ from Northern Ireland Railways. The Transport Holding Company itself is a business that holds the properties. It allows one board to cover all the business of the various companies. If we differentiated that, we would risk having to have four boards to run the companies. There is an efficiency in one board covering the whole thing, Mr Dallat. It also allows senior management to go across all the businesses, so we get efficiencies in that way as well.
390. **Mr Dallat:** OK.
391. **Mr McNarry:** I want to go back to the £5.8 million. Last week, we were told that the company had dipped into its reserves to the tune of £5.8 million. How much is left in the company's reserves?
392. **Mr Trethowan:** I do not have that figure with me, Mr McNarry. However, we did not dip into the reserves. If that was said last week, it was said in error. The £5.8 million is the unaudited net profit —
393. **Mr McNarry:** May I just interrupt you for a minute to talk about what was said and said in error? It was duplicated by representatives of your company and representatives of the Department.
394. **Mr Trethowan:** Well —
395. **Mr McNarry:** If I may, it was introduced as a factor in a sentence in the written presentation that accompanied the statement. It said that the issue of a £17 million predicted loss was no longer an issue.
396. **Mr Trethowan:** That is correct, because the —
397. **Mr McNarry:** Was the £5.8 million illegitimately introduced to the Committee last week? Is there no such figure?
398. **Mr Trethowan:** The £5.8 million is the out-turn of year 1 of the operating plan. That plan predicted a profit in the current year. The money that was projected for losses a year ago was for years 2 and 3 of the plan. In the meantime, considerable work has been done by the company and the Department for Regional Development (DRD) to close that gap.
399. **Mr McNarry:** So, we can rest assured that the £17 million will not be an issue in the course of the next three years?
400. **Mr Trethowan:** It is now projected that the losses in the next two years will be much lower because of the good work that has been done in the meantime.
401. **Mr McNarry:** It would be good to hear the much lower figure. That is something new, again, that is being introduced now.
402. **Ms Mason:** Mr McNarry, we did say last week that we were taking the profits made now and using them against the losses that we would be making in the future. We said that last week; perhaps we were not clear enough about that.

- What we said was completely consistent with what our chairman is saying now.
403. **Mr McNarry:** Part of the problem is that it takes a number of meetings to find out what you are being clear about. Mr Trethowan, are you able to advise the Committee of what reserves the company has?
404. **Mr Trethowan:** I do not have that information to hand, but we can arrange to provide you with it.
405. **Ms Mason:** That will be on a balance sheet in the accounts that are filed in the Assembly.
406. **Mr McNarry:** If you would take the time to furnish us with that information, I am sure that the Committee would be very pleased.
407. **Mr Trethowan:** Mr McNarry, the reserve account of any company is an accumulation of its profits and losses across a number of years.
408. **Mr McNarry:** I fully understand that. Can you detail the total value of the assets that the company owns?
409. **Mr Trethowan:** Not off the top of my head, no.
410. **Ms Mason:** That will be on the balance sheet as well.
411. **Mr McNarry:** Again, can you provide that to us?
412. **Mr Trethowan:** Yes, we can.
413. **Mr McNarry:** Were any of the assets that you currently hold purchased during the lifetime that the company has been receiving financial support from DRD?
414. **Mr Trethowan:** Sorry, I do not understand the question.
415. **Mr McNarry:** In the time that you have received financial support from the Department — I am not going into direct rule; I am into the devolved Department for Regional Development — has the company purchased any assets?
416. **Ms Mason:** Yes. We have purchased a lot of things to do with public transport provision.
417. **Mr McNarry:** Can you advise us what they have been?
418. **Ms Mason:** The Department will be able to give you a list of everything that it has grant-aided since 2007.
419. **Mr McNarry:** Is there any problem in you furnishing us with that information?
420. **Ms Mason:** No. The Department would probably have the numbers to hand more readily, but, yes, we can give you a list of what has been grant-aided.
421. **Mr McNarry:** You have, quite rightly, given us an image of a very smart company that operates very well and pays the highest wages to the best executives that it can get. I do not dispute that. You have spoken about how efficient you are, the efficiencies that you have brought in and where you are. We have that image, yet, you do not seem to have the information to hand to answer those three questions. You have said, somewhat reluctantly, that you will furnish us with it. That does not seem to me, in my small way — I have never been in business at the level that you are with a turnover of £190 million, so you will allow us the sentiment of saying that.
422. The reimbursement from public funds for concessionary fares contributes a significant income to the company. How would the balance book look without that reimbursement? What would be your profit and loss situation?
423. **Mr Trethowan:** Last year, when we hoped, with the audited accounts, to make £5.8 million, we turned revenue of £200 million.
424. **Mr McNarry:** Two hundred million?
425. **Mr Trethowan:** In and around £200 million. We received £27.1 million from bus concessions. For that, we carried 10.2 million passengers. That money is not full-price fares. It is done on a formula, and we are on no gain. It is cost price. We get cost price for carrying over-60s; we do not get a profit.

426. **Mr McNarry:** So you could live without it?
427. **Ms Mason:** Yes. We legally have to be reimbursed, as I said last week, on a no-better, no-worse basis, so if there was no concessionary fare revenue — if the Executive chose not to do a concessionary fare scheme — we would probably carry fewer people, but we would take more revenue from those people and, financially, we would be no better and no worse off. On the bus side of things, it is very clear that we do not get all of the money back. If it is a £1 fare, we do not get £1 back. I tried to say this last week as well. The revenue forgone is not fully offset, so, in the financials, we would probably end up carrying fewer people, but there would be no financial difference. That is the basis that the scheme is funded on. That is how the Executive —
428. **Mr McNarry:** Is there any benefit loss in carrying fewer people because of concessionary fares to the needs that you have for equipment?
429. **Ms Mason:** Within the reimbursement of concessionary fares, there is an offsetting of the revenue and also incremental costs of carrying more people. Clearly, the Northern Ireland Executive have incurred that, so there is a fleet and a size of infrastructure aligned to the scheme that is in place.
430. **Mr McNarry:** So, on the record, there is no need for you to do a paper transaction. There is no need for someone to be issued the ticket and for you to go through all the palaver of sending it back and saying that you have carried 10·2 million fares. There is no need for you to do that, because it is really of no benefit to you.
431. **Ms Mason:** Yes, obviously, with that amount, we need to make very thorough representation to DRD regarding the way that the scheme has operated and how many people we have carried. It has got to be completely auditable. You would not want a situation where I just put my finger in the air and say it is a number. Obviously, DRD needs to be very clear.
432. **Mr McNarry:** I am not going to dwell on it, but is it not just as simple to say, “I have a pass; let me on”?
433. **Ms Mason:** We need to recognise how many times people travel so that we can get the reimbursement. Can I just clarify the number of passengers? The 1·5 million extra customers that we carried last year is the number of extra fare-paying customers. The number of concessions did not grow, so that was actually all about fare-paying people getting on. It was not about concessions.
434. **Mr McNarry:** If the number of concessions did not grow, what is the £7 million being introduced?
435. **Ms Mason:** If you remember, last week we were talking about the fact that the Assembly had not fully funded the concessionary fare scheme, so between this year and next year there was a substantial drop in the funding of that scheme. The £7 million funds the concessionary fare scheme. The Assembly chose not to change the way the scheme was given in permissible travel, but did cut the number by £7 million. If we had not had that money, it would have been fare-paying passengers who would have had to have bailed out non-fare-paying passengers.
436. **Mr Trethowan:** I think that is an important point. There is a set amount for concessionary fares. Once we exceed that, people are carried for nothing on Translink. We do not get paid for them. That is because money is found in-year, as with most Departments, and we get some money.
437. **Mr McNarry:** What you say is that, in terms of the payment, the money is irrelevant.
438. **Ms Mason:** No, it is not irrelevant.
439. **Mr McNarry:** What you are saying is that it is a paper transaction so that you can claim it back, but you are saying that there is no profit in it.
440. **Ms Mason:** No; you either have a scheme whereby you take concessions on and

- you get concession reimbursement, or you do not have a scheme and we take the revenue. The outcome of both of those is the same. Either we take more people for free and get a partial reimbursement or we charge everybody the same fare, whether they are over 60 or under 60, and we get the same outcome. You cannot have a free scheme and then not pay anything for it, because that definitely would be worse, clearly. You can either run a free scheme whereby we get partial reimbursement so that we get an amount of money, or we carry fewer people but charge them the fare, the under-60s and the over-60s the same. It comes back down to the same number.
441. **Mr McNarry:** You actually do make a profit out of it.
442. **Mr Trethowan:** No, we do not make a profit out of concessionary fares. We break even. If you sold tiles, it would be like people coming into your shop and the Executive saying that they could have whatever tiles they want and as many as they want, and they would pay for that, but they will not give you your markup. You will get a break-even price, and, at a certain amount of tiles, they would stop paying you but you would still have to give them out after that.
443. **The Chairperson:** I must say that I am confused now, because a short time ago you said that you did not get enough money and did not get the full value of the concessionary fares. Now you have just told us seconds ago — and it will be on the record — that you get fully paid for them.
444. **Ms Mason:** No, I think that that is not what we said.
445. **The Chairperson:** Well, let us have a look at the record and see what it is.
446. **Ms Mason:** Could we have a —
447. **The Chairperson:** I am chairing the meeting, Ms Mason, not you.
448. **Mrs D Kelly:** I wonder whether you would like to clarify the last point. Can you make a clarification on that?
449. **Mr Trethowan:** On the concessionary fares and on what —
450. **Mrs D Kelly:** Yes. Also, during the inquiry, the Committee received a number of submissions, including some from your staff, about the lack of resources in respect of fare evasion and decreased revenue, so maybe you might want to touch on the strategy around that.
451. **Mr Trethowan:** I will deal with the concessions. Fare evasion is an operational issue, so the chief executive can deal with that.
452. To be clear in the answer on concessions, we received £27.1 million for bus and £10.2 million for rail. That is £37.3 million, for which we carried 11.8 million concessions — we were paid for 11.8 million concessions. At the time of the plan, a budget for concessions for a certain amount of passengers was set for the three years, after which we are expected to carry concessions for free. Like the Health Department and every other Department, DRD sees how things go through the year, and then there is in-year funding. It is not a bailout; it is being paid for what we did. That is what happened.
453. **Mrs D Kelly:** This might sound like a stupid question, but I know a number of people who got the Translink ID for a variety reasons, not necessarily to use buses or trains. How do you actually count the number of passenger journeys made on the concessionary fare?
454. **Ms Mason:** Well, that is exactly back to Mr McNarry's point regarding the fact that we take a ticket from them. That is exactly how we count, and that is exactly why we have to do what Mr McNarry talked about, because whether a person makes a journey needs to be completely audited. You are absolutely right that there will be a number of people who have been given their concessionary over-60 pass who do not travel at all, and we do not reclaim any revenue from them. We reclaim revenue only from the journeys made, and that is why we have to give out tickets.

455. **Mrs D Kelly:** I often wondered, because, in my constituency office, there is a sign about passes for people.
456. **Ms Mason:** Absolutely. That is why we do what we do on the bus or train — to ensure that we have an auditable process by which DRD can reconcile the money that it gives us.
457. With fare evasion, there is a balance between the proportion of people who evade a fare and the number who use any other particular stop or halt. It is something that we regularly review, so we will do close-down blitzes where we look at the levels of fare evasion to see whether the stop warrants a staffed or a non-staffed environment. In fact, we had an internal audit on that matter just recently. We continue to update exactly where we staff and do not staff, and that is aligned to the risk. This has to be risk-based. If you are going to get only a tiny little bit of extra revenue, that does not necessarily warrant making it a staffed environment.
458. **Mrs D Kelly:** Chair, you and I have travelled together on trains. You get checked getting off the platform and getting back on to the platform. I just wondered —
459. **The Chairperson:** I am not sure that I want that to be made public. *[Laughter.]*
460. **Mrs D Kelly:** I am talking about Dublin.
461. **Mr McNarry:** That is even worse. *[Laughter.]* What were you going down there for?
462. **Mrs D Kelly:** Well, I am not prepared to say.
463. We are repeatedly told that the Executive have concentrated their money more on the road network and less on the public transport network. You talked about how you are planning to do up the Abbey Centre, for example. If you are making a profit on one side of the business — maybe I have not picked this up right — does any of that go into opening up the railway station in, for example, Templepatrick in order to get people out of the car and on to the train into the city?
464. **Mr Trethowan:** Because it is a holding company with a group of companies, we can spread the profits across each of the units in our group of companies. When the board is appraising projects, it will always look for a profit and a return on the capital. We will not sign off unless there is a proper return.
465. **The Chairperson:** I think that the question was: “Do you?” Maybe you can give us some examples. I do not expect you to do that today, but if the Committee Clerk writes to you, will you give us some examples in writing of where you have put money from your commercial businesses into railway stations or whatever? That was the point that Mrs Kelly was making.
466. **Mr Trethowan:** Chairman, it is not identifiable as money made in a project that is applied to another area. The money flows into a —
467. **The Chairperson:** This is the lack of transparency, John, that we are up against.
468. **Mr Trethowan:** Chairman, it is how a group of companies operates in the commercial world.
469. **The Chairperson:** It is not open and transparent. You are dependent on the public purse in a big way as well.
470. **Mrs D Kelly:** The Translink end of the business gets a big injection of public money. If you are making a profit from one area of the business, it would be useful to know how that has been spread across the companies.
471. **Mr Trethowan:** The railways make a loss on the basis of the funding that we receive to run a railway. If I were a private operator in the UK, I would receive much bigger funding to run a rail network, show a profit and pay a dividend to my shareholders. Here, however, we are given a public service obligation and payment to run the railways, which keeps the fares down, but we cross-subsidise from other

units. We amalgamate the figures in the holding company at year end and come up with a composite figure.

472. **The Chairperson:** You heard the Consumer Council's concern about how you progressed against previous efficiency review recommendations. What were those recommendations and how did you go about implementing them? You may well not be able to answer that today, but the Committee will write to you about that and ask that you give us a written reply for the purposes of the inquiry.
473. **Mr Trethowan:** OK.
474. **The Chairperson:** Thank you very much.



## 8 May 2013

### Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr Stewart Dickson  
 Mr Alex Easton  
 Mr Ross Hussey  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr Ian McCrea  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Professor Austin Smyth

475. **The Chairperson:** I welcome Professor Austin Smyth, the director of the centre for sustainable communities at the University of Hertfordshire. Please make a short presentation then leave yourself open for questions.
476. **Professor Austin Smyth:** Thank you for the invitation. As you can tell from my accent, I come from this part of the world, and although I am the director of the centre for sustainable communities at the University of Hertfordshire, I live here and commute from here to England every week. However, much of my career has been spent in Northern Ireland, over 30 years of which has been spent in the transport sector, be it in academia, the industry or as a consultant and adviser to government.
477. My interest in making this submission is primarily driven by concerns about the future of public transport in Northern Ireland, bearing in mind the constraints that are inevitably going to apply to public expenditure generally. I have made a quite lengthy submission already, and just last week, I put together a summary of that submission. I do not propose to rehearse the entire document, but I will make some summary points.
478. The Committee has set itself an ambitious target to address about five different objectives that all relate to the future delivery of transport infrastructure, systems and operations in Northern Ireland.
479. On the question of the legal status of the Northern Ireland Transport Holding Company and the relationship with the Department for Regional Development (DRD), the submission emphasises that our arrangements here are markedly different from those in the rest of the UK in general and more closely mirror those that apply in the Republic of Ireland. That has an important bearing on the future of transport, given the constraints on public spending.
480. At the same time, on the basis of evidence of best practice in this sector, the current arrangements raise issues concerning the overall effectiveness and efficiency of the delivery of public services as well as constraints on innovation and opportunities for leadership to be demonstrated by the transport operators themselves. Such concerns stem from the degree of day-to-day operating independence that is enjoyed by public transport in Northern Ireland, and that raises its head again regarding the ongoing reforms that are being put through the legislative process. I will come back to that at the end.
481. On policy objectives, my observation is that, generally, the UK as a whole has maintained a single transport strategy of sorts. However, differences between different parts of the United Kingdom are emerging and have been evident for some time. The priorities of policymakers — be they in Northern Ireland, Scotland, Wales or, indeed, England — tend to be rather different, depending on where you are coming from. Here, we have a very big concern about job creation and job retention. That is not such a big issue where I spend most of my week, central London, where jobs are not the issue and the

- environment is a much bigger concern along with issues about housing and so on.
482. For most of the post-war period, Northern Ireland policy on public transport has also tended to echo that of the Republic, so we have tended to follow a very similar model. It is one that is largely driven by state control and state regulation. When we look at a comparative analysis of the costs and subsidies, we find that that needs to take into account the structure of the industry. In other words, much of the spending here comes through capital grant, whereas, in the rest of the UK, it comes through revenue and current spend, and much of it does not even appear on the public balance sheet, particularly in the case of Network Rail.
483. On the issues that this Committee has set itself, it is important to recognise that transport spending has risen quite considerably in recent years. The gap between Northern Ireland and the rest of the UK on a per capita basis has closed markedly in the past few years. However, most of that gap is attributed to significant growth in spending on roads. We now spend twice the amount per head of population on roads as is spent in England. We spend considerably less per head on public transport than any other part of the UK or, indeed, the Republic of Ireland. I have presented some figures to back up that, and I have also been in touch with your technical support people here in the Assembly about some of the figures that you were previously presented with.
484. My big concern arises from the fact that public transport's share of the cake, as it were, is projected to fall by about 50% under the current spending programmes that were agreed with DRD a little more than a year or so ago. So, it has gone down from roughly 30% that was earmarked in the regional transport strategy of the early years of the previous decade to approximately 14% or 15% in the budget that was been agreed. Quality public transport is a prerequisite for the Department and, indeed, for Northern Ireland as a whole to achieve its economic and social objectives. It affords choices in addition to providing essential mobility for people without private cars. There are a large number of those people in the population.
485. Coming back to the issues of the structures: the overall aims of the public transport reforms, as they are currently being implemented, are to underpin the regional transport strategy that we have just referred to; to provide safe and high-quality public transport; to comply with EU regulations; to encourage the greater use of public transport; and, finally, to maximise the cost-effectiveness of what is on offer. In that process, the pace of reform has been extremely slow and can possibly be described as glacial. The whole process goes back for more than a decade. The original plans had been to devolve responsibility to the super-councils, as they were called. That was changed, and it was decided that transport should remain the responsibility of DRD. More significantly, in the meantime, DRD is now to be both regulator and also provide rural services. The original intention had been to create an arm's-length body that would have been given some degree of independence from government. That is the important point when it comes to what public transport is likely to achieve in the future. My concerns relate to the fact that the current arrangements, as they are now envisaged, are likely to stifle opportunities for innovation and development, and, effectively, public transport then simply becomes a delivery arm of a Department of government.
486. I have put forward some specific proposals in the submission, but you might wish to ask me questions about those. Thank you very much.
487. **The Chairperson:** Thank you, Professor Smyth. You highlighted the high level of capital investment in our infrastructure over the past number of years. Do you think that that imbalance could be rectified by bringing Roads Service and policy into the hybrid that is Transport Northern Ireland? Secondly, would you

- say that the Department has user-centred transport policies?
488. **Professor Smyth:** I think that it is possible for such a body to offer to realise those objectives. My problem is that the historical balance in the Department has generally been to reflect technical experience and skills in the areas of roads rather than public transport.
489. **The Chairperson:** What about the user-centred transport policies?
490. **Professor Smyth:** I am not quite clear what that means. Is that a specific phrase that is used in the documentation?
491. **The Chairperson:** I suppose that “user-friendly” might be a better way of describing it. Are the transport policies in the Department user-friendly?
492. **Professor Smyth:** My biggest concern is that they will be driven more widely by budgetary concerns in the Executive rather than reflecting the needs or interests of consumers.
493. **Mr Lynch:** I have two quick questions, Austin. In the “Selected Observations” section of your paper, you mentioned limited competition. What did you mean by that? You also said that the current structures stifle innovation. Will you elaborate on that, please?
494. **Professor Smyth:** I will explain what I mean by limited competition. The evidence from best practice in western Europe and further afield is that you get the best of both worlds if you have what amounts to a tendering process for a complete network or parts of a network that is regulated by a public body such as the DRD. In that, the delivery of roads services is offered to the private sector, which works to a specification set by the public authority to reflect the interests of the wider population. Increasingly, that is fairly typical in Europe and, indeed, the London model is based on that practice.
495. Will you remind me what your second question was?
496. **Mr Lynch:** If I am quoting your right, you said that the current structure stifles innovation.
497. **Professor Smyth:** If you were to look at the history of public transport in Northern Ireland, you would see that quite a lot of money has been devoted to it in recent times. There are examples of where very little has happened on the ground. For instance, there is quite a bit of controversy at present over the bus priority measures that are being implemented in Belfast by the Department. Whether you think that those are right or wrong, they have been on the cards for decade. At the same time, Dublin has delivered the Luas light rail system.
498. Another example is the Derry railway line. The reason why that has been revamped, certainly between Coleraine and Londonderry, reflects much more the activities of organisations such as Into the West than those of Translink. It has reflected public opinion that has made itself felt through elected representatives and other organisations. It is very unlikely that that would have happened without that intervention.
499. Lastly, I would refer to the neglect that is evident in the cross-border rail service. Very little money has gone into that service for over 15 years, and the trains are now slower than they were in the 1990s.
500. **Mr Ó hOisín:** And there was me thinking that the improvements to the Derry to Coleraine line were due to increased political lobbying rather than anything else.
501. **Professor Smyth:** It was a combination.
502. **Mr Ó hOisín:** Possibly, yes. Professor, you have rightly identified the commonalities that exist in transport provision North and South. I just wonder whether, in the post-RPA world, you see any increased role for, or devolution of transport responsibilities to, local authorities.
503. **Professor Smyth:** I concur with the view that the policy aspects of it should be kept at the level of regional government

- and DRD. If you devolved it to local authorities, you would get Balkanisation of policy: every authority would want its place in the sun, as it were. With limited funds, that is not possible. It is more sensible to plan a transport system on a strategic basis.
504. **Mr Ó hOisín:** The main thing that has exercised us in recent times has been the lack of integration within the transport system, particularly at departmental level. I do not know how best you would see that advanced. How could we achieve better integration of transport?
505. **Professor Smyth:** I think that the profile of skills within the Department needs to change. There needs to be a much greater emphasis on skills that relate to the planning and delivery of public transport, as distinct from the very effective way in which roads are planned and delivered. That is one aspect of it within the Department. However, at the same time, there needs to be a degree of independence or opportunities for the transport operators to show initiative and leadership and to be able to take forward things that would be to the benefit of this society.
506. **Mr Dickson:** Thank you for your presentation, much of which has been music to many ears around this table. Are we playing catch-up on a lack of investment in roads, or are we failing public transport in Northern Ireland? That is my first question.
507. You made a reference to opportunities that may be lost, or even for public authorities to procure services in line of a contract, but then to let private contractors deliver that in their own smart and innovative ways. Are we missing an opportunity with the Belfast rapid transit project in not taking that on as the preferred delivery model, rather than just simply handing it over to Translink for a further disaster?
508. **Professor Smyth:** Let me deal with the second question first. With the Belfast rapid transit proposals, it was originally envisaged that they were being offered to tender at the delivery of that scheme. The problem is that it is a relatively small scheme and it is bus-based. Such schemes do not tend to attract the private sector because of the sheer scale of the investment that is involved. There are various other models. It does not have to be offered entirely to the private sector. There are various models that apply in countries such as the Netherlands or France, where you have private sector management contracts offered, as opposed to having both the assets and the staff within the private sector.
509. **Mr Dickson:** As a brief aside, let me say that I have already put that question on management contracts and, indeed, employee contracts to Translink. I asked how different they would be from the current template contract used by Translink. The Translink officials had not a clue. They could not see the vision in that.
510. **Professor Smyth:** I cannot comment on the Translink contract, as I am not privy to it. What I would say is that Translink's quality of service, as monitored by various independent bodies and, indeed, by organisations such as Which? comes out extremely favourably. The quality of staff is second to none. In fact, I experience both on a weekly basis. I have to juggle with private sector bus companies near the University of Hertfordshire, where there is a choice of three buses, but you cannot use the same ticket on any one of them. That is what you get with full deregulation and privatisation. However, on the matter of those management contracts, that is maybe something worth exploring, because it gives an incentive to bring in marketing and business development expertise and so on while safeguarding both the assets and the staff's own interests.
511. I return to your first question about roads. We do very well for roads in Northern Ireland, notwithstanding what is often said. Our road infrastructure, despite recent attempts, is among the best in the UK — let us put it that way. In more recent times, we have

- been compared unfavourably with the Republic of Ireland, but we are being compared with new motorway schemes there have been built without what I would describe as a comprehensive investment appraisal. Almost none of those motorways would be built under UK investment appraisal criteria.
512. The side effect of that is that the Republic of Ireland is building up a liability of asset maintenance, and so on. However, it has also seriously damaged public transport. Irish Rail is in real trouble, partly because of the lavishness of the investment in roads in the Republic. I say that by way of background information.
513. **Mr Dickson:** To complete the question, is the balance of investment by DRD failing public transport in Northern Ireland?
514. **Professor Smyth:** I think that we are failing through balance of investment. The issue is also about whether the cake is big enough. There are issues of that sort. The current balance will undoubtedly be a deterrent to greater use of public transport.
515. For example, the road improvements here and in the Republic have helped to lead to a roughly 20% reduction in ridership on the cross-border rail service. That service, I would say, is in great difficulty. Its problems mirror those that applied to the Derry line in recent decades.
516. Let me give you one other example. Fifty years ago, you could travel between Belfast and Derry by train in one hour and 50 minutes. Despite the spending, the journey now takes well over two hours. That is hardly progress.
517. **Mr McNarry:** Is it quicker to go to Londonderry than it is to Derry?
518. Your written briefing is extremely useful, Professor. The people who run transport here tell us that they cover profitable and non-profitable routes and that any competitors that would be introduced would be interested only in profitable journeys. In your paper, on the subject of competition, you say that there are opportunities to operate in a limited competition regime here. Can you expand on that briefly? Can you recommend an off-the-shelf model for us to look at?
519. **Professor Smyth:** I will go back to Mr Dickson's questions. At one time, consideration was given to the possibility — in fact, it was recommended in the early documentation — of putting the Belfast rapid-transit system out to tender. In other words, the entire operation would have been given to whoever provided the best value for money, be it Translink or a private sector company. Competition between the private sector and the public sector is not beyond the possibilities here.
520. To come back to your specific questions, however, it would be possible, for example, to put the entire Translink operation out to a management contract, as I said before, by retaining the staffing and the assets in the public sector —
521. **Mr McNarry:** May I interrupt you and ask, given the salaries that Translink pays to its executives, would that still be feasible in a private management concept?
522. **Professor Smyth:** Whether those packages could be sustained would come out in the wash in a competitive tendering process. I cannot comment specifically on personal packages. The issues are more to do with protecting the network. The crucial thing is the coherence of the network.
523. If you had a free-for-all, you would have the sort of problem that I face every day in Hertfordshire, which I just mentioned. I go from the university, where there are three different bus companies, but if I buy a return ticket, I cannot come back on certain buses. It is a nightmare, and that is what would happen with a free-for-all here.
524. Translink is correct to say that the best routes would be cherry-picked by a

- private operator. That is the nature of the beast.
525. **Mr McNarry:** You say also that franchising can be effective in solving the need for efficiency measures. Can you go into that in a bit more detail? Have you any thoughts on who could be the franchiser? Could Translink operate a franchise here?
526. **Professor Smyth:** Translink could operate a franchise. In fact, there are various models of that sort throughout Europe. You could split the whole managerial side from the delivery side. You could have all sorts of possible combinations, and various countries have implemented those things.
527. A franchise is what applies to the Luas tram system in Dublin, and it is very effective. People do not see it as a private sector operation. It has been run by Veolia for a period. That contract was won under competitive tender, with the specifications for quality of service set out by the state, not by the private operator. Therefore, it is all perfectly possible to do that.
528. One obvious example was the Republic's Minister for Transport, Tourism and Sport's comment earlier this year — or late last year — that he would welcome approaches from companies to run the cross-border rail service as a franchise. Legislation at European level provides for that. I am not saying that that is the best thing that could happen, but the current decline and lack of interest by both jurisdictions in that service is of great concern.
529. **Mr McNarry:** You mentioned rapid transit. I do not think that that went out to what I would call competitive tender.
530. **Professor Smyth:** You mean in Belfast?
531. **Mr McNarry:** Yes.
532. **Professor Smyth:** No, it has not. The recommendation was dropped.
533. **Mr McNarry:** Well, Translink has been awarded the contract.
534. **Professor Smyth:** The view was taken by the consultants during the process that the project was of an insufficient scale to attract private sector investment.
535. **Mr McNarry:** Could that have been franchised?
536. **Professor Smyth:** It could have been.
537. **Mr McNarry:** But that was not looked at, to the best of your knowledge?
538. **Professor Smyth:** I was not privy to the internal workings of the process.
539. **Mr Dickson:** There has been no final decision.
540. **Mr McNarry:** Translink said last week — you were not here, Mr Dickson — that it has been awarded the rapid-transit contract.
541. **Mr Dickson:** That is something that we will have to put questions to the Minister on. It is an issue that we have been raising times without number at the Committee. The consultants that have come to us have indicated what you have said. However, it is news that anybody has come to a final decision or conclusion on the matter.
542. **The Chairperson:** It has been known for some time that Translink was taking it on. What the Department said —
543. **Mr Dickson:** That is an assumption.
544. **The Chairperson:** If I might finish. The Department said that it had been taking soft soundings and that there was nobody interested in it. That was the indication from the Department. You are right: it is an issue that needs to be raised. However, we are not going to have a debate about it.
545. **Mr Dickson:** Fair enough. Therefore, it has just been given away.
546. **Mr McNarry:** I thank the Professor, because it was very interesting to hear about the opportunities from franchising.
547. **Mrs D Kelly:** Thank you for your presentation. You said in your comments earlier, and this has come up in other

- submissions, that there are issues around the expertise in the Department, which tend to be of a technical nature rather than public policy. If you were given a blank sheet, how would you fix the expertise, setting aside the debates around the budget and the cake not being big enough?
548. **Professor Smyth:** I go back to the documentation that was produced by DRD 11 years ago, which was very foresighted. That referred specifically to the separation of Transport Northern Ireland from government. In other words, there would be a degree of independence and separation. If you look across the water to Scotland, Transport Scotland provides a possible model, where it has brought in expertise across the different modes of transport to provide a comprehensive capability that is very much driving what is arguably the most ambitious programme of transport investment, certainly in public transport, in these islands. Transport Scotland is something worth looking at.
549. Transport Scotland is a body that is not embedded in government. The appointments are made as a public body, but it is at arm's length from government and has that degree of independence to plan for the future and come up with schemes. I recommend that you look at what is happening in Scotland as being a way forward that might be relevant to here.
550. **Mrs D Kelly:** I take it that that is something that we can look at in our research.
551. I have one further point to make. It is not just about public use and private use. One of the lessons that we have learnt from elsewhere is that attitudinal change is required by the public, and that will take much longer to achieve than investment. What measures should be used, other than the obvious one of better public transport provision? Given the rural nature of much of Northern Ireland and, as you said earlier, the fact that the less profitable routes would be cherry-picked, how would you close that gap?
552. **Professor Smyth:** Great progress has been made here on road safety, albeit there has been a blip in recent times. That has been brought about by an attitude change towards things such as drink-driving. There is still an issue with speeding, and so on. An educational process needs to be involved in this, and there also need to be champions for public transport. That is what the place seems to now lack. In Scotland, the issue of the future of the Londonderry railway would not be in any doubt whatsoever, because the politicians would have led the charge to prevent any threats being made. Scotland has managed to secure much greater resources for public transport than here has. As I said, it is well worth looking at what has been happening in Scotland since devolution as a way of seeing how you can bring forward these things. You need champions, and, significantly and somewhat bizarrely, until quite recently it was my view that the railway system in Scotland, although run by the private sector, was in safer hands than the railway system here, because there were contracts that guaranteed its future delivery, its future funding, and so on. There were people in the industry who were willing to put their head above the parapet to champion things. That does not seem to apply here anymore. Yes, quite a bit more money has been spent on public transport here, but where is the investment equivalent to that which was made in the 1990s, for instance, in Northern Ireland? That was done under direct rule.
553. **Mr Lynch:** Professor, you mentioned the cherry-picking of profitable lines. We were in the Netherlands, where any bus company that was taking on a profitable line had to take on an unprofitable line. What is your view on that?
554. **Professor Smyth:** That is the equivalent of your tendering situation, where you bundle routes together. For instance, it is useful to look at Transport for London, which is an organisation that is very well-endowed with skills and operates in

a much bigger place, of course. When Transport for London goes out to tender, it does not go out to tender for individual routes but for groups of routes. You would not have a free-for-all; rather, you would have to provide groups of routes, whether those be geographical or grouped in some other way, to provide an opportunity for the integrity of the system to be retained. I am not in favour of dismembering the network. That would be the road to disaster.

555. **The Chairperson:** Professor, your presentation to the Committee has been very helpful, and your paper is extremely helpful for our ongoing report, which I am sure you will see in due course. Thank you very much for your input.
556. **Professor Smyth:** If I can be of any further help, please just ask. There is a lot of material there that underpins it.

## 8 May 2013

### Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr Stewart Dickson  
 Mr Alex Easton  
 Mr Ross Hussey  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Ms Kyla Brand *Office of Fair Trading*

557. **The Chairperson:** I welcome to the Committee Kyla Brand, who is the representative for Scotland, Wales and Northern Ireland at the Office of Fair Trading (OFT). Kyla, I ask you to make a short presentation and then leave yourself open for questions. I remind you that the meeting is being recorded by Hansard.

558. **Ms Kyla Brand (Office of Fair Trading):** Thank you very much indeed, Chairman and Committee members, for the invitation to join your considerations. As you said, I am the Office of Fair Trading representative for Scotland, Wales and Northern Ireland. Obviously, in preparing for this and in our submission, we have drawn on the expertise of all our competition experts in the transport sector, but, unfortunately, they were not able to attend today.

559. When we first started talking across Northern Ireland to consumers and business organisations about the kinds of sectoral issues that raised competition concerns, public transport was one of the early issues that they flagged to us. We have been following the public transport reform programme with significant interest. We set out in our written submission that the OFT is dedicated to making markets work well for consumers. Our work embraces all kinds of private markets, including, of

most relevance to your inquiry, local bus markets, ticketing and rail franchises in GB. It also covers public services and public undertakings. Those fall within the scope of competition law, and they are obliged not to abuse any position of dominance or to enter into anti-competitive agreements. Although we have not been involved in any detailed work on transport in Northern Ireland, we are keen to ensure that our understanding of what works elsewhere should be available for your consideration. Therefore, I will focus on three particular themes on which the OFT has particular experience, dwelling especially on bus services. Those are the relevance and role of contestability, which has been discussed already somewhat this morning; the role of the transport user; and the value of transparency. In my conclusion, I will outline some illustrations of practical ways in which competition can play a part in helping to make markets work better.

560. At the outset, I should make it clear that it is not the role of the OFT to make a pitch for the privatisation of transport services. We understand that current policy in Northern Ireland is to retain Translink as lead operator, despite changes to the roles of the bodies being put in place and the introduction of a middle tier in the regulatory framework. We are keen to contribute to arrangements of service delivery that benefit users and secure value for money for taxpayers, particularly in times of reduced budget.

561. I noticed in the 2011 reduced regional transportation strategy from the Department for Regional Development (DRD) the following ambition:

*“We do not want to design infrastructure or services that suit policy makers, planners or engineers, rather we want to focus on the user, understand their needs and demonstrate the value and benefits to them that can also benefit the community”.*

562. That focus on the user rather than the provider is something that I shall come back to.
563. Although work on local bus markets by the OFT and the Competition Commission was confined to GB, some general findings are of relevance here. We have been able to show, for example, that effective contestability is the best way to improve quality and to keep prices down. In an open market, that may be head-to-head competition, but we know that experience of early bus deregulation has shown that that can cause its own problems. For example, bus wars between operators may deliver short-term benefits, but, ultimately, that can raise barriers to entry, and fares in the longer term. That goes back to the free-for-all that Professor Smyth referred to.
564. Alternatively, contestability may be pitched as competition for the market, with opportunity for more than one operator to bid for rights to supply particular services over defined periods. The benefits that flow from that possibility of challenge typically are lean business models, tight management of costs, quality service and innovation. There is at least the prospect of another operator snapping at your heels. I suggest that those operating the service in Dublin are not able to slump into a comfortable inertia, because they know that they hold that right only for a period, after which others will be able to contest that same service.
565. To achieve those benefits, it follows that there need to be contract arrangements that allow opportunities for new or smaller suppliers to participate in a particular market. Where access to common infrastructure is essential for there to be competition in the market, that must be provided to rivals on terms that are fair and reasonable in respect of access charges and conditions of use. An example of that is where access to certain bus stances or bus station facilities is necessary for a rival operator to compete with the incumbent.
566. Any new entrants must also have certainty for the period of their contract
- and be assured of fair competition from an incumbent monopoly supplier such as Translink. There needs to be openness to proposals from operators for new services where service gaps are identified. I have heard that the recent pilot scheme run by a Newry operator to meet the specific requirements of college students is a good illustration of that kind of niche service. Those are some of the considerations that we would expect the new Transport NI to have in mind as it develops the regulatory framework and the contracts that will be required from 2014. We believe that those can be consistent with the designation of Translink as lead operator.
567. For most effective contestability, however, it is important that alternative operators, which may have a narrow offering initially, do have the opportunity to expand and grow. If competition is limited to the margins, it is much less likely to have the beneficial effect of prompting quality and value from the incumbent, and firms are unlikely to believe that there is opportunity of sufficient scale to be worth their while. The rapid transit tender that was discussed earlier may be an example of that.
568. In a market that does not have genuine competitive constraint, as in the current transport framework in Northern Ireland, there is particular responsibility on the regulator to hold operators to account, and to be seen to do so. I gather that there has already been discussion here about the availability of information about costs, price and performance, as well as about the relevance of benchmarks. The OFT would underline the significance of the incentives provided through outcome-based contracts on the one hand and accountability that can be delivered through clear and transparent measures on the other. Transparency about standards, cost and price are critical to public confidence, and presentation of material in a style that is meaningful and accessible to transport users and taxpayers is also necessary. I reiterate

- the focus on the user, as expressed in the transport strategy.
569. Finally, there are two examples of practical ways to introduce some of the principles that I have alluded to. The first concerns ticketing. Multi-operator ticketing has been signalled as a reason not to permit alternative operators to provide services linking to the incumbent provider. The OFT is not close to the detail of any particular instances in Northern Ireland, but we are aware in general that there is little incentive for a bigger operator to make it easy for others to link to their ticket platform. It might therefore be effective to explore how the ticketing element of the service might be contracted through a separate, neutral third party.
570. My second example is the possibility of franchising different bundles of services, which has just been discussed. We hear that the income stream from profitable routes across the network is necessary to subsidise those routes that are more marginal owing to rurality or low usage, but that should not automatically translate into total monopoly. There may be opportunity to bundle some profitable and unprofitable services together to be delivered in a franchise arrangement. That would provide some greater opportunity for alternative operators to develop, without compromising the operational model of the current incumbent.
571. Finally, I will refer to the relevance of competition between modes of public transport. Community transport may, by definition, be a bit of a niche area of service because of the customers that it serves or the geography, but public taxi services are often a very viable alternative to buses. When we did some work last year about remote communities, both of those were highlighted as necessary to meet the rather more occasional needs of those who live in rural communities. That is just to flag that there is a variety of different types of transport that complement and compete with each other.
572. Essentially, the OFT urges consideration of the possibilities to introduce some elements of competition, even within the existing regulated market, and to ensure that the framework being developed has the interests of users, including the need for transparency, at its heart.
573. **The Chairperson:** Thank you very much, Kyla, for your presentation. It was very interesting and is helpful to the Committee's inquiry. Your office previously referred the supply of local bus services in GB to the Competition Commission. Have you any plans to do something similar to cover the service in Northern Ireland? Secondly, can you give us some examples of the incentives to improve performance and effectiveness that you referred to in your paper?
574. **Ms Brand:** When we initially looked at the local bus services in 2008-09, we excluded London and Northern Ireland from the study because of the particularity of those markets. It is a wholly regulated market here and London has a very different model and scale, so they were taken to be sui generis and not included in that study. Therefore, it was the rest of the GB market that was referred to the Competition Commission and fully investigated. We have not had any representation to suggest that the work that we could do on the Northern Ireland bus service in the current framework would be especially effective. Our powers would be around abuse of dominance, for example. If a local operator who sought to come into the market found that it was unreasonably excluded, that would potentially be the sort of trigger for us to look at the market. As it stands, however, there is nothing that we would be able to prescribe or suggest that would overturn the political decisions about how the market is operating.
575. **The Chairperson:** Just allow us a second to change. The Deputy Chair will take the Chair for a minute or two. He will then ask you a question.
- (The Deputy Chairperson [Mr Lynch] in the Chair)*
576. **The Deputy Chairperson:** Although you were not referring to here, you said that

- concessionary fares distort the market. Will you elaborate on that?
577. **Ms Brand:** We found that, where there is a high proportion of concessionary fares, there is a tendency for higher fares to be charged across the relevant market. Our understanding is that there is sometimes a perverse incentive for the operator to charge higher prices in order to get a higher return from the concession. In principle, it is supposed to be of no benefit, and the rates are supposed to be set so that it is not a profit-making channel for a bus operator. However, we found in our overall study that there was that tendency to see high concessions and higher fares.
578. **The Deputy Chairperson:** The qualifying age for concessionary fares is, I think, lower here. Would that mean even greater distortion of the market here?
579. **Ms Brand:** It is quite difficult to compare the Northern Ireland situation with most of the other examples, because you do not have the opportunity for competition to deal with any excessive fare-setting. In principle, however, the more concessions there are, the more likely it is that those will be reflected in higher fares.
580. **Mr Ó hOisín:** In real terms, how much value for money do transport monopolies, such as that which we may have here, provide? You said that community transport is very much a niche market. Surely that would be reflective of the rurality of this part of the world, in that having a couple of taxi firms is not a viable option across much of the geographical area.
581. **Ms Brand:** Sorry, I am not quite clear about your first point about value for money.
582. **Mr Ó hOisín:** How much value for money do transport monopolies provide?
583. **Ms Brand:** Since bus deregulation in GB, there has been a tendency to consolidation, and greater efficiencies are being found in areas through that consolidation and not having many multiple operators. That is far short of a monopoly. The model in London is distinctive because it is a franchise model, and nobody holds the right to provide the service for ever. Therefore, operators know that there will be contestability at a certain point.
584. On the rurality argument, the real challenge is how to supply services effectively to those who are few, dispersed and need them only occasionally. One suggestion is that if you have a more responsive type of service, such as much community transport, you can deal with some of those economic inefficiencies more effectively than if you insist on having a scheduled service of a large bus going down many country lanes. It is a question of trying to match the sort of service with the sort of demand and being flexible about the models that you may be able to use.
585. **Mr McNarry:** How does competition law work here in Northern Ireland?
586. **Ms Brand:** It works exactly the same as it does anywhere else in the UK.
587. **Mr McNarry:** What is your referral with regard to competition?
588. **Ms Brand:** If a firm in Northern Ireland believes that it is being subject to abusive behaviour, for example, in any sector, and it can identify that that is an abuse of competition law, we would be as responsive to that case from Northern Ireland as a case from Scotland or any other part of the UK.
589. **Mr McNarry:** You mentioned rapid transit. In the final analysis, there was no opportunity for competition. Would that concern your office? The offer was not even made and that, to me, is an abuse.
590. **Ms Brand:** There is some specificity about how the rules apply where a public organisation is tendering for a service. I would not be able to say absolutely — without any of my legal experts — that that would automatically be a case for us. However, in the general principle —

591. **Mr McNarry:** Sorry to interrupt you, but if I asked you whether OFT could look into what I have just said regarding the absence of an ability for anyone to tender, would you look into that for the Committee?
592. **Ms Brand:** We would certainly be very happy to hear from you and to consider that. Normally, it would be that some firm believed or could show that it had been excluded from a process unfairly. On our work in public markets, we tend to work with the public bodies — governments and local authorities elsewhere in GB — helping them to frame their tender arrangements so that they get it right. Personally, I could not give you an example of where we had taken that kind of case under competition law, but it is certainly an area where we have competition expertise, and we would be willing to give you advice.
593. **Mr McNarry:** I would be grateful if you would consider that.
594. Would OFT be concerned if a complaint were made about an apparent cosy relationship operated between a transport monopoly provider and the Department servicing public transport with millions of pounds of public money?
595. **Ms Brand:** That in and of itself would probably not be a matter for us under competition law. Obviously, it is subject to some of the issues of state aid and those parts of the European legal framework. Cosiness in itself would not qualify for competition law abuse. There would have to be something rather particular within that that we could examine.
596. **Mr McNarry:** OK, so if I developed “cosiness” into something else that I cannot comment on now in case I get taken to court, you might be interested in it.
597. This is all very interesting. Where a virtual monopoly operates, what advice could you give to the Committee on challenging fair prices?
598. **Ms Brand:** As I said in my introduction, transparency is a huge key to being able to match the kinds of costs that are incurred and the prices that are being charged, particularly where there are changes in prices. However, there are obviously some constraints. There is commercial confidentiality, and, in competitive situations, we have to guard against people sharing too much information.
599. **Mr McNarry:** Are you really on the side of the operators? Are you really speaking for the public, because — if you do not mind — it does not sound like it? Everything is protective, but it is protective not for the consumer and not for an elected representative but for those companies that we cannot get to grips with.
- (The Chairperson [Mr Spratt] in the Chair)*
600. **Ms Brand:** The reason for the guarded nature of some of my responses is due to the fact that the scope of competition law is really quite specific, and we have to have evidence to be able to deploy our powers. Perhaps that is why I am sounding quite guarded. We try to ensure that users — consumers — are able to access choice and to get the best possible deal in the market: that is the whole point of what we try to do. Where a market is publicly controlled, it is in a rather different condition than one where you simply have private sector operators.
601. **The Chairperson:** Kyla, thank you very much for your presentation. I am sorry that I had to leave the room to make an urgent call. The information that you have given us has been very helpful to the inquiry. If there is anything else, we will be in touch with you.



## 8 May 2013

### Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr Seán Lynch (Deputy Chairperson)  
 Mr Stewart Dickson  
 Mr Alex Easton  
 Mr Ross Hussey  
 Mrs Dolores Kelly  
 Mr Declan McAleer  
 Mr Ian McCrea  
 Mr David McNarry  
 Mr Cathal Ó hOisín

### Witnesses:

Mr Tim Morton *Transport Planning Society*

602. The Chairperson: Our next briefing is from Tim Morton, director of the Transport Planning Society. Mr Morton, you are very welcome to the Committee.

603. **Mr Tim Morton (Transport Planning Society):** Thank you very much.

604. **The Chairperson:** You have about 10 minutes to make a presentation. You should then leave yourself open to questions.

605. **Mr Morton:** Thank you very much for inviting the Transport Planning Society to send a representative to brief the Committee. As you said, I am a director of the society. I come originally from Northern Ireland. So, I am very interested in being involved on both counts. I propose to explain briefly what the society is and to summarise the key points of our written submission. Obviously, after that, I will be happy to answer any questions.

606. The Transport Planning Society is an independent institutional body that is based in England. It was established to facilitate, develop and promote best practice in transport planning and to provide a focus for dialogue between practitioners and others interested and involved in the field. The Transport Planning Society is supported by

four long-established professional institutions: the Institution of Civil Engineers; the Chartered Institution of Highways and Transportation; the Chartered Institute of Logistics and Transport; and the Royal Town Planning Institute. All those institutions have an interest in transport planning in their core activities.

607. The Transport Planning Society administers its own professional development scheme for transport planners, which leads to the award of the Transport Planning Professional qualification. That is the only professional qualification uniquely aimed at transport planners. The society has almost 1,000 professional members in the UK and elsewhere.

608. Transport planning covers the first stages in the development of transport policies, plans and projects. It is about identifying solutions to transport problems; assessing the likely outcomes of alternative solutions; and testing those outcomes against a range of desired objectives, whether those objectives are economic, financial, environmental, social or whatever. The results of those transport planning analyses give decision-makers the information needed to make informed decisions about transport strategy or investment. Most importantly, transport planners are acutely aware of the links between transport and other facets of life. One of our specific skills is to identify the wider impacts of changes to transport or to identify how transport can best serve wider objectives.

609. The Transport Planning Society also reaches out to other organisations that are active in the promotion or operation of transport and seeks to offer its experience more widely. It is for that reason that we respond to consultations such as the present inquiry into comprehensive transport delivery

- structures, and that is why we were pleased to make a written submission and to be here today.
610. Our members are involved in the planning and procurement of public transport services in many parts of Great Britain. Transport authorities have been set up, particularly in the major cities, for that specific purpose. Those authorities take the wider objectives of local government — employment, development aspirations, environmental and health objectives and so on — and identify the way in which public transport can best support them — what route network and level of service is most appropriate and so on. Transport authorities can also seek to integrate public transport with other aspects of transport, such as parking provision and parking control. Appropriate public transport services can then be specified and procured. That clearly has to pay heed to financial constraints, but the planning process undertaken by the transport authorities aims to ensure that the best value is obtained from the available funds and that the best possible support is given to wider local government objectives. That approach has worked well where transport authorities have the most control over transport.
611. Transport for London is the authority in London, which was referred to this morning, and is perhaps the shining example. Public transport in London is largely regulated, and Transport for London has been very successful in procuring the services needed to serve and support life in the capital. I think that the outstanding performance of public transport during the Olympics last year perhaps exemplifies the benefit of having a strong transport authority that is able to exert considerable control over transport services within its area and which has the professional skills needed to identify the demands for transport and the best means of satisfying them.
612. Outside London, where bus services are deregulated, transport authorities have less control, and the provision of bus services, in particular, is more governed by the operators themselves. That has led to mixed results, but, overall, it is noticeable that, since bus services outside the capital were deregulated in 1986, regulated bus use in London has more than doubled, while deregulated bus patronage elsewhere has fallen by about a third. In a small number of urban areas, there is good co-operation between bus operators and the local authorities, and competent and stable route networks have emerged to suit the wider interests of the community. More generally, however, bus operators have been found to produce a less than satisfactory service when left to pursue their own commercial objectives. For example, under deregulation, the opportunity has been lost for cross-subsidy between profitable commercially operated services and socially desirable but non-profitable routes. The introduction of a number of independent operators in most areas has resulted in a lack of network connectivity in both timetable and ticketing terms. That is clearly an obstacle to passenger use, and it is one reason why patronage has declined.
613. We use that evidence to support our contention that the best public transport results from having a separate transport authority, supported by professional transport planners, which understands the wider needs of the community and can specify public transport services accordingly. That approach also offers the opportunity to invite the private sector to tender for the operation of services or packages of services as specified by the transport authority, should that be seen as an advantageous way of reducing service provision costs.
614. We note that that approach is not currently taken in Northern Ireland, where we understand that, by and large, Translink is left to develop its own network and to operate its own services. We would recommend the introduction of a transport authority, backed by professional skills, to specify and procure public transport services. We consider that that could result in public transport provision that is better

aligned to the wider needs of Northern Ireland. I see that what we are proposing is not dissimilar to what was previously proposed for Transport Northern Ireland, with the middle tier in a three-tier set-up being responsible for tactical planning, specifying service requirements and securing their provision. Our experience in Great Britain would lead us to recommend that that is a good way forward to procure the best possible public transport.

615. **The Chairperson:** Thank you very much. How critical is transport planning to the economy of Northern Ireland, and do you think that Northern Ireland has missed the boat, bus and train?

616. **Mr Morton:** That is a good question. Transport planning is a skill or discipline that has only been around for about the last 50 years. Prior to that, transport investment decisions tended just to be made by those with political power or by transport operators. Transport planning arose because of a general dissatisfaction about the way in which transport decisions and investments were being made. The feeling was that the general, wider interests and objectives of the community were not being fully taken into account. One of the other benefits of transport planning is the ability of transport planners to look at the pros and cons of a range of options and to weigh up the outcomes of doing plan A or plan B.

617. My view is that transport planning has certainly introduced much better value for money in terms of transport investment and, at the same time, has ensured that the wider interests of local government or the community are well served. Obviously, Northern Ireland has had a degree of transport planning, but it has probably not been as strong an influence here as in Great Britain. There has probably been some disbenefit resulting from that.

618. **The Chairperson:** Thank you very much. I apologise, but I have to leave for some other urgent business that has just come up, so the Deputy Chairperson is going to take over. Thank you very

much for your presentation to the Committee. It was very helpful. It has been recorded for the Hansard report, and it will certainly be helpful to the final report when we eventually report to the Assembly on this matter.

*(The Deputy Chairperson [Mr Lynch] in the Chair)*

619. **The Deputy Chairperson:** Sorry about that, Tim. I have just one question to do with regulation and deregulation. You said that, following deregulation, bus use had fallen by about a third, but that it had doubled in London, where it is regulated. Were you talking about passengers?

620. **Mr Morton:** Yes, I am talking about passenger journeys.

621. **The Deputy Chairperson:** In your opinion, regulation is the best option?

622. **Mr Morton:** Yes, that is certainly my opinion. What one finds with deregulation is that the provision of transport is then designed to suit the commercial objectives of the transport operators. The fact that bus patronage has fallen by about a third in deregulated areas indicates that the provision of those services is not meeting the wider needs of the community; the opposite being the case in London, where services are regulated.

623. **Mr Ó hOisín:** Tim, you were fairly scathing of our integrated transport planning here, and perhaps that is not unjustified. You recommend a transport authority. In real terms, what sort of animal would that look like?

624. **Mr Morton:** Transport for London is on a different scale, but it is the sort of model that one might look at. It is an executive agency of the Greater London Authority. The organisation contains professional skills: a lot of public transport experts, engineers and planners who are able to look technically at the provision of transport. It also includes teams that are responsible for procuring public transport services and setting up contracts with service providers. It is an organisation that has to be politically responsive, and it

reports to the London Assembly, but it includes a wide range of very skilled people.

625. **Mr Ó hOisín:** You accept that this is not London.
626. **Mr Morton:** Yes.
627. **Mr Ó hOisín:** Or even Londonderry, sometimes. [Laughter.] That throws up its own challenges. A certain type of model would have to be crafted for here.
628. **Mr Morton:** Absolutely. Yes. I think that one could look at models in other parts of England as well, and it would be a matter of looking at the specific requirements of Northern Ireland and designing an authority that was really well-suited to the situation here.
629. **The Deputy Chairperson:** There are no more questions. Thank you for coming, Tim. Your contribution was very useful.
630. **Mr Morton:** Thank you very much. It was my pleasure.

# 18 September 2013

## Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)  
 Mr John Dallat  
 Mr Stewart Dickson  
 Mr Alex Easton  
 Mrs Brenda Hale  
 Mr Declan McAleer  
 Mr David McNarry  
 Mr Cathal Ó hOisín

631. **The Chairperson:** We will move to the draft report of the inquiry into comprehensive transport delivery structures, which you dealt with in the closed session. Having considered the draft report, the following questions must be asked for the official record. Are members content to agree the membership and powers section of the report on the basis that it is all factually correct?

*Members indicated assent.*

632. **The Chairperson:** Are members content to agree the list of abbreviations section of the report?

*Members indicated assent.*

633. **The Chairperson:** Are members content to agree the executive summary section of the report, subject to any agreed amendments?

*Members indicated assent.*

634. **The Chairperson:** Are members content to agree the recommendations section of the report, subject to any agreed amendments?

*Members indicated assent.*

635. **The Chairperson:** Are members content to agree the introduction section of the report, subject to any agreed amendments?

*Members indicated assent.*

636. **The Chairperson:** Are members content to agree the summary of recommendations section of the report, subject to any agreed amendments?

*Members indicated assent.*

637. **The Chairperson:** Are members content to agree the key issues section of the report, subject to any agreed amendments?

*Members indicated assent.*

638. **The Chairperson:** Are members content that the Committee office takes forward the production of the appendices to the report?

*Members indicated assent.*

639. **The Chairperson:** Are members content that the report on the Committee's inquiry into comprehensive transport delivery structures be ordered to print?

*Members indicated assent.*

640. **The Chairperson:** Finally, are members content to forward a manuscript copy of the report to the Minister?

*Members indicated assent.*





Northern Ireland  
Assembly

Appendix 3

# Written Submissions



# Banbridge Academy

Banbridge Academy Politics Department

Banbridge Academy  
Lurgan Road,  
Banbridge  
BT32 4AQ

Dear Sir/Madam

Please find enclosed responses from some of the AS Politics students from Banbridge Academy who wanted to be involved in the Political process and were keen to have their voice heard on the issue surrounding the Committee Inquiry into Comprehensive Transport Delivery Structures.

Yours Sincerely

Jonny Erskine

Dear Sir or Madam:

I am writing, as a student of Banbridge Academy who currently works in a part-time job in Belfast, to give my opinion for the Inquiry into Comprehensive Transport Delivery Structures. This journey to Belfast several times a week has made me aware of some areas which I feel should be investigated in order to improve the quality of public transport in Northern Ireland.

Part-time work for students has been particularly difficult to find due to job cuts made by businesses, and therefore I have found myself making the 45 minute journey to Belfast approximately 3 times a week in order to earn money and to gain work experience to help my future job prospects. Although my employers look after me very well in my job and pay me a good salary of £5 an hour, I find that approximately 2 hours of my pay per shift is being used to fund my travel to and from Belfast, with a one way ticket from Belfast to Dromore costing £4.80. Ticket pricing is done in such a way that a child ticket is no longer available once you are 15 years of age, meaning that 16 years olds working in a part-time job are having to pay an adult fare despite not being 18 for a further two years. In my opinion there should be a student ticket price or other ticket options, such as a bus pass, made available to all students.

At the moment I am currently looking at possible universities and careers paths to take and am considering the option of staying in Northern Ireland to continue my studies in a local university, however if I were to do so the limited public transport may affect my plans for university and whether or not I would need to pay for accommodation in Belfast or whether it is economically viable to remain living at home. So much could be done to encourage young people to study in Northern Ireland and one of these things would be to improve public transport to a standard where it is efficient, easy and cost effective for young people to make good use of it. This has been achieved in many cities in the UK and Europe and I feel that it would be beneficial for Northern Ireland to invest in public transport as part of their plans to further develop Northern Ireland as a country for tourists and visitors as well as locals. There are so many fascinating and fun attractions, for example Titanic, to visit and by making access to these facilities easier it should hopefully benefit our local economy.

Recently becoming a learner driver has forced me to realise high costs of petrol and parking which I would face if I were to make the journey to work by car. I could drive to Belfast in my car with one other passenger for less than would cost to purchase two return tickets from Banbridge to Belfast. The high price of parking in Belfast city centre however immediately increases costs. As part of encouraging people to use public transport more, park and ride services should be made more available and cheaper, and more readily available parking in the city centre would be a huge benefit to both workers and visitors. By improving these factors many more consumers would be encouraged to visit the city centre and make use of public transport, therefore benefiting the local economy. By taking these steps to encourage young people to use public transport rather than depend on a car for every journey you will also be educating the future generation on how to make the most out of the facilities available to them. In the

future this could lead to a reduction of the number of cars on our roads reducing Northern Ireland's environmental impact. The importance of being environmentally friendly is constantly highlighted to us through our schools and the media and so by achieving a more efficient and cost effective public transport service young people, as well as the older generations, could take action to reduce our country's carbon footprint.

I do not wish to be called to give oral evidence. Thank you for reading.

Sophie Baxter, 17, Banbridge Academy.

Luke Melchey

## Translink

Dear Sir/Madam,

Translink is a public corporation which could improve its services and encourage more people to switch from the car to public transport. In Belfast only 11% of people uses public transport to get around which need to be improved and could help the company become more profitable.

Personally I think a way of trying to stop this pattern is to create more park and ride ~~and~~ as well as park and share schemes spread ~~at~~ throughout the province. These schemes would encourage even more use ~~the~~ public transport ~~as~~ for a ~~small~~ part of their journey and if wifi was available in all these bus or train would attract more, so they can do some of their work for they get to their office or workplace. The M1 park and ride scheme should be used as a model and copied to other places in the North, west and North, East.

An argument for taking a car into work for people is the convenience of it. Translink should encourage people to get a bus or train into Belfast's main stations which would be cheap than a car and then use the metro system. The metro bus system should be expanded so people can get on these buses and get close to their place of work. The new buses need should we payed for by a slight rise in fees to offore these new services which if affordable should have wifi. If people we given deals for using Public transport and the cost was lower than a car it would attract many more people and so Translink should offer more schemes such as passes for use of all transport for a day.

Train services are very high quality, but a problem I have faced is that there is few bus which actual pass ~~by~~ by.

Banbridge Academy  
Lurgan Road  
Banbridge  
Co.Down  
BT32 4AQ

Monday 7 January 2013

Dear Sir/Madam,

I write to you to express my opinion on the current call for evidence on Comprehensive Transport Delivery Structures. I am currently a student of Banbridge Academy completing my A levels in I.C.T, Politics and Business Studies. I am speaking on behalf of young people when I say that it is not before time that this legislation has come under scrutiny by you. Currently the transport in Northern Ireland has begun a major facelift in regards to enhancing Train Stations and improving Bus Stations as well, however these are not the only aspects of the transport industry that need to be considered. The fact that transport prices have risen by 6.2% in the last month in the UK is very worrying as how do young people like myself afford these rising costs just to get to work or school everyday. Many people are being hit by the recession in everyway and are facing a loss of incomes therefore it would be a mistake to increase the cost of public transport in Northern Ireland. If people are to be more environmentally friendly by using a train or bus instead of a car costs need to be kept to a minimum if not less people will use public transport and will take their car due to comfort or the fact that there is less of a fuel hike than in the public sector. The fact is we do have the best transport infrastructure in the UK and if you have to get somewhere in Northern Ireland and do not have your own mode of transport you can use public transport such as buses and trains that cover all areas of Northern Ireland so why not invest more money in improving the existing transport that we have instead of spending money on other unwanted aspects because public transport is the future.

I use public transport myself to get to school in the mornings and to get home in the afternoons so I have been able to experience first hand the public transport in Northern Ireland. The main problem I have found about the public transport system are the Timetables when looking to travel from Banbridge to Portadown at 4:30pm there are no buses that run at this time the only bus you can get around this time is the 5:05pm bus. As perhaps you are aware this can be a lengthy wait in the cold conditions that have become our winter and as the nights are getting darker it can be quite daunting to stand and wait for a bus in the dark. If there was to be changes to the timetable to allow for people travelling from 4:30pm onwards from Banbridge then everyone using this bus route would be much happier. The service provided however, by the bus men and women is exceptional as they are always willing to help make passengers journeys more worthwhile. The mannerism shown towards elderly, disabled and even young people must be accredited to you as they provide a good customer service to people travelling on the bus.

I would like to see the provision for more bus shelters as having a roof over your head when waiting on a bus can make a massive difference when battling against the bad weather that we can face on a regular basis. This will not only benefit me it will also benefit a lot of other people who are perhaps elderly or disabled.

Thank you for taking the time to read and consider my proposals

Yours Sincerely,  
Jenna Ireland

The Committee for Regional Development

Room 435

Parliament Buildings

Ballymiscaw,

Stormont

Belfast,

BT4 3XX

Dear Paul Carlisle,

Due to the recent push to use public transport as a means of cutting carbon emissions and reduce traffic on the roads, it would be reasonable to suggest the Northern Ireland Assembly would take the same policy and encourage this action. However, it has come to my attention that some aspects of public transport could be and needs to be improved. Although the Ulsterbus branch of Translink gives passengers the opportunity to purchase 5, 10, 20, 40 or 50 day journey tickets which can be used any day of the week and are valid for up to twelve months. Also, this service enables you to have a bus journey card which you can then top up with more journeys if needs be. However, the Northern Ireland Railways branch of Translink does not offer this service. Instead, NIR offer weekly or monthly tickets which are only valid during the week or month from the day of purchase. As a result, passengers with part time jobs or who don't work at weekends as well as school students who use the train as their method of transport to and from school do not gain the benefit of these deals. Also, with a parent who works in Belfast only 4 days a week it is cheaper for her to take the car to and from Belfast everyday rather than get the train, which is one of the reasons why we are unable to further reduce our carbon footprint at home and across the country. But, if the same service that is offered by Ulsterbus (the idea of a journey card which you can top up and is valid for 12 months every day from the day of purchase) was offered by Northern Ireland Railways she would be encouraged to use this method of public transport as it would work out cheaper and easier than taking the car every day. Furthermore, if this service was available on the trains it would also encourage more passengers to use the service as they can top up their card and save the hassle of queuing for a train ticket every time they board a train, or having to wait to be approached on the train in order to purchase a ticket. Also, as this would promote the use of public transport, not only would it increase the income of Translink but would also decrease traffic and carbon emissions in Northern Ireland.

Yours Sincerely,

Aimee Gregson

The Committee for  
Regional Development  
Room 435  
Parliament Buildings  
Ballymiscaw,  
Stormont  
Belfast,  
BT4 3XX

Dear Paul Carlisle,

I am writing concerning the Inquiry into Comprehensive Transport Delivery Structures.

In my opinion, if fares for public transport were reduced, a lot more people would travel this way, rather than people individually driving to the same destination, as fuel for the journey would work out about the same cost or sometimes less. However, with most people using their own means of transport, there are problems arising with air pollution from the amount of vehicles travelling on our roads. If fares were reduced, more and more of the public would begin to use forms of public transport and therefore cut down the carbon emissions being produced every day by day-to-day traffic.

There are many days when I have used public transport and barely any of the seats were taken up, and those which were, were taken up by students or elderly people who have gained their buspass for free travel. This is the main reason why students and the elderly always use public transport. If transport was not free for them, they wouldn't use it as frequently. In my opinion, if fares were to decrease, many more people would travel by public transport and in doing so, fill up buses so that the running costs would still be covered rather than the prices being as high for the few that still use it. This means that not only would lower fares be more cost effective for members of the public but would also be more beneficial for transport companies in the long run as they would gain more custom while decreasing carbon emissions.

Yours Sincerely,  
Bethan Gillespie

Dear Sir/Madam

I am writing concerning the Inquiry into Comprehensive Transport Delivery Structures. Recently I have encountered issues with travelling in Belfast City Centre. I understand that the recent changes made include taking over to normal vehicle lanes and giving them over strictly to buses. My average journey in and out of Belfast has been increased in time by an extra 15 minutes due to long and slow moving traffic queues. I am aware Danny Kennedy MLA stated that the “lane system in the city centre needs to be given time to settle in”.

I live 20 minutes outside Belfast City Centre and I don't enjoy the 15 minutes added onto my journey each time I wish to travel to the city centre. This is not only an inconvenience to myself but also to those travelling in and out of Belfast every morning and afternoon, therefore I am writing this letter on behalf of all of these people. The new bus lanes prove to be more of an inconvenience rather than an asset to the City. I myself am put off travelling to the city centre often due to the longer time it now takes. I feel that if the buses reverted back to the old system of travel many people would benefit and appreciate this.

This new system “Belfast on the move” resulted the city coming to a standstill at one of its busiest times, when first introduced in September. Even now after many have waited for the lane system to “settle in”, commuters are still finding that 20 minute journeys are taking over an hour. This is completely unacceptable.

A major problem for commuters who do not drive, but use taxi services found that a normal £7 fare ended up as £20 after a 4 mile journey according to sources. Road users are strictly forbidden to drive on bus lanes at any given point and this could result in a £30 fine. For many people unfamiliar with the city centre there is a higher chance of them being hit with a fine. This is proving to be a costly and ineffective system for all road users and this must be taken into consideration, especially in this current economic climate.

Many people are put off shopping in Belfast city centre because of the longer journeys round the city and to the city. I find that shop owners and smaller businesses will feel this gradual impact.

I feel there is not enough information provided by the City Council and online resources to take my issue further. Yet, I believe this matter should be adhered to as soon as possible.

I do not wish to give oral evidence to the committee.

Yours Sincerely,



megan P.

Submission of evidence- The Transport Department.

Dear Sir / Madam

In Northern Ireland, on a daily basis only 12.22% of people travel by bus in comparison to the collective 54% who travel by car or in a passenger of a car, according to the 2011 census results. Therefore it is clear to see that the Northern Irish public aren't making use of the transport system offered for them but instead chose to pay for their own fuel and travel on their own or with someone else. This means that the Assemblies endeavour to ensure that people make full use of the transport system provided is ineffective. This is a service that many in Northern Ireland are unable to make use of or perhaps are uninterested in using due to its lack of convenience for the consumer.

As a student who travels daily to school using public transport I recognise both the advantages and disadvantages of this service. However I recognise that I spend over four times the amount of time to travel the journey to school than I would if I had have journeyed there by car. Therefore I can sympathise with many adults who refuse to use the public transport system because of the huge amount of time that it takes. I feel that this issue must be addressed. It could be argued that if there were more express buses on offer at regular intervals then people would be more inclined to make use of this service. I feel that if our system mirrored the transport system of London which is exceptionally effective and used a lot by the residents, who live nearby, Northern Ireland residents would want to make use of the system. This could be achieved if transport services in Northern Ireland were made more regular and would service more rural areas even if the service only extended to twice daily. Personally if I could accept public transport from close by my house, I would be more willing to use it, rather than having to drive to a bus stop to use it. If bus services were extended to more rural areas it is likely that people would make use of the service for work commuting.

The transport service in Northern Ireland is underused because of its lack of utility for the user. Therefore I firmly believe that it is time that the Transport Department of the Executive found causes for amendment which would increase the service's effectiveness and in turn, its usage. Those in Northern Ireland who are of retirement age have received a bus pass which entitles them to free transport within the country which is a very effective service. However I don't believe that this service is being used to its fullest potential. Older people tend to have more disposable income and don't enjoy the inconvenience of travelling by public transport and therefore they travel themselves by car particularly for shorter journeys. However many young people don't have the blessing of disposable income to spend on their own journeys and therefore it would be useful if 'Translink's Ylink pass' was changed in some respects. If the present offer provided by this pass was edited to offer half price fares on returns as well as single journeys, for a cost of £15 for the original pass, it would encourage me and other similar young people to purchase a 'Ylink pass'.

Therefore I believe that there are many changes that could be suggested by the transport committee in Stormont to encourage both the young and those commuting to work to make

use of public transport services provided. In doing so this would create a more social and environmentally concerned generation of Northern Ireland.

Yours sincerely,  
Megan Peters.

# Belfast Taxis Community Interest Company

Belfast Taxis CIC  
35a King Street  
Belfast  
BT1 1HJ

**Date:** 05/02/13

**To:** Paul Carlisle,

I am writing on behalf of the Belfast Taxis Community Interest Company.

We would be interested in making a submission to the DRD committee on the current inquiry into the better use of public and community transport funds.

We believe we are an integral part of the transport network. For over 40 years Belfast Taxis CIC has been central in respect to the provision of local transportation service, primarily in North and West Belfast. The delivery of this community based service has sustained thousands of jobs in times of political and social unrest while contributing significantly to the economic life of Belfast.

We would greatly appreciate an invitation to come before the Regional Development committee to make a submission on this inquiry.

Yours sincerely,

Stephen Savage  
Belfast Taxis CIC

# Belfast Taxis Community Interest Company

## **Belfast Taxis CIC**

Belfast Taxis CIC (Community Interest Company) would like to thank the committee for this opportunity to address you on the issues that the inquiry is looking at.

For over 40 years Belfast Taxi's CIC (formerly West Belfast Taxi's) has been central in respect to the provision of local transportation services primarily in North and West Belfast. The delivery of this community based service has sustained thousands of drivers in employment (often in times of high unemployment) down the years, while contributing significantly to the economic life of Belfast.

This essential contribution to the social and economic life of Belfast has been sustained solely by the taxi association alone – to date there has been no public investment despite the employment of 200+ drivers through the association.

Belfast Taxi's CIC has undergone considerable internal change providing it with a strong foundation in which to build for the future. This includes a complete restructuring of its board, new governance policies adopted and a successful application to DRD for Fuel Duty Rebate which generates an additional income stream for its 200 drivers.

When Belfast Taxis became aware that the Committee is holding an Inquiry into Comprehensive Transport Delivery Structures we decided to set out our stall given the terms of reference.

To give an outline of our issues that we will present to the committee;

1. A look at the **cost of our services** and that of Translink for the same area. We understand that we are not Translink but we would ask the committee to look at issues of fairness.
2. The **level of service** that Belfast Taxis CIC delivers without subsidy. Not only the frequency of service but the higher standard of service to people with disabilities in wheel chairs in that we will manually handle those who need assistance into our vehicles and bus drivers do not.
3. **Market unfairness.** There is unfairness within the transport market in North & West Belfast when one provider is subsidised to cover a large percentage of the market and another significant provider in the same area is not subsidised. We are talking about concessionary fares and a large portion of the market.
4. Belfast Taxis CIC would like to discuss **new services** that we believe would enhance delivery of service across North & West Belfast.
5. Belfast Taxis CIC would like to talk about some **uneconomical routes** that would be better served by taxi bus and the monopoly that Translink has across the board. It is time for a new discussion about uneconomical routes.
6. Belfast Taxis would like to **set out our stall** in terms of the future and how we see our plans tying in with that set out by the Department of Regional Development and the Programme for Government. We would like to talk about sustaining and growing employment, better service delivery through new technologies (traffic management system), up grading our fleet through a one off £6 million grant and beginning the conversation about access to the concessionary fares scheme.

Belfast taxis will do a 10 minute presentation highlighting the above issues on the 10th April. Thank you for this opportunity.

# Chartered Institution of Highways and Transportation Response



THE CHARTERED  
INSTITUTION OF HIGHWAYS  
& TRANSPORTATION

The Chartered Institute of  
Logistics and Transport (UK)



## Response to the NI Regional Development Committee Inquiry into Comprehensive Transport Delivery Structures - January 2013

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### Introduction

The Chartered Institute of Logistics and Transport (UK) Northern Ireland Region and the Chartered Institution of Highways and Transportation Northern Ireland Branch are grateful for the opportunity to provide input to the Regional Development Committee on this important subject.

The Chartered Institute of Logistics and Transport (UK), CILT (UK) – is the professional body for individuals and organisations involved in all disciplines, modes and aspects of logistics and transport, see website ([www.ciltuk.org.uk](http://www.ciltuk.org.uk)). As the focus for professional excellence and the development of the most modern techniques in logistics and transport, the CILT (UK) aims to encourage the adoption of policies that are both efficient and sustainable. CILT (UK) has recently made a key contribution to the UK transport policy debate by examining the forces of change and developing a Vision for 2035, attached, and also available from the institute website.

The Chartered Institution of Highways and Transportation (CIHT) is a learned society concerned specifically with the planning, design, construction, maintenance and operation of land-based transport systems and infrastructure. It serves the transport profession for the benefit of society and its members. With over 12,000 members, working across a wide range of disciplines, CIHT aims to promote the exchange of knowledge, improve policy formulation, stimulate debate on transportation issues, recognise individual competence and encourage best practice in the industry, see website ([www.ciht.org.uk](http://www.ciht.org.uk)).

Our joint response is based upon the knowledge of our members of the published Review of Outline Business Case for Public Transport Reform, Final Report – December 2010, hereafter referred to as the OBC, and public meetings of the Regional Development Committee, especially the meeting of 7th November 2012, when a briefing was provided by DRD Public Reform Team. Our comments in reply to the 5 separate elements of the Terms of Reference are offered as a contribution to the current debate.

We would be happy to provide further explanation or an oral briefing to the Committee if required.

### **Our responses to the Terms of Reference**

1. *To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;*

***CILT and CIHT understand that the legal status of the Holding Company is set out in the Transport Act (Northern Ireland) 1967. Further we understand that the Holding Company is an Arms Length Body of the Department and will be unaffected by the current Transport NI proposals.***

2. *To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland.*

CILT and CIHT suggest that such an analysis would constitute a substantial undertaking. We therefore propose that the work undertaken in the Outline Business Case for Public Transport Reform, Final Report – December 2010, hereafter referred to as the OBC, should form the basis of any new analysis. As CILT / CIHT do not have the resources to undertake any new analysis at this time, we have adopted the findings of the OBC in preparing this response.

In accepting the OBC as the basis we note that there are inherent difficulties in making a like-for-like comparison between Translink and GB operations. Whilst the OBC has made explicit reference to the unique range of functions undertaken by Translink and consequently adjusted Translink costs, the comparisons can only be approximate in nature.

A key point arising from the OBC is that it is universally understood that the operation of public transport requires a substantial subsidy. Furthermore, the scale of the subsidy increases as the quality of the public transport services rise and the density of the population falls. The OBC suggests that in regional terms Northern Ireland's population settlement patterns are most closely comparable with Wales with a significant level of dispersed rural population. Using 2007-08 figures the OBC states that the average subsidy per passenger journey totals 63 pence for Ulsterbus and Metro, compared to 90 pence for Wales.

***In general terms, based upon the OBC, we suggest that the Translink delivery of public transport services to the Northern Public is generally cost effective when compared to other comparable operations.***

- 3 *To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe.*

Throughout Europe, including UK and Republic of Ireland (RoI) there is general agreement that that the principal policy roles for public transport are:

- to provide access to jobs, essential services such as health and educational facilities, shops and leisure for people without cars;
- to facilitate the economic growth of cities by permitting more compact development patterns which are attractive to live and work in; and
- to reduce impacts on the environment by providing low polluting and low carbon transport.

However it is accepted that Europe tends to have more compact cities and makes greater use of public transport walking and cycling.

In UK, outside NI, transport policy is decided at city or regional level. The largest conurbations in England have Passenger Transport Authorities which allocate and manage budgets, whilst in Scotland and Wales Regional Transport Partnerships and Consortia plan and manage the delivery of public transport in conjunction with the local authorities.

Transport policy objectives are delivered through the formulation, funding and implementation of Transport Strategies or Plans. These Strategies or Plans take into account the unique land use and population settlement patterns of each area, the current performance of the transport networks and the opportunities and appetite for change.

It should be noted that, with the exception of Belfast (Belfast Metropolitan Transport Plan, see <http://www.drdni.gov.uk/index/bmtp/reports.htm>), NI has not been the subject of local transport planning processes currently undertaken in Scotland and applied in England over the period 2001 to 2011. In particular, in England and Scotland, the resulting Transport Strategies or Transport Plans include a consideration of the accessibility by public transport to jobs, healthcare, leisure and shopping facilities. The technique is based upon bus timetable data and helps shape bus service planning to ensure that policy objectives are met. In N.I. , high level guidance on public transport levels of service was included in the Regional

Transportation Strategy 2002 – 2012, published in 2002. Translink subsequently undertook the Ulsterbus Strategic Network Review with a primary focus on operational and efficiency issues and in introducing user-friendly timetables for local town services.

***CILT and CIHT note that although policy objectives are relatively similar across UK and Europe that local objective-led public transport planning processes have not been applied in NI outside Belfast.***

4. *To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives;*

At the outset it must be stressed that, to our knowledge, there is no publicly available information on Transport NI other than that provided verbally by the Department to the Committee at the meeting of 7th November 2012 and that provided on the DRD website. Our understanding of Transport NI is therefore very limited and is as follows:

- The preferred option of the OBC for a single Departmental Agency is not now being implemented, see <http://www.drdni.gov.uk/index/pt-publictransportreform/pt-publictransportreformobc-2.htm> ;
- Instead a combined Roads and Public Transport Authority, to be called Transport NI, see <http://www.drdni.gov.uk/index/pt-publictransportreform/content-newpage-8.htm>, is being set up by 31st March 2013 to deliver the functions;
- Transport NI will be headed by the Chief Executive of Roads Service; and
- Transport NI will be staffed largely by existing resources within the Department without transfer of resources from Translink or new skills.

In general terms we are quite concerned that the logical approach of the OBC has been abandoned for reasons of short term economy. Most notably the OBC preferred Agency option was reported to deliver overall savings of almost £2 million per annum, after five years, by offsetting additional organisational staffing costs against more substantial operational savings in Translink. In addition, as reported in the OBC, the preferred Agency option was forecast to improve patronage, integration, corporate governance, performance incentives and private sector involvement.

We are also concerned that the proposed Transport NI approach explicitly excludes the following two key features of the OBC proposal, presumably due to Departmental staffing cost constraints:

- An independent Agency Chief Executive (who would be a champion for public transport) – this role will be taken by the incumbent Chief Executive of Roads Service; and
- Technical Transport Planning Staff (who would have an ability and understanding in the transport planning process including accessibility planning) – no new skills external to the Department will be used.

In addition, Transport NI is being presented as similar to Transport Scotland. However, in general terms, Transport Scotland is responsible only for trunk roads and for the rail network, whilst Local Transport Authorities have responsibility for bus networks and services.

Furthermore in Scotland, operating below Transport Scotland there is a well-established multi-modal transport planning process comprising of the National Transport Strategy, a Strategic Transport Projects Review, and seven Regional Transport Partnerships which each produce a Regional Transport Strategy. It would appear unavoidable that Transport NI will be required to take the lead role in preparing local transport plans and strategies. This may not be efficient or effective as Transport NI as currently proposed will not include technical transport planning staff.

***CILT and CIHT suggest that the current Transport NI proposals appear structurally compromised and are unproven in terms of likely efficiency or effectiveness. We are***

**concerned that adequate specialist transport planning and contract procurement support may not be available or will not be provided to deliver the efficiencies aspired to. In addition we believe that greater transparency and professional debate is required in finalising the proposals.**

5. *To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery*

Clearly there can be no guarantees that any restructuring will improve efficiency and effectiveness. However, the concept set out in the OBC for an Agency forming the middle tier of a three-tier structure for public transport was clearly researched and presented. It would seem prudent to retain this transparency of decision-making and that if changes from the OBC are needed due to cost saving, to ensure that those changes are not of a structural nature. However, we believe the current Transport NI proposals not to provide an independent chief executive officer and not to include technical transport planning staff may represent structural changes and have the potential to threaten efficiency and effectiveness.

In addition it is important to recognise that neither the OBC preferred Agency nor the current Transport NI proposal will have any direct impact on the integration of public transport with education and health transport and indeed with community transport. Whilst that issue is primarily concerned with transport operational delivery, if efficiencies led to improved levels of service it could also impact on wider social inclusion policy aims. The issue has been highlighted on a number of occasions and it is understood is currently the subject of a separate inquiry by the Committee. It is likely that any savings would require detailed interworking of vehicle fleets, drivers and individual services.

Throughout Britain, bus services outside London were deregulated in 1986. This allowed more than one bus company to operate on any one route, introducing competition with the intention of increasing levels of service and reducing fares. The effects of deregulation took some time to 'bed-in' as initially competition led to 'bus-wars' on popular services causing traffic congestion whilst the networks generally contracted as bus companies chose not to cross-subsidise their services.

Consequently local authorities were required to subsidise additional services and routes in order to ensure a complete network which met social needs. We have now reached a new equilibrium where a few major bus companies basically run local monopolies. Whilst it is difficult to be definitive on its impact, it is assessed that deregulation has led to a reduction in both costs of operation and passenger levels. This reduction in passengers is at least partly attributed to the loss of network integrity arising from deregulation although it must also be set in the context of rising car ownership.

In Belfast, where there has been no deregulation, (Citybus) bus patronage also fell steadily over the period 1995 – 2005. However, since the introduction of Metro services in 2005, passenger numbers have grown appreciably from 23.8 million to a peak of 26.5 million in 2008/9 and with a relatively small drop to 25.9 million in 2011/12. Metro has exceeded the performance of English Metropolitan areas over the same period.

On the grounds of cost efficiency the OBC has benchmarked Ulsterbus and Citybus separately against comparable public and private operators. The OBC has concluded that Ulsterbus could realistically reduce its operating costs by up to £1.7 million per annum or approximately 2%. Similarly for Metro the OBC has identified a realistic reduction of £1.5 million per annum or 4% in total operating costs. Whilst these are significant and worthwhile savings, they do not in themselves warrant structural changes in the organisational and delivery structures.

***CILT and CIHT conclude that the OBC proposals for a middle tier Public Transport Agency should be retained as the current preferred basis for the Reform of Public Transport but that further transparency and professional debate is required in finalising the organisational and delivery structures. CILT and CIHT suggest that there are no clear advantages in deregulating bus services in Northern Ireland. On a separate issue the potential for cost savings to the***

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# Community Transport Association



**Community  
Transport  
Association**

## **Inquiry into Comprehensive Transport Delivery Structures**

### **About the CTA**

CTA is a UK-wide charity giving voice and providing leadership, learning and enterprise support to our member organisations, which are delivering innovative transport solutions to achieve social change. The CTA promotes excellence through providing training, publications, consultancy, e-resources, advice and information on voluntary, accessible and community transport.

Voluntary and community transport exists to meet the travel and social needs of people to whom these would otherwise be denied, providing accessible and affordable transport to achieve social inclusion.

The CTA is the representative body for third sector passenger transport operators in the UK. CTA member organisations are involved in the provision of transport, especially accessible services. Our membership comprises over 1500 organisations.

The CTA welcomes the opportunity to contribute to the **Inquiry into Comprehensive Transport Delivery Structures**. Our comments are shown on the following pages.

### **Contact Details**

Any queries regarding this response should be directed to:

Kellie Armstrong, Director for Northern Ireland, Community Transport Association, Room 109,  
CityEast, 68-72 Newtownards Road, Belfast  
BT4 1GW

Tel: 028 9094 1661

Email: [kellie@ctauk.org](mailto:kellie@ctauk.org)

## **1 Introduction**

The CTA welcomes the opportunity to respond to the inquiry. The aim of CTA is to ensure that: the voice of the community transport sector is heard; the needs of passengers who find it

difficult to get out and about are recognised; and the contribution made by the community & voluntary sector is included in future considerations.

The community transport sector has delivered alternative transport solutions for isolated and excluded persons for many years in Northern Ireland. In response to community needs our sector has provided an effective and efficient solution for those unable to access conventional public and private transport, in many cases this has been completed with no support from the Department for Regional Development (DRD) or the wider NI Government.

## 2 CTA Response to the Inquiry

### 2.1 **To assess the current legal status of the NI Transport Holding Company and its relationship with the Department for Regional Development**

The CTA is not at liberty to provide further evidence than is already publically available to the Committee on this part of the inquiry.

NITHC was established by the Transport Act (NI) 1967. It is a public authority delivering public transport services including bus and rail in Northern Ireland.

The relationship with DRD appears to be limited to provision of funding to provide the public transport network and support the provision of public transport passenger bus and rail depots/stations.

CTA is aware the transport planning function within NITHCs company divisions is contained to only their service provision. The strategic transport planning function for Northern Ireland was to move to DRD's Public Transport Authority (see appendix i). The public Transport Authority progress appears to have stopped with the new Transport NI taking over that process.

### 2.2 **To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Rol**

CTA is unable to contribute to the comparative analysis as our main priority is community transport. CTA see community transport as an integral part of the mix of services required to deliver an appropriate public transport service. Community transport works to enable rural and isolated dwellers to access the public transport network through our provision of rural minibus and volunteer car services subsidised through the DRD's Rural Transport Fund (RTF). Therefore CTA encourages the Committee to consider the subsidy DRD currently provide through the RTF when examining the costs and subsidies. Indeed in other areas of the UK community transport is contained within the mix of transport services to ensure older people and people with disabilities' access needs are considered and integral to both transport strategies and the area transport plans.

### 2.3 **To compare the policy objectives for provision of public transport in the UK, Rol and in Europe**

CTA can only comment on the provision of the community transport solutions that form part of the mix of transport services in the UK.

Due to changes in EU legislation Rol and Europe no longer have community led transport solutions delivered by and for the community by volunteers and the community sector. While Rol still has a number of organisations who call themselves 'community transport operators' they differ fundamentally from the UK community transport sector. In Rol community transport operators are commercial and profit making, operate under a commercial bus license or hire commercial operators to deliver services on their behalf. This barrier has stopped the community from being able to create their own access solutions through a community transport, non-commercial, not-for-profit, local scheme.

Across the UK the S19 and S10b permit system alongside the UK derogation on licenses has enabled the community to provide transport solutions that work in partnership with the public

transport system. Much of the evidence regarding the inclusion of community transport in the rest of UK will be limited to the work of Local Authorities for example: Hampshire County Council, Devon and Torbay, Norfolk, Strathclyde etc.

The DRD policy for including the community transport sector is limited to the provisions within the Rural Transport Fund.

#### **2.4 To assess whether current structures and Transport NI proposals are best suited for the efficient and effective delivery of public transport legislative and policy objectives.**

There is only limited information about the proposed Transport NI model but CTA are particularly concerned about any proposal to drop specialist Transport Planning input. Appendix i outlines what was outlined for the Public Transport Authority in the DRD Public Transport Reform Consultation.

The DRD website provides the following information about Transport NI:

*“Establishment of Transport NI: In order to implement the public transport reforms, new organisational arrangements are necessary within the Department to ensure compliance with EU Regulation 1370/2007, and to ensure the most cost effective and efficient delivery of our services. In order to provide for this a three tier model for the future delivery of public transport services has been identified incorporating:*

*(1) A top government tier, responsible for transportation policy, legislation, and for securing funding;*

*(2) A middle tier Authority, responsible for tactical planning, specifying service requirements, securing their provision, managing contracts, and regulating the provision of permits for new and existing services; and*

*(3) A third tier comprising of public transport operators, responsible for operational planning and delivery of public transport services, either through contracts or permits.*

*The Department is currently reorganising its business to ensure the best long term arrangements for the delivery of the middle tier functions. A project is underway to establish a single organisation within the Department, to be known as Transport NI, to deliver Roads and Public Transport Authority functions and which will come into effect in April 2013”*

CTA believe that the absence of skilled transport planners or a robust transparent transport planning process has a substantial impact. Public transport requires public subsidy to ensure it meets public policy objectives. Transport therefore requires objective analysis and debate and careful consideration by government in order to balance investment in transport against other public priorities such as education, health, environment and the economy. CTA believe that without transport planners or a robust transparent transport planning process the role of public transport and its interactions with land-use and highway planning may not be fully understood. This may result in lack of direction in transport investment; the change in investment between that planned in the Regional Transportation Strategy 2002 – 2012 and as delivered and included in the Budget to 2015 is a case in point.

#### **2.5 To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery**

Delivery structures for public transport are monitored and evaluated but very few reports or outcomes of investigation are made public.

There is no comparative investigation of how public money is spent on transport in other Departments of the Assembly.

There needs to be further transparency and details of the amount of money how all Departments of the NI Assembly are spending money on transport.

This evidence would provide the necessary detail to identify duplication, where further efficiencies and value for money can be created through effective transport planning.

CTA believes that transport is considered an 'operational detail' for many Departments including Education and Health. However, in continuing to centralise and specialise services, transport to access the services becomes increasingly important. We believe that information about current transport needs and current transport services covering education, health, community and public transport should be made available, perhaps initially for a sample area. It would then be possible to assess whether the application of specialist transport planning and scheduling expertise could deliver efficiency benefits. If so, this approach should be rolled out in conjunction with Local Transport Plans across NI.

In CTA's previous submission to the Committee (**Inquiry into the better use of public and community sector funds for the delivery of bus transport in Northern Ireland, 14 September 2012**) we confirmed a 10 year approach that would enable appropriate cross departmental strategic planning (centred within DRD) and lead to the creation of an NI Integrated (accessible)Transport Plan. That approach would identify how any public money is spent on transport, review where and why people travel, integrate resources and use the most effective suppliers to deliver the transport needs of the NI community.

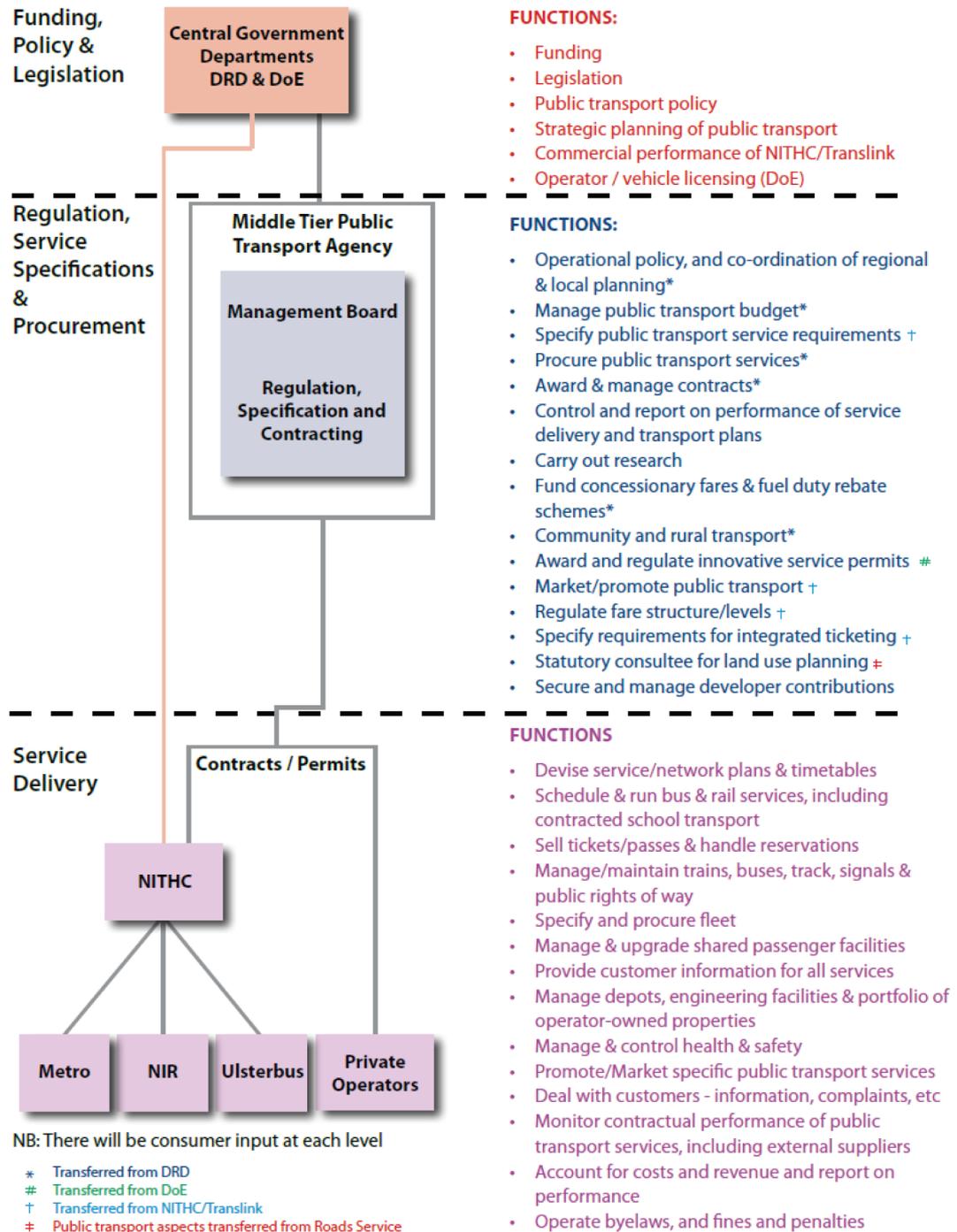
**Kellie Armstrong**

Director for Northern Ireland  
On behalf of the CTA NI membership and CTAUK  
18 Jan 2013

# Appendix i

From: DRD Public Transport Reform Model  
(DRD Public Transport Reform Consultation, Page 20)

## Annex 1 Proposed Three-tier Model for Public Transport



# Consumer Council



Consumer Council response to the  
Committee for Regional Development inquiry into  
Comprehensive Transport Delivery Structures

January 2013

## 1. Introduction

The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to make the consumer voice heard and make it count.

We have a statutory remit to *promote and safeguard the interests* of consumers in NI and we have specific functions in relation to energy, water, transport and food<sup>1</sup>. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers<sup>2</sup>.

The Consumer Council is also a designated body for the purposes of supercomplaints<sup>3</sup>, which means that we can refer any consumer affairs goods and services issue to the Office of Fair Trading<sup>4</sup>, where we feel that the market may be harming consumers' best interests. In taking forward our broad statutory remit we are informed by and representative of consumers in NI. We work to bring about change to benefit consumers by making their voice heard and making it count. To represent consumers in the best way we can, we listen to them and produce robust evidence to put their priorities at the heart of all we do.

We have consistently been supportive of sustained and continued investment in public transport and have called for the Department of Regional Development (DRD) to rebalance spending plans to have a greater focus on investment in public transport.

However, before increased investment can be made into public transport there must be confidence that consumers are getting the best value for public funding and passenger fares that is already invested into current services and infrastructure.

The Consumer Council regularly conducts research with passengers (and potential passengers) to ascertain their views and experiences of all forms of transport. Consumers have consistently told us that cost and convenience are their priority when it comes to public transport.

In our response to the Committee for Regional Development's, *"Inquiry into the better use of public and community sector funds for the delivery of bus transport in Northern Ireland"*, the Consumer Council recommended the Committee should seek a review of all passenger transport services supported with public money including public transport, community transport, education and health service transport and any private operators that form part of the wider transport network.

We also recommended that the inquiry should seek to assess whether these services are meeting the needs of passengers in the most efficient and cost effective way.

We are therefore supportive of the Committee in its comprehensive review of transport delivery structures and are grateful for the opportunity to present our views in this response.

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1 The Consumer Council undertakes its specific functions in relation to food recognising the role of the Food Standards Agency (FSA). The FSA has responsibility for the development of food policy and for the provision of advice, information and assistance, in respect to food safety or other interests of consumers in relation to food. Therefore, to ensure good value and use of public money, the Consumer Council and FSA have a memorandum of understanding and the Council's strategic focus on food is primarily in relation to food prices and customer experience.

2 The General Consumer Council (Northern Ireland) Order 1984, 1984 No. 1822 (N.I. 12), <http://www.legislation.gov.uk/nisi/1984/1822/contents>

3 The Enterprise Act 2002 (Part 9 Restrictions on Disclosure of Information) (Amendment and Specification) <http://www.legislation.gov.uk/uksi/2003/1400/schedules/made>

4 The OFT is the UK's consumer and competition authority. Its mission is to make markets work well for consumers. It is a non-ministerial government department established by statute in 1973 <http://oft.gov.uk/about-the-oft/>

## 2. The Northern Ireland Transport Holding Company and the Department for Regional Development

The DRD and the Northern Ireland Transport Holding Company (NITHC) agree a broad framework under which NITHC/Translink operate, which is published in the Management Statement and Financial Memorandum (MSFM).<sup>5</sup> The MSFM includes:

- NITHC's overall aims, objectives and targets in support of the Department's wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of NITHC's functions, duties and powers;
- the conditions under which any public funds are paid to NITHC; and
- how NITHC is to be held to account for its performance.

### 2.1 Targets and Performance Indicators

The current prevailing Key Performance Indicator (KPI) objective in the 2008 MSFM is to 'achieve and maintain 77 million passenger journeys per annum across all bus and rail public transport by March 2011.'

This is also the current target for the number of passenger journeys to be achieved each year under the current budget period up to 2015. Translink have been achieving this since at least 2008 so it is questionable as to whether this is a challenging target.

In addition to the prevailing KPI the MSFM outlines the KPI Targets across 7 areas as follows:

- (1) Percentage increase in customer patronage.
- (2) Percentage increase in reliability and punctuality of services.
- (3) Percentage increase in average customer fares.
- (4) Percentage increase in operating costs.
- (5) Percentage increase in overhead costs.
- (6) Average fleet age.
- (7) Degree of accessibility compliance.

Targets for (1) increases in customer patronage, (6) average fleet age and (7) degree of accessibility compliance are contained within the Regional Transportation Strategy 2002-12<sup>6</sup>. It is not clear what targets are set for the remaining KPI listed or how these are reported upon.

Section 5 of the MSFM covers external accountability and states, 'The Annual Report and Accounts shall provide a full description of the Board's activities and shall state the extent to which key strategic objectives and agreed financial and other performance targets have been met.'

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5 The current MS has not been updated since 2008. In the 2011/12 Annual Report Translink (P43) states that in December 2010 NITHC submitted changes for consideration and a revised MSFM is to be considered for adoption later in 2012.

6 The Regional Transportation Strategy 2011-12 set targets that (1) Citybus / Metro achieve patronage increase of 33% over 2001 for the morning and evening peak periods, (6) the average age of Ulsterbus and Citybus/Metro vehicles should be no more than 8 years and (7) that 100% of Ulsterbus (including Goldline) and Citybus / Metro vehicles are accessible. These are largely being achieved, with the exception of a fully accessible Ulsterbus fleet. Latest reports from Translink indicate this is dependent on funding and may take until 2014/2015 to achieve.

However, the performance against targets published in the Annual Report do not cover all those outlined in the MSFM in relation to average customer fares, increase in operating costs or increase in overhead costs as documented in 2.2.4 of the MSFM.

## **2.2 Value for Money**

The MSFM states that the sponsoring team shall advise the Minister on *'how well NITHC is achieving its strategic objectives and whether it is delivering value for money.'* (Sub section 3.3.2)

Page 58 of the DRD Outline Business Case for Public Transport (May 2009) states, *'The Department considers cost per passenger to be the critical value for money indicator for Translink bus companies' financial and operational efficiency.'*

However, this information is not included in the MSFM as a key performance indicator. Therefore, more information is required on how value for money as a key performance indicator is defined by the Department.

The Corporate Governance section of the latest Translink Annual Report (2011/12) (page 7) states that *'as a public corporation governance for Translink means having procedures in place to give the tax payer best value and being able to show that we are as efficient as any bus or rail company in the private sector.'*

It is unclear what procedures Translink has in place that demonstrates best value to tax payers or how Translink demonstrates it is as efficient as any bus or rail company in the private sector as this information is not provided in the report.

## **2.3 The Corporate Planning Process**

The Consumer Council are involved in the corporate planning process in terms of any decisions taken to review fares and service provision. The most recent corporate plan covers the period 2012-2015 and outlines what Translink aim to achieve over that period, the current challenges facing the organisation and some of the innovations planned for services and passengers.

The document is presented as the corporate plan for 2012/13 – 2014/15 and the Business Plan for 2012/13. However, the process does not outline what options the company is considering to address any potential shortfall.

In addition to this problem is the fact that each corporate plan appears to start from a zero baseline. No information is made available about what progress has been made from previous corporate plans.

Therefore, in its current format the corporate planning process does not provide a vision for the organisation to address any anticipated problems and does not allow the Consumer Council to consider the options Translink and the Department take into account ahead of making decisions relating to fare increases or service changes.

The Consumer Council has raised its concerns on this issue with DRD and we are in discussions to review the Consumer Council role in this process.

### 3. Comparative Analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and ROI and;

#### Policy objectives for provision of public transport in the UK, ROI and in Europe

The Consumer Council will respond to the two terms of reference points above collectively as we believe that the level of investment is a key indicator of commitment to the policy objectives for public transport.

#### 3.1 Transport Policy

Appendix 1 contains a summary of the Regional Development Strategy 2035 (RDS) key points on transport policy. It is clear throughout the RDS that the development of public transport as a viable alternative to the private car is a key objective of the Executive.

The Department for Regional Development document, 'A New Approach to Regional Transportation' published in 2012 sets out the Department's new approach to regional transportation and future decisions on investment from 2015 onwards.

The document introduces the concept of a Policy Prioritisation Framework which will look at strategic transport interventions against strategic objectives summarised under three key headings.

1. Support the growth of the economy
2. Enhance the quality of life for all
3. Reduce the environmental impact of transport

Each potential transport intervention will be assessed for their 'policy fit' which will link into the RDS strategic guidance.

The transportation vision "to have a modern, sustainable, safe transportation system which benefits society, the economy and the environment and which actively contributes to social inclusion and everyone's quality of life" is one that the Consumer Council fully supports.

Therefore, if we consider how investment in public transport has the potential to be prioritised to meet policy objectives then the policy environment for the development of public transport is potentially very positive.

However, the policy environment in relation to transport has been supportive of the development of public transport for some time; indeed, the vision for transportation to take Northern Ireland up to 2035 is the same as the one developed in 2001.

What needs to be considered is the priority attached to the various policy objects and to do this we must consider the overall level of investment.

#### 3.2 Investment

The Northern Ireland Assembly Research and Information Service Briefing paper, '**A regional comparison of rail investment in the UK and Ireland**<sup>7</sup>' provides a detailed analysis of the level of investment made into public transport services in Northern Ireland, compared to other parts of the UK.

The paper shows that for Northern Ireland, the level of identifiable expenditure on transport is above the UK average and in 2010/11 was second only to Scotland by UK region.

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7 Published 5 September 2012

This compares very favourably to the situation in 2005/06 and 2006/07 when the same table shows the level of expenditure was the lowest of the UK regions and the only region below the UK average. This increase in investment has delivered new trains and buses, new and refurbished stations and halts and improved the comfort and accessibility of public transport.

However, despite an environment of increasing investment, fares for public transport have consistently increased over the last 11 years. Between 2002 and 2012 there have been 10 fare increases. Fares were held in 2007 and 2011; however, in 2008 there were 2 separate fare increases.

It must be noted that public transport fares in Northern Ireland compare favourably to GB and the Republic of Ireland. The recent consultation from DRD on future railway investment states that NI Railway fares are similar to other operators over short distances and are considerably less as the distance increases.

In addition to this, the Outline Business Case for Public Transport Reform – May 2009 stated that ‘separate research on behalf of both DRD and Translink indicates that average levels of fares for Metro are not significantly different from those typically charged by other operators in Ireland and Britain.’

Therefore, the analysis shows a mixed picture, one that demonstrates that the level of investment in public transport has improved in recent years, albeit from a comparatively low base. Modal shift has been largely static over the past decade despite this increased investment and fares have consistently increased but remain competitive when compared with other operators.

The most recent fare increase in 2012 represented an overall average of approximately 3 per cent. However, the increase could largely be avoided by the use of smart card fares which was also the case for the 2009 and 2010 increases.

The DRD report on Smart and Integrated Ticketing May 2012 found that less than a fifth of bus users surveyed (18 per cent) bought multi journey tickets. Less than a tenth of train users surveyed (7 per cent) usually bought a weekly, monthly or annual ticket.

The report also found that awareness of multi-journey cards/tickets for buses was lower among economically inactive respondents (53 per cent) than those who were economically active (61 per cent). Similar figures were also found for train users (53 per cent versus 64 per cent).

Therefore, many passengers, particularly those economically inactive may not have avoided the fare increases and may have seen the average cost of their journeys increasing.

The Consumer Council recognise the difficult economic environment in which the Executive have to make funding decisions. In its response to the DRD draft budget for 2011-2015 the Consumer Council did not call for more money for the transport budget, instead we called for the Department to rebalance its’ spending plans to have a greater focus on investment in public transport.

This four year period will see an allocation of approximately 76 per cent to roads compared to 24 per cent on public transport. Yet government policy in relation to transport clearly shows that modal shift from the private car to other forms of transport including public transport, walking and cycling is a priority. This will not be achieved when the majority of funding continues to be spent on roads.

The point is often made that most of our public transport travels on the road network and therefore any investment into roads also benefits public transport. However, this argument does not link the investment to policy objectives in relation to transport. Building more roads may ease traffic congestion and improve journey times but will not encourage more people to

use more sustainable forms of transport where they are available or provide public transport services in areas where there currently are none.

Therefore, the policy environment is supportive of public transport; the level of investment in transport has been increasing, what is not clear is whether the current funding approach for public transport is the most efficient or whether it receives appropriate levels of priority in relation to investment in roads.

### 3.2.1 Integration - Funding for Transport Services across Government Departments

In our response to the Committees previous transport inquiry the Consumer Council highlighted the need for more collaborative working between government departments involved in the funding of public and community transport together with health and education sectors.

The issue of co-ordination is one that has been recognised by the Assembly and recently debated. In October 2011 the following amended motion was carried:

*That this Assembly notes the importance of an effective home to school transport policy; believes that the current policy is out-dated; and calls on the Minister of Education to work with the Minister for Regional Development to create an holistic and sustainable school transport policy which will ensure that school transport is provided in the most cost effective, efficient and safe manner.*

In December 2011 the following amended motion was carried:

*That this Assembly recognises the dependency that our rural communities have on the community transport scheme for medical visits and access to other local services; and calls on the Minister for Regional Development to work closely with the Minister of Health, Social Services and Public Safety, the Minister of Agriculture and Rural Development and the Minister of Finance and Personnel to ensure that this service is sustained to facilitate the most vulnerable people in our society.*

The NI Assembly Research and Information Service Briefing Paper – **Best Practice in Transport Integration (September 2012)** concluded in the ‘Lessons for Northern Ireland’ section that, ‘to date, there has been no (public) discussion of the potential for this body (Transport NI) to take on responsibility for coordinating SEN (Special education needs) health and education transport. However his paper has provided examples of cases where this approach has been beneficial both in terms of improving service and delivering efficiencies.’

This is a key issue as the paper highlights that collectively, transport provision requires in excess of £200 million per annum from the Northern Ireland purse divided among a number of government departments.

The ‘New Approach to Regional Transportation’ policy prioritisation framework will assess strategic transport interventions against agreed policy objectives taken from key documents including the Programme for Government and the Regional Development Strategy. This process is already underway and will inform investment decisions to be taken in the next budget period from 2015.

However, this new approach of linking transport investment to policy objectives will only be followed by DRD, it will not involve other departments responsible for significant elements of transport funding such as Health and Education.

The most efficient approach to investing in public transport to meet the transport needs of consumers and achieve agreed transport policy objectives cannot be fully achieved if the current silo approach to planning and investment continues.

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We must also question whether an opportunity for greater integration of transport planning and delivery will be missed due to the fact that Transport NI will only be responsible for the transport services that currently come under the remit of DRD.

#### 4. Whether current structures and Transport NI proposals are best placed for the efficient and effective delivery of public transport legislative and policy objectives

The process of public transport reform was widely consulted on and proposed a preferred option of a three tier model with a Public Transport Agency responsible for planning public transport and providing contracts to service providers with Translink continuing to be the lead supplier of public transport services.

It was subsequently announced that the middle tier (a new public transport agency) element of the three tier model is to be revised due to financial constraints. Instead of a standalone public transport agency, a joined up Roads and Public Transport organisation within the Department will be the chosen solution to deliver road and public transport objectives. This organisation will be known as Transport NI and will come into effect in April 2013.

The Consumer Council see's potential advantages of this approach such as cost efficiencies for the Department, however, there are also potential disadvantages. Road spending accounts for considerably more of the Department's transport budget than spending on public transport. If one departmental division controls the spending across both areas there is a real danger that less weighting will be given to public transport spending if political will continues to prioritise development of the road network and the organisation (Transport NI) fails to give investment in public transport sufficient priority.

The current structures are not best suited for the delivery of public transport legislative and policy objectives. This has been recognised and has resulted in the introduction of the Transport Act (Northern Ireland) 2011 and the process of public transport reform.

The proposed 3 tier model promises a system that will put some distance between the planning and delivery of public transport services, both of which are currently performed by Translink.

It will also introduce the concept of local public transport plans which have the potential to allow greater involvement of local communities in developing the type of transport services they need.

We should also see the introduction of contracts with key performance indicators which the Consumer Council believe should include a focus on value for money and customer satisfaction in addition to the industry standards relating to punctuality and reliability.

However, it is too early to judge whether the new three tier approach will deliver the changes consumers need or bring public transport closer to the RDS vision of a modern transportation system.

Also, as highlighted above, it is unclear whether consideration has been given to how the new transport organisation could incorporate funding and planning for other areas of transport including Health and Education with the aim of achieving greater efficiencies and better overall integration of transport services.

Therefore, this new 3 tier approach may already represent a missed opportunity to increase and improve integration and efficiency.

## 5. Optimise the organisational and delivery structures to improve efficiency and effectiveness of service delivery

### 5.1. Efficiency

Since 2009 there have been three documents published that have commented on the efficiency of Translink. Each has identified the possibility of improving efficiency across Translink operations. The three documents are:

- *FGS McClure Waters - Outline Business Case for Public Transport Reform – May 2009*
- *Price Water House Cooper - Financial Review of NITHC for DRD - March 2010*
- *FGS McClure Waters - Review of the Outline Business Case for Public Transport Reform – December 2010*

In addition to this, during an NI Assembly debate on 8th May 2012 Minister for Regional Development was quoted as saying, 'Following two earlier efficiency reviews of Translink as part of the programme for the reform of public transport my department is in the process of initiating a further efficiency review.'

The review of the Outline Business Case published in December 2010 stated the following for Metro:

*'Our review of the company's 2008-09 performance relative to comparable operators suggested potential for some £3.9m of annual efficiency savings.*

*Taking into account mitigation factors (such as a relatively high level of employer pension contributions), efficiencies generated in 2009-10 and planned cost reductions in future years, we estimate that some further potential exists to reduce Metro's costs, albeit of a smaller order (£1.5m per annum).'*

The report then goes on to state the following for Ulsterbus:

*'Our review of Ulsterbus's efficiency relative to its agreed comparators suggests that the company could potentially achieve up to £8.9m per annum in efficiency savings.'*

It must be clarified at this point that the above statements are set within a wider context in the reports. There are detailed complexities surrounding pension costs and staff costs which are recognised in the reports and it is accepted that progression against some if not all of the recommendations will have been made due to the fact that much of the data analysed relates to the 3 financial year periods 2005 - 2008.

However, the point remains that it is not clear whether progress has been mapped against any of the recommendations in the reports. It is not known if all or any of the recommendations in the reports were accepted by both Translink and the Department.

The PWC review stated that for Translink to deliver revenue and capital projects expected for future years there would need to be a fundamental change in the operating model and consideration of radical options.

The review identified a number of cost efficiency and revenue options such as generating additional income from car parking assets and retail opportunities in key rail and bus stations. However, we do not know what progress has been made against any of the recommendations made by PwC.

The PEDU review amounts to a fourth efficiency review of Translink in the last four years and whilst we welcome efforts that seek to ensure public transport is being delivered in the most cost effective manner there needs to be clarity on what previous recommendations have been accepted and what progress has been made.

## 5.2 Effective Service Delivery

The latest Annual Report 2011/12 states that the decision not to increase fares until 2012 highlighted *'bus and train as the better value choice.'* The report goes on to state that *'the strategy of not increasing fares was successful in growing passenger numbers above target in both passenger and rail.'*

		Target	2012	2011
Passengers (million)	bus	65.8	66.5	66.6
	rail	10.6	10.7	10.4
Passenger miles (million)	rail	N/A	202	190
Customer performance index (%)				
NI Railways		N/A	78.3	77.0
Ulsterbus		N/A	79.2	76.3
Metro		N/A	76.2	72.8
Punctuality (% of services arriving on time)				
NI Railways (local/long haul)		95/90	99.0/98.2	99.0/96.5
Ulsterbus		95.0	96.8	95.0
Metro		95.0	95.4	91.5
'On time' for bus services defined as within 7 minutes of timetable; for rail services within 5 minutes (local)/10 minutes (long haul)				
Reliability (% of timetabled services run)				
NI Railways		99.2	99.8	99.7
Ulsterbus		99.2	99.8	99.4
Metro		99.2	99.6	99.5

Despite the continued economic downturn the strategy of not increasing fares was successful in growing passenger numbers above target in both bus and rail.

The table above taken from page 56 of the Translink Annual Report 2011/12 shows that the target for bus passengers was 65.8 million and that in the 2011/12 period there were 66.5 million bus passenger journeys.

However, in the previous period 2010/11 there was 66.6 million bus passenger journeys; therefore bus passenger journeys appear to have actually fallen by 100,000. Passenger numbers did exceed the target set but the target for bus passengers was less than what had been achieved in the previous year. Therefore, it needs to be clear how targets are set, over what period and whether any account is taken of past performance.

#### 4. Revenue

Revenue comprises income from the carriage of passengers, rents, the reimbursement by the Department of concessionary fares and public service obligation compensation. Revenue excludes value added tax where applicable.

	2012 £'000	2011 £'000
<b>Continuing operations</b>		
Passenger carriage	120,419	121,142
Rents	5,538	6,222
Concessionary fares and public service obligation compensation	60,997	57,021
Other	1,392	1,364
<b>Revenue per accounts</b>	<b>188,346</b>	<b>185,749</b>
Other operating income	-	177
Interest	933	420
	<b>189,279</b>	<b>186,346</b>

No geographical analysis of turnover across markets is provided as the Directors consider that such disclosure would be seriously prejudicial to the interests of the Group. Details of revenue funding from the Department are given in note 25.

The figures in the revenues table above taken from the Translink Annual Report 2011/12 appear to show that the amount of revenue from passenger carriage has fallen by over £700,000.

The amount of revenue taken from concessionary fares and public service obligation (PSO) compensation has increased by almost £4 million.

That said, the latest statistics available from DRD in relation to public transport journeys indicates that passenger numbers and revenue are increasing.

The Northern Ireland Road and Rail Transport Statistics for the period July - September 2012 state that there was a weekly average of 0.99 million public bus passenger journeys made during the quarter July - September 2012, the same as the corresponding quarter of 2011. During the same time period, weekly average bus passenger receipts increased by 3% from £1.80million to £1.86million. The weekly average rail passenger journeys in July to September 2012 increased by 5% from 0.20million to 0.21 million compared to the corresponding quarter of 2011. During the same time period, weekly average rail passenger receipts increased by 5% from £0.64million to £0.67million.

The statistics go on to state that compared to the same quarter five years ago, average weekly bus passenger journeys have decreased by 4% (from 1.03 million in July-September 2007 to 0.99 million in July-September 2012). Whereas, over the same time period, average weekly rail passenger journeys have increased by 24% (from 0.17million in July-September 2007 to 0.21million in July-September 2012).

An analysis of the figures in each of the last four quarterly reports shows that both passenger numbers and revenue have increased over a 12 month period.

From October 2010 - September 2011 there were a total of 76.8 million passenger journeys. For the period October 2011 - September 2012 there were a total of 77.66 million passenger journeys, an increase of 860,000 (1.1 per cent). Over that same period total revenue has increased from £149.77 million to £152.32 million, an increase of £2.55 million (1.7 per cent).

In comparison, reports on public transport statistics for GB and ROI indicate that the economic slowdown has had a noticeable impact on passenger numbers.

A briefing paper from TAS Transport<sup>8</sup> stated the following for GB, ‘Looking at the total impact of the economic crisis on demand, quarterly patronage is now 3.1 down on the quarter immediately preceding the Lehmann Brothers collapse in September 2008. However, this overall figure hides some very significant variations, ranging from a substantial 12.7 fall in Scotland and 6.2 in the PTE areas, through lower declines of 6.5 in Wales and 5.4 in the English Shires through to continuing growth of 2.1 in London.’

With regard to ROI a paper from the Department of Transport, Tourism and Sport<sup>9</sup> stated the following:

*‘As with most sectors, the transport sector has not been immune from the effects of the recession, primarily through a fall-off in demand from both passengers and freight. Public transport has suffered a marked decline in passenger numbers since 2007. Irish Rail mainline passenger numbers have declined by around 25 in the period since 2007. DART passenger numbers have fallen by around 16, Dublin Bus by 19 and LUAS by 5 during this period.’*

Whilst it is accepted that these statements cover different periods than the figures we have referred to above, the DRD statistics for public transport do demonstrate an increase in passenger numbers and revenue and it therefore could be argued that Translink are performing well when the statistics are considered against the economic environment.

### 5.3 Modal Shift and Generation of New Business

Increasing modal shift from the private car has been a policy objective for over a decade. Despite this, DRD travel statistics show that there has been little shift in how we travel. Over the past 10 years, approximately 80% of the distance we travel each year is by car.

The number of people using public transport has increased over the last 10 years. According to the annual DRD Northern Ireland Transport Statistics, in 2001/02 there were 71.2 million passenger journeys; in 2011/12 this has increased to 77.2 million passenger journeys, an increase of over 8%<sup>10</sup>.

However, if we look at the table below we can see that on average, across all of the services, the vast majority of passengers have been using public transport services for over 2 years.

Table 2 – Passengers using the service for more than 2 years

Passenger Charter Monitoring Period	NIR	ULS	MET	Average
Spring ‘12 Monitor	70	83	*	76.5
Spring ‘11 Monitor	69	82	85	78.6
Spring ‘10 Monitor	67	82	90	79.6

\* The additional question for Metro was replaced in the Spring ‘12 monitor with other questions relating to Metro services (Table compiled by Consumer Council using figures taken from the Passenger Charter Monitoring Reports)

Therefore, if the vast majority of passengers have been using public transport services for over two years there needs to be more information about why non users of public transport

8 “Economy slowdown reflected in further bus patronage fall”, TAS Transport Briefing, January 2012

9 “Report on Proposed Capital Investment Programme 2012-2016 - Transport Capital Investment Programme”, Department of Transport, Tourism and Sport, July 2011

10 The Regional Transportation Strategy 2002-2012 set a target for Citybus / Metro to increase patronage by 33% over 2001 figures for the morning and evening peak periods and a target for NI Railways to increase by 60% over 2001 figures. Both these targets have been achieved, although the overall increase in total passengers journeys is 8% from 2001/2 to 2011/12.

are not switching given the increasing cost of motoring and the increased level of investment to improve the offering of public transport.

#### **5.4 Passenger and Non Passenger Engagement**

The MS states *'NITHC work in partnership with its stakeholders and customers to deliver the services/programmes, for which it has responsibility, to agreed standards. It will consult regularly to develop a clear understanding of citizens' needs and expectations of its services, and to seek feedback from both stakeholders and customers, and will work to deliver a modern, accessible service.'*

The Passenger Charter looks at customer performance indicators but this is only an analysis of passengers' views of some service attributes. It is therefore, not on its own, a demonstration of how Translink *'consult regularly to develop a clear understanding of citizens' needs and expectations of its services.'*

To be able to meet the commitment outlined above Translink must demonstrate clearly that it engages sufficiently with consumers to be able to determine and meet the travel needs of current and potential passengers.

The Passenger Charter is Translink's commitment to its passengers and the charter monitoring process is the measurement of Translink's performance against those commitments. It contains a number of industry standard targets that relate specifically to Reliability, Punctuality of Arrival and Responding to Telephone enquiries within 30 seconds.

The current charter also measures customers' perception of key service attributes, for example, cleanliness, helpfulness of staff and value for money, but currently has no target for customer satisfaction or any of these measures. The Consumer Council is in the process of reviewing the current Passenger Charter with Translink and the Department for Regional Development and we will be seeking significant changes. We believe that as the charter is supposed to be a commitment to passengers having a challenging target for customer satisfaction is essential.

## **6. Conclusion**

Holding Translink to account is the responsibility of DRD. However, the Consumer Council and this Committee must be confident that the process by which Translink and the Department demonstrate Translink's performance to consumers is clear and transparent, including the reporting of progress against targets.

It must be clearly demonstrable what Translink are targeted to achieve in terms of value for money and customer satisfaction and that must be publically recorded and reported.

The development of Key Performance Indicators under the incoming contracting regime will need to achieve this as a minimum standard.

The current Passenger Charter and Charter Monitoring Process does not measure sufficiently the aspects of public transport that consumers are telling us are a priority for them.

As part of the current review of the Charter, the Consumer Council will continue to engage with Translink and the Department to seek changes to the charter that allow for the monitoring of factors that are important to passengers.

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## Recommendations

The Committee should seek information from DRD on how Value for Money as a key performance indicator is defined and measured. The Committee should also seek information on how Translink has performed against this measure.

The Committee should seek information from Translink on how it demonstrates it is as efficient as any comparative bus or rail company.

The Committee should seek information to outline what progress has been made against the previous efficiency recommendations made in the reports outlined in this response.

The Committee should seek information from Translink to outline how it *consults regularly to develop a clear understanding of citizens' needs and expectations of its services, and to seek feedback from both stakeholders and customers,* This information could be used to inform the basis of a consumer transport needs analysis that the Consumer Council recommends this Committee's inquiry should seek.

The Committee should seek a commitment from DRD that the Key Performance Indicators to be developed as part of the new contracting regime will contain publicly available targets for customer service and value for money.

The Committee should seek a commitment from the relevant Government departments including Department for Regional Development, Department for Agriculture and Rural Development, Department for Health, Social Services and Personal Safety and the Department of Education that a collaborative approach to the planning, funding and delivery of transport services will be in place in time for the next budget period beginning in 2015.

## Appendix 1 - Summary of the Regional Development Strategy 2035 Key Points on Transport Policy

The Regional Development Strategy 2035 states, *“the RDS published in 2001 described how the Regional Transportation Strategy (RTS) is an integral part of it and set the vision for it “to have a modern, sustainable, safe transportation system which benefits society, the economy and the environment and which actively contributes to social inclusion and everyone’s quality of life”. This vision is still appropriate for the new approach to regional transportation.’*

Chapter 3 of the Regional Development Strategy (RDS) covers Strategic Guidance and outlines two different types, Regional Guidance and Spatial Framework Guidance. Regional Guidance is then presented as three sustainable development themes which are Economy, Society and Environment.

Under Economy, the strategic guidance section of the document recognises the need to deliver a balanced approach to transport infrastructure and the important role transport plays in remaining competitive in the global market.

With specific reference to public transport, section 3.4 states the following:

*Use road space and railways more efficiently. This will require an improvement in the public transport service. Continued investment in public transport and in infrastructure such as the development of quality multi-modal facilities and park and ride sites, will encourage motorists to take the bus or train for the main part of their journey and reduce the volume of traffic on the network.*

*Improve social inclusion. This will mean seeking innovative public transport services including transport programmes focused on the user and services that meet the needs of communities. These will include Door-to-Door services, demand responsive services, Rapid Transit and services tailored to the needs of older people and people with disabilities.*

Under Society, the strategic guidance sets out a Housing Evaluation Framework (Table 3.2 page 42) which outlines the need to have a ‘Transport Test’ when judgments are being made on the allocation of housing growth.

*‘Transport Test - Studies should be carried out to assess the potential for integrating land use and public transport and walking and cycling routes to help reduce reliance on the car.’*

Under Environment, the strategic guidance recognises the need to reduce greenhouse gas emissions from transport by reducing the need to travel by car and by facilitating modal shift to more sustainable forms of transport.

The Spatial Framework guidance specifically references the need to improve public transport in the Belfast Metropolitan Urban Area and the North West as the key population areas of Northern Ireland.

It also recognises the need to promote integrated transport initiatives which meet the needs of those living in rural areas.

Chapter 4 of the RDS covers Regionally Significant Economic Infrastructure and specifically highlights the need have a high quality public transport system.

*‘As one of Northern Ireland’s economic drivers, an efficient transport system in Belfast is essential to allow people and goods to move quickly around the City and to commute to and from it. High quality public transport for Belfast is therefore necessary for regional prosperity.’*

# Department for Regional Development

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**Our reference:** DRD/SUB/064/2013

30 January 2013

Dear Paul

## **Inquiry into Comprehensive Transport Delivery Structures**

The Committee plans to undertake an Inquiry into comprehensive transport delivery structures later this year and has requested input.

The attached briefing provides some background information which should be useful to the Committee as it prepares for the Inquiry.

The content of this letter is fully disclosable under FOI.

Yours sincerely

A handwritten signature in black ink that reads "Alan".

**ALAN DOHERTY**  
**Departmental Assembly Liaison Officer**



## **COMMITTEE FOR REGIONAL DEVELOPMENT'S INQUIRY INTO COMPREHENSIVE TRANSPORT DELIVERY STRUCTURES**

### **1. Introduction**

- 1.1 This briefing material has been prepared to assist the Committee for Regional Development in its Inquiry into comprehensive transport delivery structures.

### **2. Legislative Framework**

- 2.1 The Legislative framework for the Department's relationship with the Northern Ireland Transport Holding Company (NITHC) is based on the Transport Act (Northern Ireland) 1967. Among other things, the Act provides for:
- The Minister to appoint a chairman and up to eight directors to the NITHC Board;
  - The Holding Company to own and manage properties and to act as a commercial enterprise;
  - The Minister to give and amend directions to the Holding Company on policy matters.
- 2.2 Under the 1967 Act the public transport system is regulated in Northern Ireland through a Road Service Licence, currently the responsibility of the Department of the Environment. This means that in order to provide a bus service an operator requires a licence. The vast majority of such licences are held by Translink, with around 100 other routes being run by about 40 private operators.
- 2.3 The Transport (NI) Act 1967 was reviewed recently as part of the Department for Regional Development's Public Transport Reform Programme. As a result, following scrutiny by the Committee for Regional Development and approval by the Executive, the Transport Act (Northern Ireland) 2011 was passed by the Assembly in February 2011 and received Royal Assent in March 2011.
- 2.4 The main purpose of the 2011 Act is to create an effective, efficient and sustainable public transport system that contributes to the Executive's

transportation, environmental, social inclusion and equality objectives. This will be achieved through the introduction of new service delivery arrangements that will enable the Department to contract with public transport operators while ensuring compliance with European Union (EU) Regulation 1370/2007.

- 2.5 The Department updated the legislation in response to three main drivers:
- EU Regulation 1370/2007 on public passenger transport by rail and road, which came into force in 2009 with a ten year transitional period before full compliance is mandatory. This requires that all authorities awarding exclusive rights or providing funding to a public transport operator must do so within the framework of a public service contract. This contract must define the nature of the public service obligations and set out the agreed funding arrangements in a transparent way;
  - The need to support the implementation of the Regional Transportation Strategy (now the New Approach to Regional Transportation). This Strategy aims to support the Executive's economic, social and sustainability objectives by providing integrated, safe, efficient public transport services that encourage greater use of public transport; and
  - Concerns from key stakeholders that, under existing arrangements, NITHC/Translink was performing both the operator functions and many of the "Authority" functions.
- 2.6 The Act contains the necessary powers relating to the funding, regulation and contracting for public transport services in Northern Ireland. It covers the duty of the Department to secure the provision of public passenger transport services, the power to enter into contractual agreements and to regulate services through the award of service permits, which will replace the existing Roads Service Licence and will be operated by the Department for Regional Development rather than the Department of the Environment.
- 2.7 The key provisions included in the 2011 Act can be summarised as follows:

- The power to enter into service agreements (or contracts) and award service permits to secure the provision of public passenger transport services;
- The ability to attach conditions to and vary a service permit;
- The creation of offences and provision of enforcement powers in respect of the contracting/service permit regime;
- The power to regulate fares;
- The power to designate bus stations/premises as shared facilities;
- The power to regulate passenger conduct in bus premises;
- The provision of integrated and on-street ticketing systems; and
- The power to make grants for the provision of bus services for the benefit of certain sections of the public such as older people and people with disabilities.

2.8 Section 1 (3) of the 2011 Act provides that the Department must ensure most public transport services continue to be provided by the Holding Company, subject to meeting the requirements of EU Regulation 1370/2007.

### 3. Strategic Objectives

- 3.1 The Department has recently set out its strategic policy objectives in “Ensuring a Sustainable Transport Future: A New Approach to Regional Transportation”. Under three key high level aims twelve strategic objectives have been identified as shown in the table below.

Aims	Strategic Objective
Support the growth of the economy.	1. Improve connectivity within the region. 2. Use road space and railways more efficiently. 3. Better maintain transport infrastructure. 4. Improve access in our towns and cities. 5. Improve access in rural areas. 6. Improve connections to key tourism sites.
Enhance the quality of life for all.	7. Improve safety. 8. Enhance social inclusion. 9. Develop transport programmes focussed on the user.
Reduce the environment impact of transport.	10. Reduce greenhouse gas emissions. 11. Protect biodiversity. 12. Reduce water, noise and air pollution.

### 4. Operational Arrangements

- 4.1 All rail services and the majority of bus services in Northern Ireland are provided by the Holding Company, which provides these services through its subsidiary companies - Northern Ireland Railways, Ulsterbus and Citybus (branded as Metro), which all operate under the overall brand name “Translink”. Currently, Translink designs, plans and delivers the network for most public transport services.
- 4.2 The relationship between the Department and NITHC/Translink is currently managed in two main ways:

- **Governance** is controlled by means of an agreed Management Statement and Financial Memorandum (MSFM), which sets out the roles and responsibilities of NITHC in line with guidance from the Department of Finance and Personnel. This includes the requirement to produce a three year Corporate and Business Plan, which is updated annually and is subject to Departmental approval; and
- **Performance** is partly controlled through monthly Key Performance Indicators (KPIs) reports which reflect progress on targets set by the Department. They are also reported to the Minister's performance reviews. The KPIs cover areas such as passenger numbers, reliability and punctuality of services and safety of services, as well as average fleet age and the accessibility of vehicles. The Passenger Charter defines the main punctuality/reliability and customer satisfaction measures and these are independently surveyed and published. We would be happy to brief the Committee on the detailed results.

4.3 As provided for under EU Regulation 1370/2007, the Department intends to draw up a performance-based contract with NITHC/Translink as the publicly-owned internal operator. It is envisaged that the contract will be in place by April 2014 for an initial three year period and will cover both bus and rail services. This directly awarded contract with Translink will need to define the geographic areas covered, the service levels required, performance/quality obligations, performance reporting requirements and compensation arrangements. In order to ensure that Translink complies with the Regulation and is not overcompensated for the services it delivers, it will be necessary for the Department to assess Translink's efficiency on an ongoing basis, taking account of the public service obligations it is required to deliver on unprofitable but socially necessary routes, the exclusive rights it will be granted for the profitable routes and any other sources of funding from Government subsidy or commercial activities. The Department has already carried out a number of benchmarking studies on the efficiency of the Translink companies and, following the award of the contract, will also be required to publish an annual report on the services provided, the performance of the operator and financial arrangements.

## 5. Organisational Arrangements

5.1 The Public Transport Reforms are based on a three-tier model for the delivery of public transport services. This is similar to the model used in most other regions and involves:

- **A top tier**, responsible for securing funding, developing policy and introducing legislation. This will comprise the Department's Regional Planning and Transportation Group;
- **A middle tier authority**, responsible for specifying public transport service requirements, securing their provision, managing the contractual arrangements and regulating services through the permit system; and,
- **A third tier** comprising transport operators responsible for delivering the services, including Translink, private operators and some licensed taxi operators.

5.2 Under the reforms the top tier functions will continue to be delivered by the Department. The middle tier responsibilities will be delivered through a combined roads and public transport organisation to be known as **Transport NI**. It will deliver existing roads service functions and the new and existing public transport authority functions, and will be a core business area within the Department. It will be established in April 2013.

5.3 Transport NI will be the main operational delivery organisation for implementation of the Department's transportation policies and strategies. Its key functions will include:

- Planning, specifying and securing public transport services;
- Planning and specification of roads capital and maintenance schemes;
- Design of capital schemes for roads;
- Procurement of roads capital and maintenance schemes, and public transport services;
- Management of contracts for roads capital and maintenance schemes and for public transport services;

- Management of budgets for roads and public transport capital investment schemes, roads maintenance schemes and public transport services;
- Regulation of the provision of public transport services (from April 2014) when this is due to be transferred from the Department of the Environment); and,
- The development of Local Public Transport Plans which will inform the specification of future contracts awarded either directly or through procurement for the delivery of public transport services.

5.4 The third tier is made up of operators, Translink being the main one. As well as about 40 private operators who provide services under licence, the Community Transport Partnerships also provide services in rural areas funded by the Rural Transport Fund. Door-to-Door operators also provide services under contract with the Department in towns and cities across Northern Ireland for people who are elderly or disabled and who cannot avail of conventional public transport services.

## **6. Taking Forward the Reforms**

6.1 Following the passage of the Transport Act (2011), the Department is now focused on implementing the changes that are facilitated by the Act, including the preparations for contracting with Translink and improvements in the use of technology to support public transport services. The Department is currently working on associated subordinate legislation that support the reforms including regulations on conduct in bus stations, access to bus stations by operators other than Translink and service agreements/service permits with a view to finalising these during the 2013/14 year.

6.2 The need for local public transport planning was identified as an important change arising from public transport reform. Working with other organisations that either fund or deliver public transport services, the Department is planning to test the scope for improved integration and efficiency in the delivery of services by running a pilot in Dungannon and Cookstown District Council areas. Preparation work for the pilot is currently underway with a view

to a launch later in 2013. The other organisations involved in the pilot include Translink, the Southern Education and Library Board, the Health and Social Care Board, the Department of Agriculture and Rural Development and the Community Transport Partnerships. The key objectives of the pilot project will be to identify opportunities for improvements to passenger services and efficiency.

- 6.3 The outputs from the pilot will enable an assessment of the costs and benefits of a more integrated approach to local public transport planning and help highlight the viability and opportunities for wider improvements in the delivery of services and efficiency. Importantly the pilot will also help inform decisions on the extent to which the integration and joining up of services can provide a template for a future roll out on a wider scale, taking account of the lessons learned from the pilot.
- 6.4 As part of the reform programme the Department is also working with Translink and others to achieve a more integrated and collaborative approach to investing in information technology systems in order to improve the planning and delivery of public transportation services for the benefit of passengers. This work is focused on using developments in transportation technology to improve the planning, delivery and evaluation of public transportation services for the benefit of passengers and the general public. Among the areas being examined are:
- **Passenger Information** – The need for improved information for passengers to enable them to have access to better information to plan their journeys and to obtain real-time information on the progress of the particular service they want to use, including information about service disruptions and the alternatives available.
  - **Smart and Integrated Ticketing** – Translink will shortly begin a Feasibility Study to examine the options for a new ticketing system to replace the existing system. It is expected that the new system will enable passengers to undertake a journey involving more than one service or mode of

transport, or using services provided by more than one operator, using a single integrated ticket.

- **Transport Modelling** – The Department is planning to introduce strategic transport modelling to help inform transportation policy development and to provide better projections of the long-term impact of investment in transportation schemes.

6.5 The Transport Act (NI) 2011 provides the Department with the power to direct Translink to make its bus stations available for use by other licensed operators and community transport providers. Before making such regulations, the Department is currently running a pilot project in Europa Buscentre, Belfast. This commenced on 3 September 2012 and involves Rooney International Coach Hire Ltd operating nine services a day from a dedicated stand. This pilot should allow the practicality of shared facility arrangements to be evaluated, and inform the development of subordinate legislation. It should also improve the passenger experience by improving customer choice as well as providing easier access to non-Translink services.

# Institute of Civil Engineers

## Inquiry into Comprehensive Transport Delivery Structures Response about ICE Northern Ireland

The Institution of Civil Engineers (ICE) is a global membership organisation, of over 83,000 members that promotes and advances civil engineering around the world.

ICE Northern Ireland (ICE NI) is a leading source of professional expertise in transport, water supply and treatment, flood management, waste and energy in Northern Ireland. ICE NI's vision is to place civil engineers at the heart of society, delivering sustainable development through knowledge, skills and professional expertise.

**1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;**

ICE NI supports this assessment as NITHC and DRD are closely linked, with NITHC receiving large amounts of funding and subsidies from DRD. DRD effectively holds the purse-strings for NITHC and ensures that all expenditure is appraised and follows the correct procurement policies. DRD own the majority of infrastructure used by NITHC services – roads and bus lanes, while NITHC are responsible for the land that their premises occupy and also several individual bus lanes i.e. link road from M1 to the Europa.

**2. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland;**

ICE NI is supportive of the decision to compare the costs and subsidies to other regions but would be unsupportive of any decisions to reduce subsidies which may result in the withdrawal of loss-making services which may be vital to small rural communities in Northern Ireland.

ICE NI feels that the current subsidies from DRD give better results than if services were privatised, for example the provision of Wi-Fi on all Metro and Goldline services is a benefit that would be unlikely with private companies. NITHC reinvest all their surplus income in order to continue to provide increasingly good services.

**3. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe;**

Again this is something that ICE NI supports; the policy objectives for provision are vital to further enhance the service that is provided to people in Northern Ireland. ICE NI reinforce that we would be unsupportive of any reduction in services or subsidy removal which would result in withdrawal of services.

**4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives;**

While ICE NI agrees that an assessment on the current structures is necessary to deliver more efficient and effective delivery of services, it will be necessary to gain more information on Transport NI and their structures as this is something that little detail is currently known about.

**5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery**

ICE NI is supportive of this in principle, but more information is required on how this is possible. More effective methods of expenditure could be investigated, for example invoices for new buses come from NITHC capital budgets, which are then reimbursed by DRD.

In conclusion, ICE NI is supportive of this review and the five points which are above. As an independent, professional body the Institution is prepared to assist in any way which is necessary to improve the transport infrastructure and service delivery in Northern Ireland. It is also important to note that ICE NI would be against the reduction of any services in Northern Ireland, particularly the rural areas which provide important links for residents of those areas. ICE NI also feel that a sustainable, environmentally friendly transport network is vital and the infrastructure laid down now will have impact on the environment for many future generations. ICE NI would also be keen to ask NITHC about their plans to introduce annual tickets for NI Railways which would include tax relief as the system is available for Metro customers.

For more information, contact ICE Northern Ireland on 028 9087 7157.

# Northern Ireland Environment Link

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The Committee for Regional Development  
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## **Inquiry into Comprehensive Transport Delivery Structures**

Northern Ireland Environment Link (NIEL) is the networking and forum body for non-statutory organisations concerned with the environment of Northern Ireland. Its 62 Full Members represent over 90,000 individuals, 262 subsidiary groups, have an annual turnover of £70 million and manage over 314,000 acres of land. Members are involved in environmental issues of all types and at all levels from the local community to the global environment. NIEL brings together a wide range of knowledge, experience and expertise which can be used to help develop policy, practice and implementation across a wide range of environmental fields.

NIEL stresses the importance of forward-looking, strategic investment in public transport, where Northern Ireland lags behind the rest of the UK and much of Europe. There is a need for a truly integrated and balanced transport infrastructure in order to encourage the use of public transport and reduce private car use (especially single-occupancy). In any administrative transition to a more efficient service, it is crucial that the connectivity of the public transport network is not reduced – rather, greater connectivity and coverage is required if NI is to ‘catch-up’ with the rest of the UK. Achieving this would help to promote a more environmentally sustainable approach to travel in Northern Ireland – which will be absolutely essential in the coming decades and is fundamental to a prosperous economy.

Regards,

Prof. Sue Christie  
Chief Executive  
Northern Ireland Environment Link

# Northern Ireland Transport Working Group

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## **Inquiry into Comprehensive Transport Delivery Structures**

The Transport Working Group (TWG) is a cross-sectoral group comprising members\* with an interest in transport policy, planning and delivery. The TWG advocates best practice transport planning and appraisal approaches, including the proper consideration of cross-sectoral benefits in a number of key areas (including health and wellbeing, economic development, environmental protection, energy security, social justice, mobility and integrated policymaking), which will naturally lead to the development of a more sustainable transport system.

These comments are agreed by members of the TWG, but some members of the group may be providing independent, detailed, comments as well. The TWG respond to Terms of Reference questions 3, 4 and 5 as follows:

The TWG believes that, in general terms, Northern Ireland lags behind much of the rest of Europe in terms of planning and frequency of public transport services. This contributes to continuing high levels of car use (often single occupancy), which works against providing attractive thriving town/city centres, good access to services for people who cannot afford cars and government commitments to reduce carbon. We therefore welcomed the published proposals in the Reform of Public Transport for a new independent middle-tier Public Transport Authority responsible for the translation of high-level policy objectives into meaningful operational standards for Translink to deliver. Reassuringly, this was also in line with standard practice in Scotland and England.

The TWG is, however, quite concerned that the latest intentions for the Reform of Public Transport have significantly changed the previously published proposal. We understand the Public Transport Authority will be placed within a new Department for Regional Development organisation to be called "Transport NI". Most importantly we understand that Transport NI is to be put under the control of the Chief Executive of Roads Service. As there are clear conflicts of interest in terms of the use of road space for private car traffic / buses and between parking revenue / public transport patronage, these latest proposals appear quite retrograde in terms of corporate governance and most unlikely to assist the planning and delivery of improved public transport. We would therefore suggest that this issue is revisited.

Finally, we propose that there is little to be gained in the short-term by reducing Translink's role as the majority/monopoly bus operator. In our view, based upon the lessons of bus de-regulation in GB, there is a danger that the network connectivity could be lost, making public transport less attractive and initiating a spiral of declining patronage and increasing fares.

On behalf of the Transport Working Group,

Dr Stephen McCabe CGeog FRGS  
Policy and Projects Officer  
Northern Ireland Environment Link

# Office of Fair Trading

## OFFICE OF FAIR TRADING



### Inquiry into Comprehensive Transport Delivery Structures

The Office of Fair Trading (OFT) welcomes the opportunity to respond to the Committee for Regional Development's inquiry into comprehensive transport delivery structures.

The OFT is the UK's consumer and competition authority. Our aim is to make markets work well for consumers. We deploy a variety of approaches including enforcement of consumer and competition law, which concerns both public and private sector undertakings, and provide advice to policy makers where wider government policies affect competition and markets.

We have carried out a range of work in relation to public transport provision - see annexe 1 for a list of OFT work in relation to public transport across the UK.

We also have a wider public markets programme through which we aim to provide advice to government departments and public bodies on the many ways that government can affect markets, whether as a provider or procurer of services, through tax and subsidies, or by regulation<sup>1</sup>. We have published a study, *Commissioning and competition in the public sector*,<sup>2</sup> giving practical insights for commissioners and procurers of public services when designing or implementing strategies which may be of particular value for the new work of the Public Transport Agency.

More information on our Public Markets work can be found on the OFT website at: [www.offt.gov.uk/OFTwork/public-markets/](http://www.offt.gov.uk/OFTwork/public-markets/)

It is a matter for NI Assembly and DRD to determine whether the current regulatory framework and structures are best suited for the efficient and effective delivery of public transport legislative and policy objectives. However OFT's powers under competition and consumer law require us to consider and, if necessary, address public restrictions on competition which may arise and to provide information and advice to Government on competition and consumer issues. We are therefore very open to discussion of the competition implications of the regulatory framework for public transport in Northern Ireland. We note some particular aspects for consideration as below.

#### **Incentives**

DRD will wish to consider how best to create appropriate incentives for NITHC/Translink to improve performance, and to manage costs and performance effectively. The use of outcome based contracts can create incentives for suppliers of public services to innovate and make efficiency savings. In such situations, it is important that commissioners and procurers are themselves correctly incentivised to achieve enduring value for money.

#### **Opportunities for new entrants**

Allowing other operators to put forward proposals for new services where service gaps are identified is important, as is allowing access to shared bus stations and bus stops. This helps to meet demand that might otherwise not be met. The OFT market study on Local Buses established that "limited competition between bus operators tends to result in higher prices

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1 Government in markets: Why competition matters – a guide for policy makers, published September 2009 (OFT 1113). This document can be found here: [www.offt.gov.uk/713560/publications/reports/advocacy/offt1113](http://www.offt.gov.uk/713560/publications/reports/advocacy/offt1113)

2 Commissioning and competition in the public sector, published March 2011 (OFT1314). This document can be found here: [www.offt.gov.uk/shared\\_offt/reports/comp\\_policy/OFT1314.pdf](http://www.offt.gov.uk/shared_offt/reports/comp_policy/OFT1314.pdf)

and lower quality for bus users”<sup>3</sup>. By contrast, effective competition can play an important role in promoting efficiency and innovation, resulting in enduring value for money.<sup>4</sup>

Even if full bus de-regulation, such as undertaken elsewhere in the UK, is not deemed suitable in NI at this time, some competition ‘in the market’ may be very positive. It can impose a competitive discipline on the monopoly provider of public transport services, increasing choice and potentially reducing costs and imposing some competitive pressure on fares. To achieve this commissioners and procurers should be able to design contracts in a way that does not dissuade new and/or smaller suppliers from participating in public services markets where it is possible and appropriate for them to do so.

### **Predictability of contracts**

It is also important that new entrant operators are not deterred from providing services because of concerns that a permit once granted might be arbitrarily terminated, or that they might face unfair or anticompetitive behaviour from the incumbent monopoly supplier. Transparency about the processes can be very valuable to enhance confidence among suppliers.

The duration of contracts is also relevant to the development of dynamic markets that are open, contestable and create the right incentives on suppliers (existing and potential) to achieve and secure value for money. They need to be long enough to justify investment but not so long that incumbents become complacent about a challenge to their position.

### **Maintaining a range of suppliers**

It is in the interest of achieving value for money and economic growth in the longer term that the field of potential suppliers in a sector such as transport does not become unduly narrow and that potential challengers are encouraged by the knowledge that they have opportunity to compete.

Where there is a single incumbent supplier and no tested alternative suppliers, the commissioner of the service has very limited options should performance be low or indeed should a provider fail (see comments below).

### **Addressing provider failure**

Opening up services to greater competition creates the risk that providers will fail. The possibility that poorly performing providers will exit the market is necessary for competition to work effectively. If incumbent suppliers believe that the Government, or another public body, will intervene if there is a risk of failure or the supplier is effectively ‘too big to fail’, this provides very strong protection for the incumbent and can lead to a situation of ‘moral hazard’, resulting in weaker incentives on the supplier to perform well (because the threat of other undertakings taking their place is not a realistic possibility). The OFT has recently published guidance which provides advice on the issue of orderly exit from public markets.

OFT

17 January 2013

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3 Commissioning and competition in the public sector, published March 2011 (OFT1314). This document can be found here: [www.of.gov.uk/shared\\_of/reports/comp\\_policy/OFT1314.pdf](http://www.of.gov.uk/shared_of/reports/comp_policy/OFT1314.pdf)

4 Commissioning and competition in the public sector, published March 2011 (OFT1314). This document can be found here: [www.of.gov.uk/shared\\_of/reports/comp\\_policy/OFT1314.pdf](http://www.of.gov.uk/shared_of/reports/comp_policy/OFT1314.pdf)

## Annexe 1 OFT work relating to public transport

The following list of OFT work on public transport does not include references to either our mergers or cartels work, full details of which can be found on the OFT website at [www.of.gov.uk](http://www.of.gov.uk)

### **Local bus services**

Following a market study the OFT referred the supply of local bus services in Great Britain, excluding Northern Ireland and London, to the Competition Commission.

The report findings are set out in its report *Local bus services: Report on the market study and proposed decision to make a market investigation reference*, published August 2009 (OFT 1112con) and can be found on the OFT website at: [www.of.gov.uk/shared\\_of/consultations/of1112con.pdf](http://www.of.gov.uk/shared_of/consultations/of1112con.pdf)

The OFT's reasons for referring the market to the Competition Commission are set out in its report *Local bus services: The OFT's reasons for making a market investigation reference to the Competition Commission*, published January 2010 (OFT 1158) and can be found at: [www.of.gov.uk/shared\\_of/reports/transport/OFT1158\\_Local\\_bus\\_services.pdf](http://www.of.gov.uk/shared_of/reports/transport/OFT1158_Local_bus_services.pdf)

The Competition Commission report *Local bus services market investigation: A report on the supply of local bus services in the UK (excluding Northern Ireland and London)*, published December 2011 can be found at: [www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2010/localbus/pdf/00\\_sections\\_1\\_15.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2010/localbus/pdf/00_sections_1_15.pdf)

### **Taxis**

The OFT carried out a market study of the regulatory framework affecting licensed taxis and private hire vehicles.

The report findings are set out in its report *The regulation of licensed taxi and PHV services in the UK*, published November 2003 (OFT676) and can be found at: [www.of.gov.uk/shared\\_of/reports/comp\\_policy/of676.pdf](http://www.of.gov.uk/shared_of/reports/comp_policy/of676.pdf)

The OFT also published a further report *Evaluating the impact of the taxis market study - a report for the OFT by Europe Economics*, published October 2007 (OFT956). This report can be found at: [www.of.gov.uk/shared\\_of/reports/Evaluating-OFTs-work/of956.pdf](http://www.of.gov.uk/shared_of/reports/Evaluating-OFTs-work/of956.pdf)

### **Infrastructure ownership**

The OFT carried out a review of infrastructure ownership and control in the UK. The review analysed some of the main cross-cutting themes relating to competition in the infrastructure sectors and involved a number of case studies that looked into four areas of infrastructure provision - ports, waste, toll roads and car parks.

The main findings of the review are set out in the report *Infrastructure ownership and control stock-take*, published December 2010 (OFT1290). This report can be found at: [www.of.gov.uk/shared\\_of/market-studies/ownership-control-mapping/OFT1290.pdf](http://www.of.gov.uk/shared_of/market-studies/ownership-control-mapping/OFT1290.pdf)

The case studies accompanying the main report can be found at: [www.of.gov.uk/shared\\_of/market-studies/ownership-control-mapping/OFT1290b\\_Case\\_study\\_annexes.pdf](http://www.of.gov.uk/shared_of/market-studies/ownership-control-mapping/OFT1290b_Case_study_annexes.pdf)

**Remote communities**

The OFT carried out a call for evidence about price, choice and access to goods and services in remote markets in the UK. The purpose of this work was to improve understanding of how remoteness affects choice and access. The call for evidence also involved a number of case studies, one of which related to public transport services.

The main findings of the review are set out in the report *Price and choice in remote communities*, published June 2012 (OFT 1420). This report can be found at: [www.offt.gov.uk/shared\\_offt/consultations/remote-communities/OFT1420.pdf](http://www.offt.gov.uk/shared_offt/consultations/remote-communities/OFT1420.pdf)

## Professor Austin Smyth

### The Northern Ireland Assembly's Committee for Regional Development Inquiry into Comprehensive Transport Delivery Structures Interim Submission prepared by Professor Austin Smyth (FCILT)\*

January 2013

\*Director of the Centre for Sustainable Communities Designate (Designate) at the University of Hertfordshire

The Northern Ireland Assembly's Committee for Regional Development has a remit to advise and assist the Minister for Regional Development, on matters within his responsibility as a Minister. The Committee undertakes a scrutiny, policy development and consultation role with respect to the Department for Regional Development and plays a key role in the consideration and development of legislation.

The Committee is holding an Inquiry into Comprehensive Transport Delivery Structures, the terms of reference of which are as follows:

1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;
2. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland;
3. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe;
4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives;
5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery

### Interim Submission by Professor Austin Smyth

The Committee has issued an invitation to all organisations and individuals to submit evidence. This **Interim Submission** is made by **Professor Austin Smyth (FCILT)**.

**Further comparative information on transport matters in the Republic of Ireland will be submitted late. In addition this submission provides only outline recommendations. More details will be provided at Oral Hearing should that opportunity be afforded.**

**A Fellow of Chartered Institute of Logistics and Transport I** have recently been appointed to the position of **'Director of the Centre for Sustainable Communities Designate (Designate)' at the University of Hertfordshire** in conjunction with the role of **'Head of Sustainable Transport'**. As Director of the Centre for Sustainable Communities I am responsible for providing strategic direction, inspirational leadership and oversight of relevant activities.

I am a Transport Professional with diverse experience and skills gained through academic, consultancy and strategic management roles with a track record of formulating, advising and contributing to the delivery, impact and implementation of effective strategic transport plans both at National/Regional Government, and Corporate level. I bring a history of senior operational leadership and Board level experience.

I am a Transport Professional with diverse experience and skills gained through academic, consultancy and strategic management roles. I have more than twenty five years experience of leadership in transport and some twenty years in multi disciplinary research and consultancy, including holding Professorships at four highly related UK universities as well as in the private sector for organisations including Ove Arup & Partners. In 1989 I was appointed to the first Chair in Transport on the island of Ireland at the University of Ulster. My research and consultancy has had real impact on public policy and strategic and operational development in the transport sector both at home and abroad.

I have experience of working for a variety of public and private sector clients in various EU States, Russia and Eastern Europe as well as North America, the Middle East and Thailand. I have advised Governments, Devolved Administrations and Local Authorities as well as public transport operators on urban rail systems and intercity rail systems in the UK, USA, The Middle East, Russia and Ireland.

I have undertaken commissions from The European Commission, the European Economic and Social Committee, Organisation for Economic Cooperation and Development (OECD)/ European Conference of Ministers of Transport (ECMT), the Office of Deputy Prime Minister Department for Transport, the Scottish Executive, the Scottish Parliament, the Welsh Office, Department for Regional Development (NI), Department of Education (NI), the UK's Engineering and Physical Sciences Research Council, the Economic and Social Sciences Research Council, the Scottish and Northern Ireland Forum on Environmental Research (SNIFFER), InterTrade Ireland as well as a variety of local government and private sector transport operators in rail, air and bus sectors, including London Underground Limited, the Tyne and Wear PTE and Translink.

I have received recognition and a variety of international awards in my field. Selected Invited Public Lectures and Presentations include:

- **Regulatory Reform in Transport: Lessons for Central and Eastern Europe. Presented at Thredbo9, Lisbon September 2005.**
- **Competition and regulation: Substitutes or Complements? Keynote Paper presented to. 16th International Symposium on Theory and Practice in Transport Economics; 50 Years of Transport Research: Experience Gained and Major Challenges Ahead, Budapest, November 2003, pp 287-332, Budapest October 2003. Commissioned under competition by the Organisation for Economic Cooperation and Development (OECD)/ European Conference of Ministers of Transport (ECMT). ISBN92-821-232-2 (2005).**

My work in the transport industry and for Governments has had real impacts Selected Projects include the following (see Appendix A for more information):

- Surface Transport Project for Sultanate of Oman - 2008/9
- Phoenix Arizona Light Rail system – Project implemented 2008
- Public Transport Reform in Northern Ireland – completed 2004
- Belfast - Dublin Cross Border Rail Upgrading Project - completed in 1996/7
- Great Victoria Street rail spur and station – completed in 1995
- Belfast Cross Harbour Rail bridge - completed in 1994

**My Executive Appointments have included the following:**

- Appointed by the Department of Education Northern Ireland Executive to investigate the provision of school transport with particular reference to regulatory and financial issues.
- Co-led a review of the regulation of bus services in Northern Ireland on behalf of the Department for Regional Development (2003)

- Member of an Innovative Funding for Infrastructure Oversight Panel set up by the Department for Regional Development (NI). The organisation was charged with delivering the infrastructure of Northern Ireland's devolved Government (A precursor to the Strategic Investment Board, taking forward PPP's) (2002).
- Member of Expert Panel which provided economic and strategic advice on new train purchase and rolling stock by Northern Ireland Transport Holding Company/Translink (2002)
- Advisor to the Scottish Parliament on the Scottish Executive's proposed budget for 2002/3 (2001) and subsequently reappointed (2002).
- Member of Expert Panel appointed to advise the Minister in preparation of the Northern Ireland Executive's Regional Transportation Strategy. (2001). Provided guidance on the development of the Rapid Transit System in Belfast, a high frequency bus system and traffic restraint measures.
- Member of Scottish Executive's External Advisory Panel in Multi Modal Studies for Scotland (2000).
- Expert Panel Member Northern Ireland Executive's Rail Task Force. Provided economic and operational advice on securing the retention and future development of the rail network. (2000).
- Advisor to the European Commission on value for money and cost effectiveness of Cohesion Fund transport expenditure in the Republic of Ireland (2000).
- Advisor to the European Commission on proposed investment in Light Rail systems for Dublin (1999). Subsequently implemented as LUAS 2004-2006.
- Expert Advisor to European Economic and Social Committee on economic aspects of sustainable transport and development policies and regulatory issues (1999).
- Programme Technical Director, Designer and Principal Presenter on Award Winning programme of Technical assistance in Transport Economics to Transport Professionals in c10 Accession States and other Eastern, Central and South Eastern European States. Provided them with the technical ability to manage their own transport systems (1998).
- Technical Director on ground breaking M4 Common Appraisal Framework Study- forecasting methodology development including the evaluation of a wide range of policy measures to deal with increased motorway congestion. (1998)
- Technical Advisor and Chief Economist provided economic advice and business case on £1bn Private Sector Funded Scheme for Bangkok Elevated Road and Train System (BERTS).
- Advised London Transport on forecasting issues relating to the development of the Heathrow Express (1998).
- Advisor to the Government of Israel plans for a High Speed Rail link between Jerusalem and Tel Aviv (1993). Instigated research, prepared and presented findings which recommended against progressing project. The recommendations were followed.
- Completed "Alternative Urban Transport Technologies Study for Belfast to 2030AD" – commissioned to examine the potential economic case and planning guidelines. The research findings provided the basis for government's 1998 sustainable transport policy for Northern Ireland (1992) and Belfast's Rapid Transit System (€250m project) currently being implemented 2009-2011.

**My Professional Roles also include:**

- Appointed Commissioner to the UK Infrastructure Planning Commission (2010)
- Appointed Fellow Chartered Institute of Logistics and Transport (2006)
- Member of US Transport Research Committee: Geographic Information Science and Applications Committee (2001 to date).

- Appointed Director General, National Institute for Transport and Logistics, Dublin Institute of Technology (2002)
- Member, College of the Engineering and Physical Sciences Research Council (2000-2003). 1996

## Executive Summary

The Northern Ireland Assembly's Committee for Regional Development is holding an Inquiry into Comprehensive Transport Delivery Structures, the terms of reference of which are as follows:

1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;
2. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland;
3. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe;
4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives;
5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery

The Committee has issued an invitation to all organisations and individuals to submit evidence. This **Interim Submission** is made by **Professor Austin Smyth (FCILT)**.

**Further comparative information on transport matters in the Republic of Ireland will be submitted late. In addition this submission provides only outline recommendations. More details will be provided at Oral Hearing should that opportunity be afforded.**

The terms of reference of the Committee have identified five key objectives. However, it can be argued that it is more appropriate to reverse the order of considering Objectives 2 and 3 on the basis that policy drives the level of subsidies. Thus this submission addresses the question of policy objectives for provision of public before turning to analysis of the costs and subsidies. This Executive Summary sets out the Interim observations of the author in relation to each of the issues raised in the terms of reference. The submission draws on a variety of sources including the authors own research and the Outline business Case produced on behalf of the Department for Regional Development.

### **1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;**

#### **Interim Observations**

1. The arrangements for the control and regulation of transport in Northern Ireland are markedly different from the rest of the UK outside London and are very similar to those obtaining in the Republic of Ireland. In contrast to the widespread privatisation and deregulation of public transport operations in the rest of the United Kingdom, public transport in Northern Ireland remains state owned and wholly regulated and gives the operators a near monopoly on scheduled services. This has enabled the bus companies to maintain uneconomic services by cross subsidisation from profitable services without the need for significant route support grants from DRD.
2. On the basis of evidence of best practice in the sector the current arrangements raise issues concerning the overall effectiveness and efficiency of delivery of public transport as well as constraints on innovation and leadership demonstrated by the transport operators. Such concerns stem from the degree of day to day operating independence enjoyed by the operators and the extent to which NITHC has demonstrated an ability to operate as 'an institutional unit separate from the Department for Regional Development'. These are issues addressed below.

**2. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe**

3. It makes little sense to consider public transport in isolation from the sector as a whole. This contribution seeks to place public transport policy in a wider sector context.

**Interim Observations on Transport Policies in the UK's Devolved Areas**

4. The UK has, to date, maintained a single transport strategy of sorts. However, differences between the Regions are emerging:
- priorities of policy makers in Scotland, Wales and Northern Ireland tend to focus much more on regional economic development;
  - Westminster and the devolved administrations also differ in their priorities in relation to international transport connections - in both Northern Ireland and Scotland, peripherality combined with the absence of competitive alternative modes makes business travel to the south east highly dependent on air services;
  - The new devolved governments were also quick to understand that there were very clear local reasons why support for such policies was unlikely to be forthcoming in their own jurisdictions.
5. The sentiments expressed in all of the strategies and plans of the devolved administrations have at least until very recently echoed those of National Government. However, except for the original Northern Ireland RTS and implicitly the London Plan, they are short on details and estimates of resource allocation. In particular, given the similarity in the rhetoric, it would be reasonable to anticipate both the scale of resources and the balance of investment between more and less sustainable policy options to be similar taking into account differences in demography and geography. Thus Spending on the UK Transport Sector can be viewed as a Barometer of Commitment to Public Transport.

**3. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland**

6. Any comparative analysis of the costs and subsidies to maintain current and future public transport infrastructure and service delivery cannot be divorced from the wider spending profile for transport given the latter's implications for mode competitiveness, modal shares and ultimately financial viability and call on public subsidies. Moreover, given the very fundamental differences in the control and regulatory frameworks covering public transport in Northern Ireland compared to elsewhere in the UK and the fact that much of what would appear capital here is allocated via current spending elsewhere it is misleading to ignore capital spending when considering subsidy levels in Northern Ireland compared to elsewhere in the UK.

**Conclusions on Current Profile of Transport Spending**

7. The gap in overall transport spending between Northern Ireland and England has been closed in the last couple of years. Between 2005-06 and 2010-11 Northern Ireland's investment in transport rose significantly, virtually doubling. Northern Ireland overtook the English and UK average spend per head on transport in 2010-11. Nevertheless, even by 2010-11 expenditure remained lower than in the other devolved regions.
8. Spending on roads in Northern Ireland has recently grown rapidly. Per capita spend on roads is now higher in Northern Ireland than any other UK region and is over double the per capita spend in England.
9. Moreover, expenditure on roads in Northern Ireland is consistently higher than other transport modes and this continues to rise year on year, whereas, investment in public transport is more variable. This spending profile where road spending is consistently

higher is unique to Northern Ireland. In the rest of the UK there has been a noticeable policy shift towards supporting public transport, particularly rail in England and Scotland.

10. Spending (Capital and current including subsidies) on public transport per head in Scotland was double that of Wales and some three times that of Northern Ireland for much of the last decade while the gap between Wales and Scotland has closed in the last couple of years spending in Northern Ireland has continued to lag well behind the remainder of the UK devolved areas and nationally. Much of this can be attributed to the fact that rail expenditure in Northern Ireland is low compared to other devolved areas
11. It is important to note once again that the figures for England include those for London and the remainder of the country. Separate figures for London indicate the capital enjoys spending on public transport that exceeds levels for Scotland.
12. The profile of expenditure by mode of transport has changed over the period 2002 to the present day. Public Transport (PT) share fell steadily from 31% in the RTS, through 19% in the IDP to 14% in the Draft Budget. Average PT annual spend falls sharply from £80m in the RTS to £18m in the Draft Budget. Average Roads annual spend falls less sharply from £179m in the RTS to £111m in the Draft Budget.
13. It is apparent that if these proposals proceed then the following undesirable scenario will unfold:
  - A reduction in bus service levels and fare increases initiating a potential downward spiral in demand for public transport and further rounds of service cutbacks. The initial changes will only encourage car-owning commuters to use their cars and cause modal transfer from bus to private car. This in turn will create additional congestion, local air pollution, accidents and encourage out-of-town development and trip patterns. This in turn will decrease fare revenue and hence lead to a further reduction of service levels and increased fare increases.

**People without cars, people living in rural areas in particular will be forced increasingly to depend on lifts in private cars and taxis or lose their mobility and independence** outside peak travel hours – 8am – 6pm. Their access to job, shopping and recreational opportunities will be reduced.

- The value of concessionary travel to pass holders will be increasingly reduced as services are withdrawn. In practice their use will be increasingly limited to urban areas and weekday daytime travel hours when bus services operate; further discriminating against people living in rural areas, people with disabilities and older non car owners.
14. Quality public transport is a pre-requisite for the Department to achieve its key objectives affording transport choices in addition to providing essential accessibility for people without private cars. Public transport is a necessity for people without cars and people with disabilities; whilst the costs accrue to the Department for Regional Development, substantial cross-sector benefits are realised by Departments responsible for employment, health, education, environment, culture, rural and social development. Having made significant progress in addressing social and accessibility issues in recent years, it is appears illogical, inefficient and inequitable to place the burden of savings on relatively disadvantaged people, when funding is reduced.

**4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives**

15. The overall aims of the Public Transport Reform proposals are to deliver a public transport system that:
  - underpins implementation of the Regional Transportation Strategy;
  - provides safe, efficient and high quality public transport services;

- complies with EU regulations;
- encourages the greater use of public transport; and
- maximises efficiency and value for money.

**Interim Observations on suitability current structures and Transport NI proposals for the efficient and effective delivery of public transport legislative and policy objectives**

16. The overall goal of the reform process was to create an effective, efficient and sustainable public transport service that contributes to the Government's wider mobility, environmental, social and economic objectives.
17. The process of reform has proceeded extremely slowly. The original intention had been to devolve responsibility for planning, designing and securing public transport services to the new 'super councils' that were to be established under the Review of Public Administration (RPA). However, following devolution in 2007 it was decided that public transport should remain the responsibility of the DRD.
18. The reform proposals therefore included a three tier structure: a government top tier, responsible for broad policy, legislation and regulation; a middle tier responsible for designing and managing services and securing provision from transport operators; and a third tier which comprises the transport operators.
19. Following publication of the Outline Business Case on options the 'Public Transport Agency' was chosen as the preferred option which would operate as an Executive Agency within the DRD, thereby making it accountable to the Minister for Regional Development, the Executive and the Assembly.
20. According to the Outline Business Case for Public Transport Reform the proposed formation of an Executive Agency to oversee and manage public transport in Northern Ireland will bring benefits such as efficiency and improved service. Therefore DRD proposed: "A single client body with expertise in the specification of integrated transport services and facilities, and in procurement and contract management is necessary in order to achieve and sustain the best possible value for money over the long term".
21. The Department emphasised the need for an independent body as an important factor in bringing together all the various stakeholders involved with public transport into a cohesive unit, in order to provide the best possible service; this would not be achievable through the existing NITHC model.
22. Overall, the consensus appears to be full deregulation of local transport systems lowers costs but at a price of lower ridership. Continuation of fully state-controlled operations sacrifices efficiencies for the sake of social benefits. Limited competition, being a compromise between the first two, does seem to offer the best option at least for urban and local transport.
23. Whatever the nature of the system, however, there will generally if not always be a need for regulation. The most intensive regulatory instrument is, of course, public ownership or state control.
24. The revised arrangements are not consistent with the goal of maximising the efficient and effective delivery of public transport legislative and policy objectives.
25. Nor are they in line with the original proposals as set out in the 2002 under which establishment of a New Public Transport Company would remove the ambiguities in the current arrangements; establish lines of direct accountability with DRD and with a new Public Transport Regulatory Body (see below); and enable "Transport Northern Ireland" to focus on the development of the commerciality of the operating companies consistent with the aims and objectives of the RTS.

26. Nor will they effectively open up the public transport market to private sector participation as a way of better exposing it to market forces, improving quality and efficiency, increasing attention to customer requirements and reducing the cost of service provision where practicable.
27. Moreover, the revised plan fails to provide for the independence claimed for the agency model let alone that afforded by a Public Transport Regulatory Body as originally conceived operating at arms length from DRD and would be staffed by individuals with the necessary financial and organisational resources to undertake an economic/commercial regulatory function in the provision of public transport in Northern Ireland. In 2002 DRD recognised 'The establishment of this body would rectify the current conflicting role whereby the Minister is the public owner, policy maker and part regulator of public transport. The aim is to bring a great deal more rationality and objectivity to the planning and delivery of public transport and provide an independent challenge function to the operating companies.'

**5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery**

28. The ECMT research also offers pointers to establishing the optimum organisational and delivery structures to improve the efficiency and effectiveness of service delivery

**Interim Observations**

29. For the choice between "limited competition" and "regulated", if the political will and the technical competence of the authority are present then, on balance, a "limited competition" regime is the best choice, since the stability of the system can be maintained at lower costs and with improved prospects for permanent improvement.
30. In general, gross-cost contracts are a solution which presents a lower risk of capture of the authority by the operator, a relatively low burden for the authority and easier mobilisation of investment resources by private companies than by local authorities. However, because the operator is reduced to a more passive role, it also reduces the opportunity to improve service to the customers. Net cost contracts give authorities the option of specifying what they want to achieve, and are bound by contract to get it at a fixed price, leaving to the operator the opportunity to make use of his ingenuity in reading and adapting to the wishes of the market, thus improving chances of a higher revenue.
31. Management contracts may be preferred to gross-cost contracts if the authority perceives that the potential number of tenderers is likely to be very small.
32. The use of various forms of franchising can be an effective means of solving the need for further efficiency measures in public transport operations, without the risk of failing to address social and welfare goals while, at the same time, reducing the pressure on public budgets.
33. According to research, where they have succeeded, effective regulatory structures have generally satisfied the following criteria:
  - Enjoyed legislative backing;
  - Demonstrated accountability;
  - Demonstrated transparent and consistent procedures;
  - Expertly and efficiently run.
34. These conditions, however, are necessary rather than sufficient. If it is to function satisfactorily, the regulatory regime must be free of day-to-day interference from government. Thus, while the regulator must be accountable to political masters, it

is preferable that reviews of his or her decisions are carried out by the courts or by independent bodies.

35. The issues of expertise and efficiency are best considered together. Ideally, the regulatory authorities are set specific, measurable aims. This enables a judgement to be made on quantifiable rather than qualitative terms. However, it must be said that regulators are not usually set objectives amenable to metrics. The aims are usually too broad and too general. The difficulty is that, without clearly defined, measurable targets, it becomes a matter of debate whether regulation is working well or not.
36. As civil society in Northern Ireland matures hopefully politicians will have more confidence in those aspects of decision making which they, in the best interests of efficiency and transparency, have outsourced to regulators.

#### **Interim Submission Main Document**

The terms of reference of the Committee have identified five key objectives. However, it can be argued that it is more appropriate to reverse the order of considering Objectives 2 and 3 on the basis that policy drives the level of subsidies. Thus this submission addresses the question of policy objectives for provision of public before turning to analysis of the costs and subsidies.

#### **1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;**

Context: The Department for Regional Development and The Northern Ireland Transport Holding Company

37. The Department for Regional Development (DRD) has overall responsibility for transport policy and planning in Northern Ireland. However, following restructuring of Government Departments with the reestablishment of devolved government the Department of the Environment (DoE) which was the predecessor to the DRD retained responsibility for the safety and operating standards of road passenger transport providers and for the licensing of bus routes.
38. The vast majority of public transport services are provided by the subsidiary companies of the Northern Ireland Transport Holding Company (NITHC) –Citybus (now branded as Metro), Ulsterbus and Northern Ireland Railways. Prior to 1995, the bus and rail companies were required by Government to compete with each other. Following the publication of “The Way Forward” Transportation Policy in 1995, the public operating companies were required to co-operate and co-ordinate services within a commercial framework overseen by NITHC., These together have operated under the overall brand name of Translink in recent years although the companies remain as separate legal entities. From 1998, the NITHC Directors are also Directors of each of the subsidiary companies. The day-to-day business of the operating companies is the responsibility of the Executive Group of Senior Translink Managers reporting to the Managing Director, who in turn is accountable to NITHC.
39. NITHC is a statutory body (public corporation) established by the Transport Act (NI) 1967 to take over the railway and bus services of the erstwhile state owned Ulster Transport Authority (UTA), namely Northern Ireland Railways (NIR) and Ulsterbus. In 1973, Citybus was established to take over the bus services of the Belfast Corporation Transport Department that had faced bankruptcy following the break out of the Troubles in 1969. Between 1971 and 1994, NITHC was also responsible for Belfast International Airport through its subsidiary Northern Ireland Airports Limited (NIAL). In 1994, the Government created Belfast International Airport Ltd (BIAL), subsequently sold to Belfast International Airport Holdings Ltd, a management/employee buy-out vehicle.

40. In common with other public corporations, NITHC:
  - is a trading body, recovering (a proportion of) its costs from fees charged to customers;
  - is controlled by central government;
  - has a measure of day to day operating independence, acting commercially as required by section 48 of the Transport Act (NI) 1967 and should be seen as an institutional unit separate from the Department for Regional Development.
41. Under the current relationship between the Department for Regional Development and NITHC, DRD is the sponsoring department of NITHC/Translink and as such the Minister has ultimate authority over the way the company operates and how they use public funds.
42. As required by the Transport Act (NI) 1967 the Minister, the Department and NITHC/Translink agree a broad framework under which NITHC/Translink operate, this is published in the Management Statement and Financial Memorandum (MSFM). The Management Statement includes:
  - NITHC's overall aims, objectives and targets in support of the Department's wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA)
  - The rules and guidelines relevant to the exercise of NITHC's functions, duties and powers
  - The conditions under which any public funds are paid to NITHC; and how NITHC is to be held to account for its performance.
43. A Financial Memorandum sets out in detail elements of the financial provisions that NITHC is required to observe.
44. In the absence of explicit regulation by an independent body the interests of passengers in Northern Ireland are represented by the General Consumer Council for Northern Ireland as set out under the Transport Act (NI) 1967. It also seeks to influence public transport policy and obtain improvements in levels of service and handles individual passenger complaints.

#### **Interim Observations**

45. The arrangements for the control and regulation of transport in Northern Ireland are markedly different from the rest of the UK outside London and are very similar to those obtaining in the Republic of Ireland. In contrast to the widespread privatisation and deregulation of public transport operations in the rest of the United Kingdom, public transport in Northern Ireland remains state owned and wholly regulated and gives the operators a near monopoly on scheduled services. This has enabled the bus companies to maintain uneconomic services by cross subsidisation from profitable services without the need for significant route support grants from DRD.
46. On the basis of evidence of best practice in the sector the current arrangements raise issues concerning the overall effectiveness and efficiency of delivery of public transport as well as constraints on innovation and leadership demonstrated by the transport operators. Such concerns stem from the degree of day to day operating independence enjoyed by the operators and the extent to which NITHC has demonstrated an ability to operate as 'an institutional unit separate from the Department for Regional Development'. These are issues addressed below.

## 2 To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe

47. It makes little sense to consider public transport in isolation from the sector as a whole. This contribution seeks to place public transport policy in a wider sector context.

### Transport Policy in the European Union: An Overview

48. A Common Transport Policy has been a fundamental element in the integration of Europe ever since the formation of the European Economic Community (EEC), the precursor of the European Community (EC) and today's European Union (EU). The Spaak Report (1956) identified the elements of transport policy which would need to be covered in the 1957 Treaty of Rome:
- The charging of all passengers or freight at the same price for the same journey within the common market;
  - The development and financing of infrastructure investment;
  - The formulation of a common transport policy.
49. Agreement was quickly reached on the principle of non-discriminatory pricing (Article 79). For infrastructure investment, it was decided to rely on the general provisions of the Treaty, modified only in 1994 by the Treaty of Maastricht. However, agreement was not reached on the principles which "should underlie a common transport policy within the EEC." The transport articles of the Treaty of Rome reflected a compromise. They required the Member States to pursue the objectives of the Treaty within the framework of a common transport policy. However, there was plenty of scope for differing interpretations of what constituted appropriate implementation measures.
50. There was reluctance among many EEC states to address the implications of competition in the transport market, probably because transport is held to be a public service, or that unrestrained competition is regarded as leading inevitably to an uneconomic use of resources. The uneasy balance between liberal and interventionist policies is reflected in the basic arguments against subsidy and the various exceptions to this principle which were deemed acceptable.
51. After some 25 years of ineffective action towards establishment of a Common Transport Policy, the European Court of Justice (ECJ) ruled that, in the absence of a common transport policy duly laid down by the Council, the general provisions of the Treaty, which include the freedom to provide services, should be held to apply to transport (European Court of Justice, Case 13/83). The implication of this was that largely unregulated competition should apply to public transport. In the wake of this judgement, the Council of Ministers finally got round to formulating an embryonic Common Transport Policy.
52. In September 2001 the European Commission published a new White paper – 'European transport policy for 2010: time to decide'. Time to decide sought to carry on where the previous White Paper left off but it also acknowledged the problems created by its predecessor. This White Paper offered the vision of a modern sustainable transport system not only economically but also socially and environmentally sustainable. In short, the guidelines set out in the second White Paper targeted the following measures:
- striking a fair balance between modes of transport;
  - eliminating bottlenecks;
  - developing a user-centred transport policy;
  - and dealing with the consequences of globalisation.

53. In 2006, the Commission published a Mid-Term Review of the 2001 White Paper: 'Keep Europe moving – sustainable mobility for our continent', which drew attention to the changes occurred in the context since 2001, such as EU enlargement, greater concerns about security and terrorism, the acceleration of globalisation, international commitments to fighting global warming and rising energy prices.
54. In 2011 the Commission published its third White Paper: 'Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system'. The general policy objective of this White Paper is to define a long-term strategy that would transform the EU transport system into a sustainable system by 2050. This overall aim can be translated into more specific objectives:
  - Transport-related emissions of CO<sub>2</sub> should be reduced by around 60% by 2050 compared to 1990
  - A drastic decrease in the oil dependency ratio of transport-related activities by 2050 as requested by the EU 2020 Strategy for transport calling for "decarbonised transport".
  - Limit the growth of congestion.
55. The Commission has identified seven policy areas in which concrete policy measures could have a key role in realising these objectives: pricing, taxation, research and innovation, efficiency standards and flanking measures, internal market, infrastructure and transport planning. Some of the key goals the Commission have identified are:
  - To eradicate use of conventionally-fuelled cars in cities.
  - That sustainable low carbon fuels in will account for half of all fuel used in aviation.
  - To achieve at least a 40% cut in shipping emissions; and
  - Achieve a 50% shift of medium distance intercity passenger and freight journeys from road to rail and waterborne transport.
56. Turning to the specific issues surrounding control and regulation of public transport (i.e. transport delivery structures) over the last two decades, while generally remaining a public monopoly, rail infrastructure has tended to be restructured from government department to public sector company. With respect to rail operations, a similar change can be observed as for infrastructure. Operations remained monopolised except in Great Britain and, to a lesser extent in countries such as Sweden, the Netherlands and Germany.
57. In the interurban road passenger transport sector, there are a large number of providers of regular and irregular services exhibiting features of monopolistic competition. Mixed ownership is important in that the coaching subsidiaries of state-owned rail and municipally-owned bus companies are important players. Regular express coach services are most important in Great Britain and Sweden. Regulation 12/98 introduced cabotage for regular coach services by June 1999.
58. With reference to urban and local public transport, the industry has tended to remain serviced by local monopolies but with a change from government department to public sector company. The "classic" model of regulated, publicly-owned monopolies remains the dominant organisational form in some Member States but with a number having already or are implementing substantial change, particularly for bus services. Recent EC Regulation set out procedures for public service contracts, a refinement of the original Regulation 1191/69 on public service obligations.
59. These developments were reinforced by application of standard European procurement legislation and extensions of contracting-out and sub-contracting to the bus market and, to a lesser extent, the urban rail market.

## Transport Policies in the UK Devolved Areas

### Political and Constitutional Context

60. The Conservative-Liberal Democrat Coalition Government inherited from the previous Labour Government a transport system, responsibility for which is substantially devolved to the elected Scottish Parliament, Northern Ireland Assembly (both awarded full legislative powers) and the National Assembly for Wales (secondary legislative powers). The only substantial devolution of power in England is in London with the creation of the Greater London Assembly (GLA), which scrutinises the elected Mayor of London but without legislative powers.
61. Up to 1997 no part of the UK had implemented an overarching policy for the transport sector. "Transport: a new deal", published in 1998 set a radical new agenda for transport based on rights and responsibilities. However, its emphasis reflected a 'London centric' perspective. Under devolution in 1999, power over a wide range of domestic policy areas, including transport policy, was transferred. The three devolved country administrations have developed transport influenced by national legislation governing related policies reserved to Westminster and to meet EU requirements. However, the UK Government retains enormous power over transport policy because fiscal policy is reserved to Westminster. Thus the fate of many devolved transport strategies and initiatives rests with the decisions of HM Treasury. Even where powers are in theory fully reserved to Westminster, the actual picture is unclear.
62. Overall, the picture is one of domination by road transport and, compared with 1997, higher passenger usage across nearly all modes.

### Scotland

63. The Scotland Act 1998 divided legislative responsibility for transport between the UK Parliament in Westminster and the Scottish Parliament in Edinburgh. Generally, those areas that are reserved are those where it is important to maintain consistency across the UK, for example: safety; disabled access; vehicle and driver standards; or where the UK has to meet international obligations. In some areas which are reserved in legislative terms, Scottish Ministers have executive powers to implement UK legislation. Further transport powers may be devolved.
64. The vision and objectives for transport in Scotland in 2025 are set out in the 2004 Transport White Paper Scotland's Transport Future. The vision is of "an accessible Scotland with safe, integrated and reliable transport that supports economic growth.....; a culture where fewer short journeys are made by car, where we favour public transport, walking and cycling because they are safe and sustainable, .....where one ticket will get you anywhere" .
65. Five high level objectives for transport are set out in Scotland's Transport Future including: protect our environment and improve health by....investing in public transport and other efficient and sustainable transport which minimise emissions and consumption of resources and energy. Reducing transport emissions is one of three key strategic outcomes.
66. Potential tensions are recognised between promoting economic growth and protecting the environment. In 2006, Scottish transport, including international aviation and shipping, accounted for 24.4% of total Scottish GHG emissions. This figure continues to grow - up 10% on 1990 levels, driven by increasing demand for road transport (75% of all transport emissions). By 2022 forecasts suggest private car use will increase by about 19%, although the largest increase, of over 30%, is projected for goods vehicles.

67. The vision for Scotland's transport was set out in the National Transport Strategy, published in 2006, as follows:
- 'an accessible Scotland with safe, integrated and reliable transport that supports economic growth, provides opportunities for all and is easy to use;
  - a transport system that meets everyone's needs;
  - respects our environment and contributes to health;
  - services recognised internationally for quality, technology and innovation, and for effective and well-maintained networks;
  - a culture where fewer short journeys are made by car, where we favour public transport, walking and cycling because they are safe and sustainable;
  - and where transport providers and planners respond to the changing needs of businesses, communities and users, and where one ticket will get you anywhere'.
68. Although the volume of road traffic has grown since 1993, the rate of growth moderated even in advance of the current recessionary period. While targeted improvements on the road network have tackled some of the critical congestion spots investment has sought to stimulate modal shift away from cars while freight facilities grants are being used to stimulate shift in freight from road to rail and water.
69. The Scottish Climate Change Act, passed in August 2009 sets a long-term target to reduce GHG emissions by 80% in 2050 relative to 1990, with an interim target of 42% by 2020. This interim goal is ambitious compared to the UK target. The first Scottish Greenhouse Gas Emissions Annual Target Report 2010 was published on October 23, 2012. It states that Scotland emitted 54.7 megatons of carbon dioxide equivalent in 2010, 1.1 megatons above the target set by the Climate Change Act 2009.

### **Wales**

70. The Government of Wales Act 1998 established the National Assembly for Wales, the first elections to which were held in May 1999 and introduced a new mechanism by which legislative competence can be conferred on the Assembly, with Parliament's approval.
71. The Welsh assembly Government (WAG) is committed to developing a sustainable future for Wales compatible with the UK's 'Shared Framework for Sustainable Development to 2020, One Future – Different Paths' (2005). It has also committed itself to contributing to the UK's achievement of the Kyoto target and wider UK Government goals on CO2 emissions.
72. The Transport (Wales) Act 2006 (the 2006 Act) requires the Welsh Government to publish and periodically review a Wales Transport Strategy setting out policies for the "safe, integrated, sustainable, efficient and economic transport facilities to, from and within Wales", along with details of how they are to be implemented, following consultation with local authorities in Wales, those English authorities abutting Wales, and other persons considered appropriate.
73. In fulfilling its obligations under the 2006 Act the last Welsh Government published 'One Wales: Connecting the Nation, the Wales Transport Strategy', in May 2008 providing a framework for the development of all modes of transport in Wales. The Strategy established the outcomes and strategic priorities to be achieved nationally through the delivery of transport policy. One Wales: Connecting the nation - Wales Transport Strategy takes its lead from the Wales Spatial Plan. Its priorities include reducing GHG emissions. The National Transport Plan (NTP) provides for a strategic network that continues to improve opportunities for more sustainable travel. The long-term aim is for a de-carbonised transport system.

74. The Wales Transport Strategy established the framework for the creation of an integrated transport system to deliver One Wales. It set out that joining together proposals for road, rail and public transport will enable people and freight to travel more efficiently and sustainably, whilst being able to access the goods, markets, services, facilities and places they need. The Strategy grouped the 17 long-term outcomes for transport into five strategic priorities for the next five years:
- Reducing greenhouse gas emissions and other environmental impacts.
  - Integrating local transport.
  - Improving access between key settlements and sites.
  - Enhancing international connectivity.
  - Increasing safety and security.
75. The objectives of the Welsh Transport Strategy are delivered at national level through the National Transport Plan and supporting strategies and plans, and at a regional level through the Regional Transport Plans prepared by the Regional Transport Consortia.

### London

76. Under the Greater London Authority Act 1999, London's buses, trains, Underground system, traffic lights, taxis and river transport, now fall within the control of a single institution, Transport for London (TfL). The Mayor is responsible for policy and all statutory duties rest with him. He has a duty to produce an integrated transport strategy for London. TfL implements the Mayor's transport strategy and oversees transport services on a day-to-day basis. The Greater London Assembly (GLA) approves the integrated transport strategy and the transport budget, scrutinises the performance of TfL and the Mayor, and is able to conduct wider investigations of transport issues. Although the GLA possesses no legislative powers the Mayor of London's Transport Strategy (MTS) is a statutory document, complementing the London Plan and Economic Development Strategy (EDS). The revised MTS was developed jointly with The London Plan and the Economic Development Strategy.
77. The MTS is set against a predicted growth of 1.25 million more people and 0.75 million more jobs by 2031 and supports sustainable growth across London. Key proposals include further enhancements to the London Underground and surface rail , including Crossrail, Thameslink and the London Overground, improving London's buses and traffic flow and facilities for cycling and walking, additional phases to the Low Emission Zone (LEZ) and reducing CO2 emissions, in part through promotion of electric vehicle use as well as exploiting use of and crossing the River Thames. The MTS also provided for removal of the Western Extension of the Central London Congestion Charging zone, implemented in December 2010.
78. The revised MTS builds on the 2006 MTS that inter alia sought to: encourage mode shift to cycling, walking and public transport; are accessible and fair to users; offer value for money; contribute to improving quality of life and the environment. The fifth of six objectives in the MTS is to: reduce transport's contribution to climate change and improve its resilience.
79. The Mayor's Climate Change Action Plan (CCAP) sets out initiatives for reducing annual transport-related CO2 emissions in London by some 1.2 MtC by 2025 – 35% less than projected business-as-usual (GLA, 2007). Around a third of the reductions are estimated to come through market measures such as take-up of fuel efficient vehicles, with the biggest contribution attributable to changes in the use of private vehicles followed by freight movements. Significant CO2 savings are required from all three themes for transport to meet its required contribution to the Mayor's target of a 60% reduction in London's overall CO2 emissions by 2025 relative to 1990. However, the Mayor's powers to influence emissions from aviation are limited.

### **Northern Ireland**

80. In Northern Ireland the Department for Regional Development (DRDNI) is responsible for transport policy and for roads and also directly controls public transport via the state owned rail and bus operators. The Department of Environment is responsible for driver and vehicle licensing and testing and for road safety; and the Department for Transport in Westminster retains power over the regulation and safety of aviation and shipping.
81. Northern Ireland's Regional Transportation Strategy (RTS) (2002-2012) aimed to make a significant contribution towards achieving the longer-term vision for transport put forward by the Regional Development Strategy 2025 (RDS), which is: "...to have a modern, sustainable, safe transportation system which benefits society, the economy, and the environment and which actively contributes to social inclusion and everyone's quality of life..." The Northern Ireland Executive recently considered targets for Greenhouse Gases (GHG's). The RTS noted the significance of the Stern Review and the CCC's inaugural report. The RTS also referred to the UK Climate Change Act, 2008 and the carbon budgets. The RTS represented a £3500 million strategy for transportation from 2002 to 2012, allocating roads £2181.1m (63%) and public transport £1232.1m (35%). It was delivered through urban, interurban and smaller local centre plans.
82. In 2011/12 a new Regional Development Strategy 2035 was published along with a New Approach to Regional Transportation which sets out a new direction to inform decision making on transportation investment beyond 2015 and to ensure more integrated and sustainable transport arrangements. The Northern Ireland-Regional Transportation Strategy 2011- A Sustainable Transport Future Consultation Document addresses three High Level Aims.
- Support the Growth of the Economy
  - Enhance the Quality of Life For All
  - Reduce the Environmental Impact of Transport
83. While reducing Greenhouse gas emissions is a major focus latest an increase in emissions from road transport of 26.9% was reported compared to 1990 levels. However, there has been a slight decrease in road transport emissions in the last couple of years, and this is projected to continue out to 2025, with emissions projected to be 2.6% lower than in 2009.
84. The RTS was recently reviewed against the backdrop of NI's revised Programme for Government which seeks to build a prosperous, fair and inclusive society, supported by a vibrant and dynamic economy and a rich and sustainable environmental heritage. However, given the acknowledgment of the UK's national legally binding emissions targets it is surprising that the NI Programme provides for investment of £806 million in public transport and £3.1 billion in roads by 2018, a fall from 33% to 21% for more sustainable modes. Moreover, that review has itself been overtaken by a further savings plan in response to the UK Government's Comprehensive Spending Review, with public transport proposed to receive less than 15% of a reduced budget over the next four years. Unlike the remainder of the UK NI policy is moving away from promoting more sustainable transport modes, including public transport, and with it abandoning any clear plan for GHG reduction nor promoting any policy on energy security.

### **Interim Observations on Transport Policies in the UK's Devolved Areas**

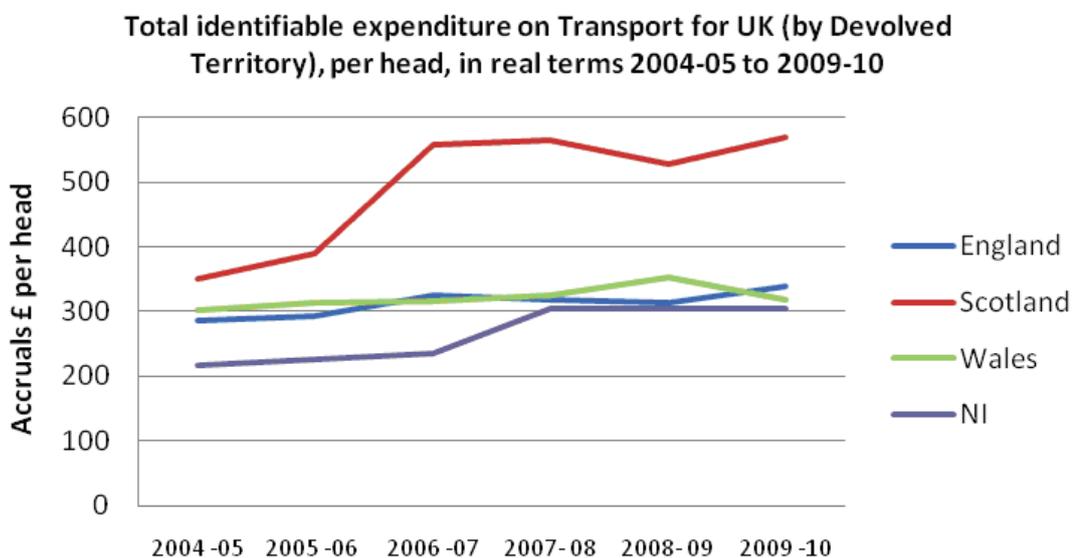
85. The UK has, to date, maintained a single transport strategy of sorts. However, differences between the Regions are emerging:
- priorities of policy makers in Scotland, Wales and Northern Ireland tend to focus much more on regional economic development;

- Westminster and the devolved administrations also differ in their priorities in relation to international transport connections - in both Northern Ireland and Scotland, peripherality combined with the absence of competitive alternative modes makes business travel to the south east highly dependent on air services;
  - The new devolved governments were also quick to understand that there were very clear local reasons why support for such policies was unlikely to be forthcoming in their own jurisdictions.
86. The sentiments expressed in all of the strategies and plans of the devolved administrations have at least until very recently echoed those of National Government. However, except for the original Northern Ireland RTS and implicitly the London Plan, they are short on details and estimates of resource allocation. In particular, given the similarity in the rhetoric, it would be reasonable to anticipate both the scale of resources and the balance of investment between more and less sustainable policy options to be similar taking into account differences in demography and geography. Thus Spending on the UK Transport Sector can be viewed as a Barometer of Commitment to Public Transport. This is addressed in the next section.

### 3. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland

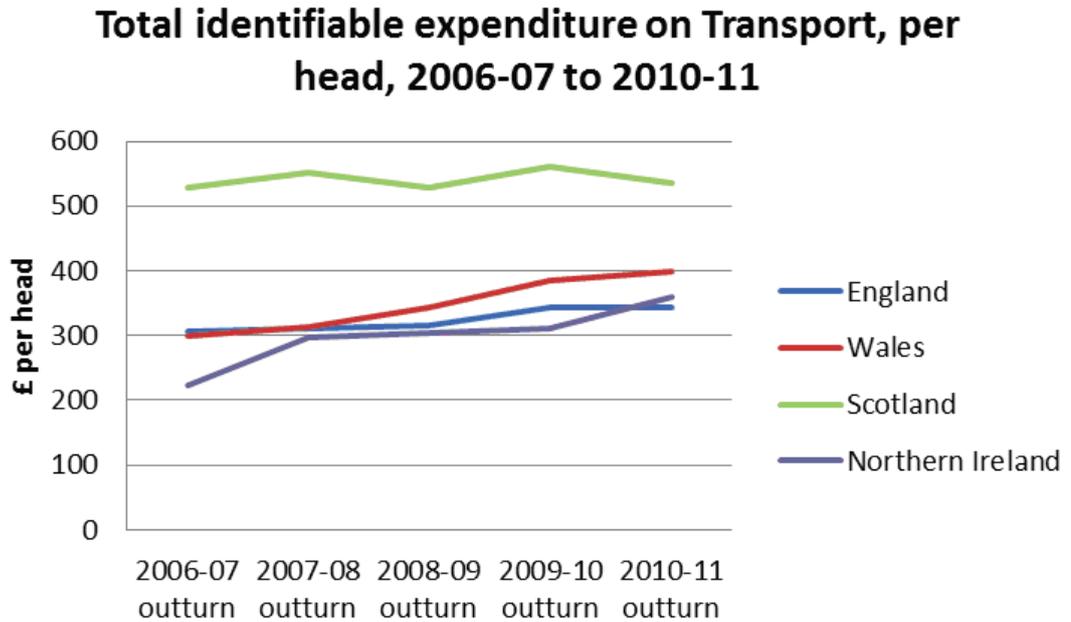
87. Any comparative analysis of the costs and subsidies to maintain current and future public transport infrastructure and service delivery cannot be divorced from the wider spending profile for transport given the latter's implications for mode competitiveness, modal shares and ultimately financial viability and call on public subsidies. Moreover, given the very fundamental differences in the control and regulatory frameworks covering public transport in Northern Ireland compared to elsewhere in the UK and the fact that much of what would appear capital here is allocated via current spending elsewhere it is misleading to ignore capital spending when considering subsidy levels in Northern Ireland compared to elsewhere in the UK.
88. Typically spending on transport (capital and revenue) in the UK is significantly less than other major EU countries. Inherited trends exist for different parts of the UK to spend different amounts per head of population on transport, giving a clue as to the different priorities in each jurisdiction. The balance of spending between capital expenditure and revenue commitments e.g. road maintenance and public transport subsidies also needs to be recognised. Figure 1 highlights the significant differences in spending on transport per head between Scotland and other parts of the UK.

**Figure 1 : UK Transport Expenditure by country and region 2004/5 – 2009/10**

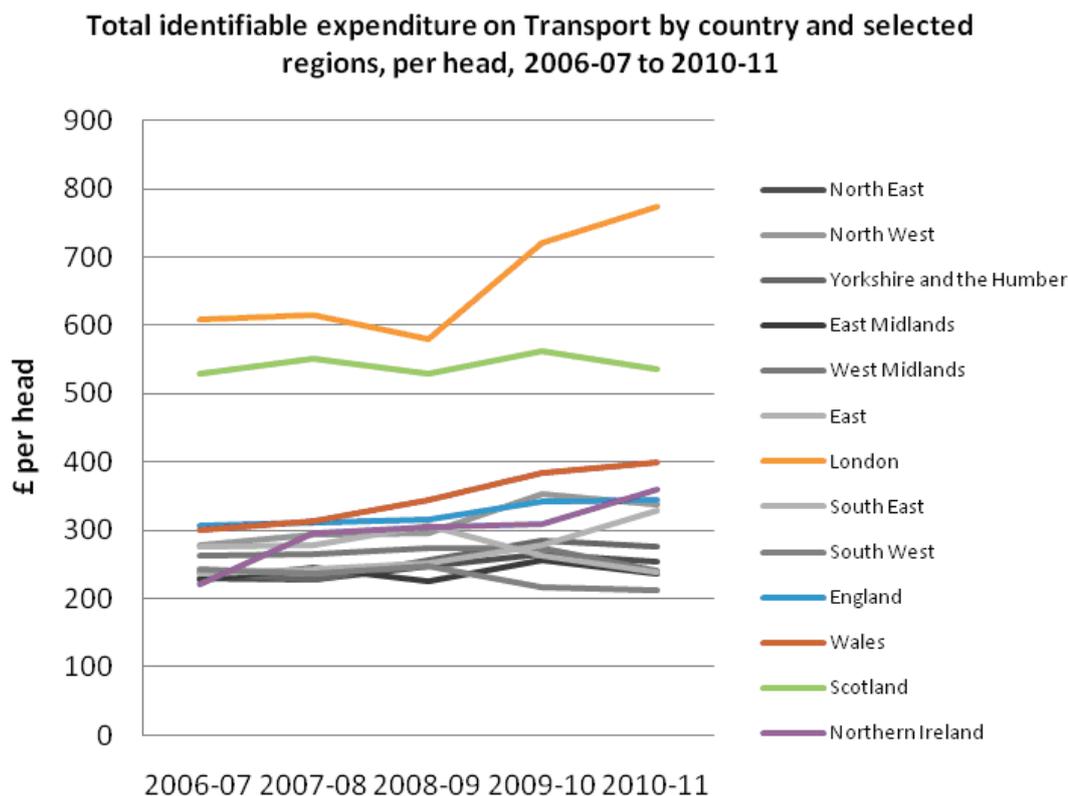


89. Figure 2 demonstrates that the gap in overall transport spending between Northern Ireland and England has been closed in the last couple of years. In 2005-06 Northern Ireland spent less than half as much as Wales on transport and less than one fifth of the Scottish figure. Between 2005-06 and 2010-11 Northern Ireland's investment in transport rose significantly, virtually doubling. Northern Ireland overtook the English and UK average spend per head on transport in 2010-11. Nevertheless, even by 2010-11 expenditure remained lower than in the other devolved regions.

**Figure 2 : UK Transport Expenditure by country and region 2006/7 – 2010/11**

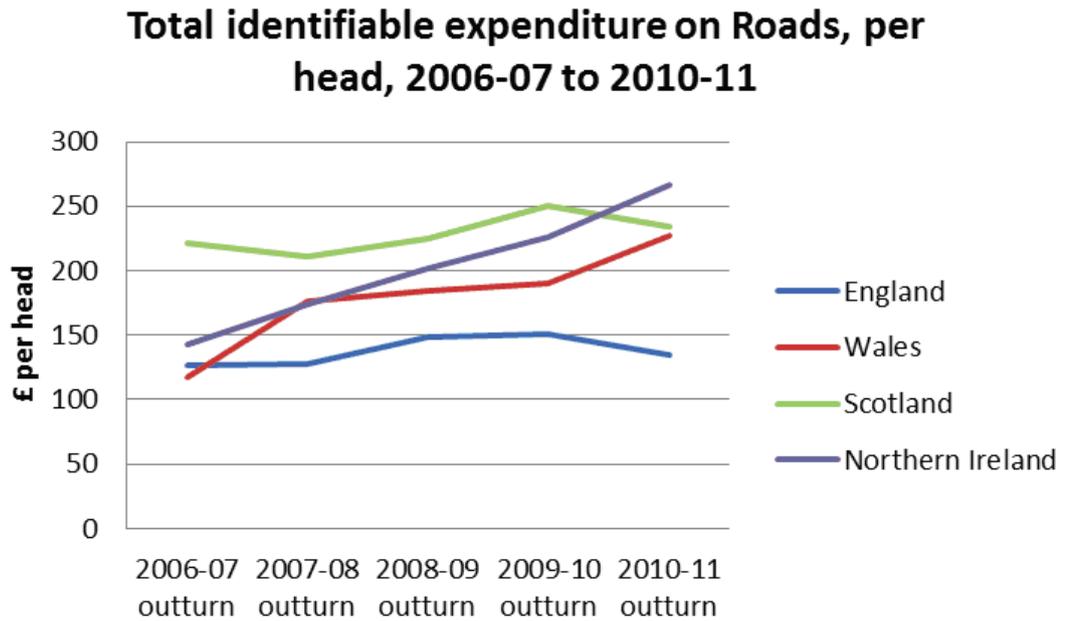


90. The English regions, with the exception of London, have limited control over levels of spending. Figure 3 highlights the vast disparities that exist in spending on transport per head between London and other areas of England.

**Figure 3: UK Transport Expenditure by country and region 2006/7 – 2010/11**

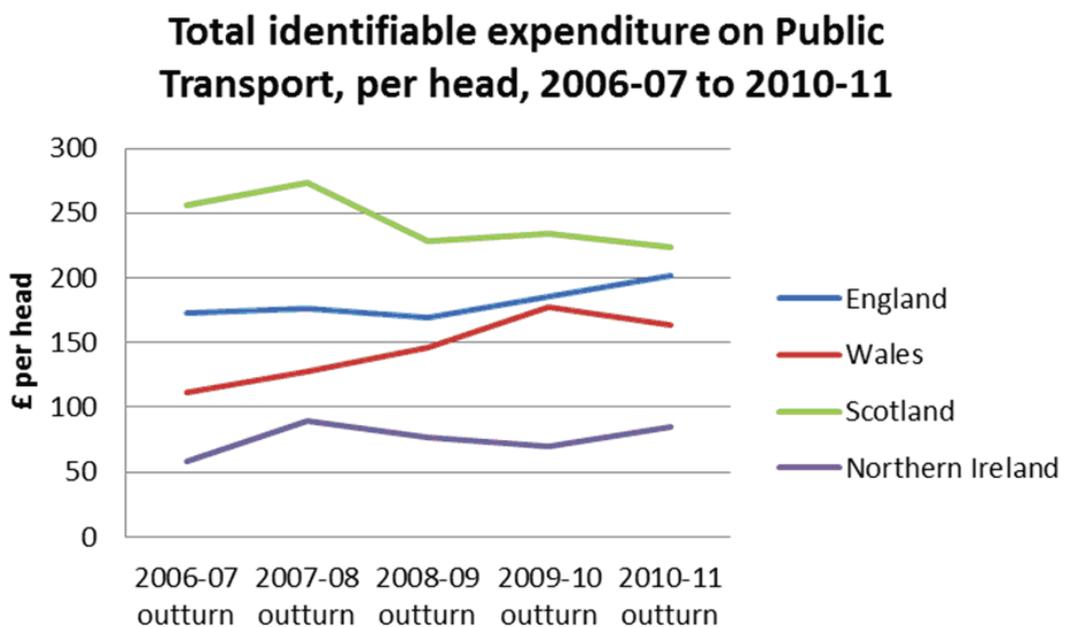
91. The breakdown between spending on public transport and roads highlights the dramatic differences between Scotland and other countries (Figures 4). Spending on roads per head in Scotland has been significantly higher than other parts of the UK during much of last decade. However, spending on roads in Northern Ireland has recently grown rapidly (Figure 4). Per capita spend on roads is now higher in Northern Ireland than any other UK region and is over double the per capita spend in England. It is important to note that the figures for England include those for London and the remainder of the country.
92. Moreover, expenditure on roads in Northern Ireland is consistently higher than other transport modes and this continues to rise year on year, whereas, investment in public transport is more variable. This spending profile where road spending is consistently higher is unique to Northern Ireland. In the rest of the UK there has been a noticeable policy shift towards supporting public transport, particularly rail in England and Scotland

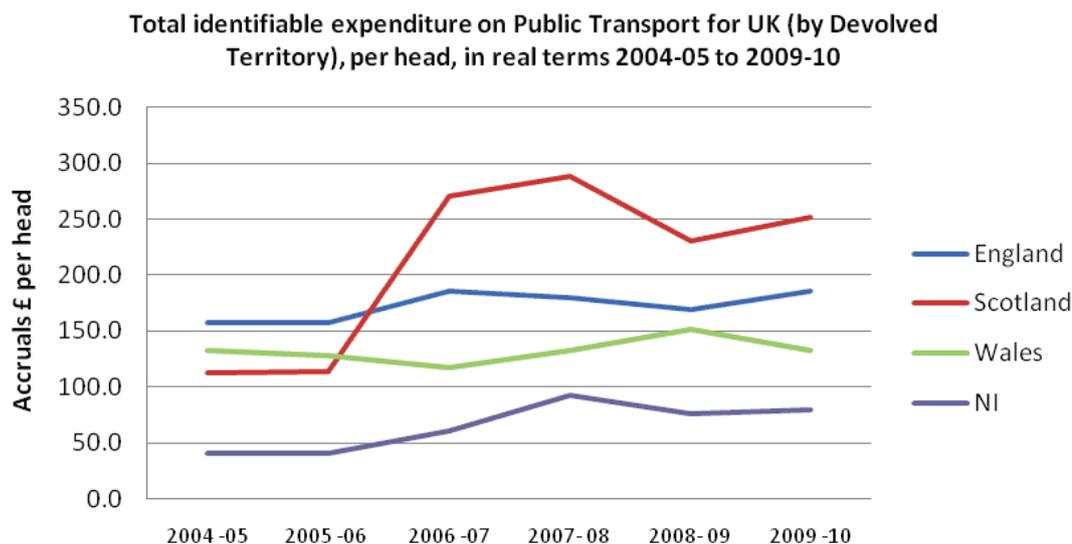
**Figure 4: UK Expenditure on Roads by Devolved Territory 2006/7 – 2010/11**



- 93. Spending (Capital and current including subsidies) on public transport per head in Scotland was double that of Wales and some three times that of Northern Ireland for much of the last decade while the gap between Wales and Scotland has closed in the last couple of years spending in Northern Ireland has continued to lag well behind the remainder of the UK devolved areas and nationally. (Figure 5 and 6). Much of this can be attributed to the fact that rail expenditure in Northern Ireland is low compared to other devolved areas
- 94. It is important to note once again that the figures for England include those for London and the remainder of the country. Separate figures for London indicate the capital enjoys spending on public transport that exceeds levels for Scotland. Conversely other parts of England experience low levels of local funding.

**Figure 5: UK Expenditure on Public Transport by Devolved Territory 2006/7 – 2010/11**



**Figure 6: UK Expenditure on Public Transport by Devolved Territory 2005/6 – 2009/10**

#### Review of Expenditure by Mode of Transport In Northern Ireland

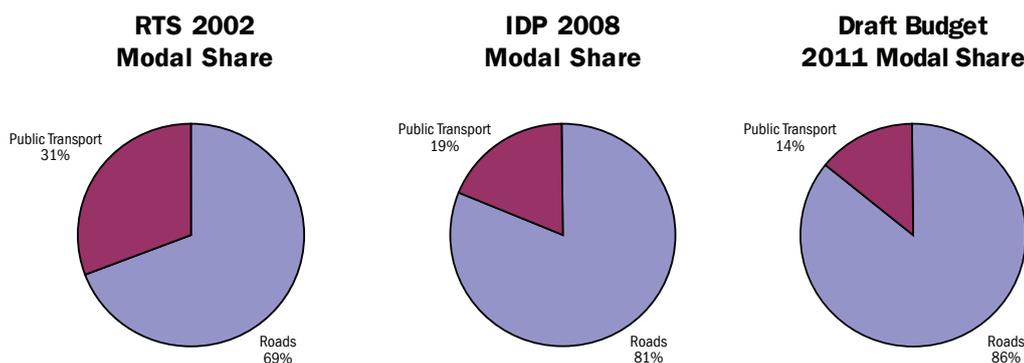
95. The profile of expenditure by mode of transport has changed over the period 2002 to the present day. There have been three principal expenditure plans:
- The Regional Transportation Strategy (RTS) covering 2002 – 2012;
  - The Investment Delivery Plans (IDP), in line with ISNI21 covering 2008/9 – 2017/8; and
  - Draft Budget January 2011 covering 2011/12 – 2014/15.
96. Only the RTS was based upon a comprehensive review of policy and objectives and a value for money assessment of a wide range of alternative measures. It was developed in response to earlier criticisms over imbalance between facilitating private vehicle use and under funding public transport and other sustainable modes. The RTS was also supported by three more detailed Transport Plans<sup>2</sup> which were linked to local statutory land use plans. The average annual capital expenditure planned allocations are presented below in Figure 7 (Public Transport percentage share of total) and highlight<sup>3</sup>:
- Average total transport spend increases from £259m in the RTS to £383m in the IDP before falling to its lowest level of £129m in the Draft Budget;
  - Public Transport (PT) share falls steadily from 31% in the RTS, through 19% in the IDP to 14% in the Draft Budget;
  - Average PT annual spend falls sharply from £80m in the RTS to £18m in the Draft Budget;
  - Average Roads annual spend falls less sharply from £179m in the RTS to £111m in the Draft Budget.

1 Investment Strategy for Northern Ireland 2 (published by Strategic Investment Board)

2 Belfast Metropolitan Transport Plan, Sub-Regional Transport Plan and Regional Strategic Transport Network Transport Plan

3 Figures extracted from RTS Table 5.1 and make allowance for revenue expenditure. All figures in year base as published i.e. 2002, 2008, 2011.

**Figure 7 Capital Expenditure by Mode (Planned)**



97. In addition to reductions in capital expenditure the Draft Budget includes the Department's Savings Delivery Plan. The transport measures comprise almost £144 million, with over 70% in the last two years 2013/14 and 2014/15. The savings are split between Roads and Transport as follows: Roads – £85 million; and Transport - £58.5 million (Ports £30 million, Public Transport £28.5 million).

**Public Transport**

98. The majority (£ 20 million approx) of the remaining transport reductions, strike at the heart of public transport provision and current support for socially disadvantaged groups: Reduce subsidies and reimbursements to NITHC (see below);- £9.46 million; Park and Ride (see below); – £2.6 million; Rural transport - £1.7 million (see below); Concessionary Fares – £1.6 million (see below); and People with Disabilities (see below);- £4.1 million.

99. The final budget 2011-15: Department for Regional Development Savings delivery plans was published in April 2011. The Department is intending to take forward a range of measures to deliver savings of £15.5 million / £27.1 million / £58.1 million / £58.4 million in current expenditure by 2014-15. However, additional current expenditure funding received in the Final Budget allowed the Department to address some concerns raised during the consultation process and means that the funding for Rural Transport Fund, Transport Programme for People with Disabilities and Rathlin Ferry Subsidy has been protected. There are also reductions in the savings required from roads maintenance activities.

100. It is apparent that if these proposals proceed then the following undesirable scenario will unfold:

- A reduction in bus service levels and fare increases initiating a potential downward spiral in demand for public transport and further rounds of service cutbacks. The initial changes will only encourage car-owning commuters to use their cars and cause modal transfer from bus to private car. This in turn will create additional congestion, local air pollution, accidents and encourage out-of-town development and trip patterns. This in turn will decrease fare revenue and hence lead to a further reduction of service levels and increased fare increases.
- People without cars, people living in rural areas in particular will be forced increasingly to depend on lifts in private cars and taxis or lose their mobility and independence outside peak travel hours – 8am – 6pm. Their access to job, shopping and recreational opportunities will be reduced.
- The value of concessionary travel to pass holders will be increasingly reduced as services are withdrawn. In practice their use will be increasingly limited to urban areas and weekday daytime travel hours when bus services operate; further discriminating against people living in rural areas, people with disabilities and older non car owners.

101. Quality public transport is a pre-requisite for the Department to achieve its key objectives affording transport choices in addition to providing essential accessibility for people without private cars. Public transport is a necessity for people without cars and people with disabilities; whilst the costs accrue to the Department for Regional Development, substantial cross-sector benefits are realised by Departments responsible for employment, health, education, environment, culture, rural and social development. Having made significant progress in addressing social and accessibility issues in recent years, it appears illogical, inefficient and inequitable to place the burden of savings on relatively disadvantaged people, when funding is reduced.

#### **Conclusions on Current Profile of Transport Spending**

102. **The gap in overall transport spending between Northern Ireland and England has been closed in the last couple of years. Between 2005-06 and 2010-11 Northern Ireland's investment in transport rose significantly, virtually doubling. Northern Ireland overtook the English and UK average spend per head on transport in 2010-11. Nevertheless, even by 2010-11 expenditure remained lower than in the other devolved regions.**
103. **Spending on roads in Northern Ireland has recently grown rapidly. Per capita spend on roads is now higher in Northern Ireland than any other UK region and is over double the per capita spend in England.**
104. **Moreover, expenditure on roads in Northern Ireland is consistently higher than other transport modes and this continues to rise year on year, whereas, investment in public transport is more variable. This spending profile where road spending is consistently higher is unique to Northern Ireland. In the rest of the UK there has been a noticeable policy shift towards supporting public transport, particularly rail in England and Scotland.**
105. **Spending (Capital and current including subsidies) on public transport per head in Scotland was double that of Wales and some three times that of Northern Ireland for much of the last decade while the gap between Wales and Scotland has closed in the last couple of years spending in Northern Ireland has continued to lag well behind the remainder of the UK devolved areas and nationally. Much of this can be attributed to the fact that rail expenditure in Northern Ireland is low compared to other devolved areas.**
106. **It is important to note once again that the figures for England include those for London and the remainder of the country. Separate figures for London indicate the capital enjoys spending on public transport that exceeds levels for Scotland.**
107. **The profile of expenditure by mode of transport has changed over the period 2002 to the present day. Public Transport (PT) share fell steadily from 31% in the RTS, through 19% in the IDP to 14% in the Draft Budget. Average PT annual spend falls sharply from £80m in the RTS to £18m in the Draft Budget. Average Roads annual spend falls less sharply from £179m in the RTS to £111m in the Draft Budget.**
108. **It is apparent that if these proposals proceed then the following undesirable scenario will unfold:**
- **A reduction in bus service levels and fare increases initiating a potential downward spiral in demand for public transport and further rounds of service cutbacks. The initial changes will only encourage car-owning commuters to use their cars and cause modal transfer from bus to private car. This in turn will create additional congestion, local air pollution, accidents and encourage out-of-town development and trip patterns. This in turn will decrease fare revenue and hence lead to a further reduction of service levels and increased fare increases.**

- **People without cars, people living in rural areas in particular will be forced increasingly to depend on lifts in private cars and taxis or lose their mobility and independence outside peak travel hours – 8am – 6pm. Their access to job, shopping and recreational opportunities will be reduced.**
  - **The value of concessionary travel to pass holders will be increasingly reduced as services are withdrawn. In practice their use will be increasingly limited to urban areas and weekday daytime travel hours when bus services operate; further discriminating against people living in rural areas, people with disabilities and older non car owners.**
109. **Quality public transport is a pre-requisite for the Department to achieve its key objectives affording transport choices in addition to providing essential accessibility for people without private cars. Public transport is a necessity for people without cars and people with disabilities; whilst the costs accrue to the Department for Regional Development, substantial cross-sector benefits are realised by Departments responsible for employment, health, education, environment, culture, rural and social development. Having made significant progress in addressing social and accessibility issues in recent years, it appears illogical, inefficient and inequitable to place the burden of savings on relatively disadvantaged people, when funding is reduced.**
110. **An assessment of the current budget provisions against the official appraisal criteria and on the basis of the performance of each of the schemes as prepared by the Governments' own Advisors (where available) suggests the following:**

#### **Environment**

111. **Overall, the programme with its large capital spend on roads schemes at the expense of public transport will encourage greater use of private transport which works against the environmental objective by encouraging longer distance commuting and travel generally and a switch from public to private transport. In addition, while environmental protection measures are now well established for road design, there remain substantial negative impacts in terms of land-take and disturbance to flora and fauna and the settings of historic buildings and sites.**
112. **The rail system has the potential to perform relatively well under the environmental objective. However, road improvements which undermine rail's competitive position in rail served corridors are likely to negate the potential sustainability benefits to be achieved by rail. This is reinforced where rail has insufficient recurrent funding for infrastructure maintenance and repair leading to imposition of 'temporary' speed restrictions and thus less competitive journey times. This is widely in evidence on the NIR network.**
113. **Express coaches using the new roads can make positive if modest contributions to this objective at good load factors. The reduction in public transport capital investment is amplified by the reduction in revenue support for public transport; so in addition to slowing improvements in public transport infrastructure, service levels will fall.**

#### **Economy**

114. **There is little consensus among independent expert opinion concerning the overall effects of transport on competitiveness and economic growth. Any improvements to the transport infrastructure are likely to yield small cost savings and gains to firms. Transport costs are not the primary factor in business location. Many elements of the Draft Budget are unlikely to perform strongly in relation to overall competitiveness of the economy. In relation to the major capital projects such benefits as do accrue mainly involve redistribution of relative competitiveness within the country rather than contributing significantly to the overall competitiveness of**

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**Northern Ireland. The large capital spend on two road schemes with relatively low economic returns come at the expense of smaller and better performing schemes which reduce congestion and improve primary linkages in the region.**

### **Safety**

115. **In relation to new roads, these tend to have a net positive impact due to the significantly reduced collision rates, although this is partly offset by their potential to induce additional traffic, which increases risk of additional accidents and encourages mode shift away from the safer public transport alternatives. The large capital spend on two road schemes with only slight beneficial impacts against safety, are at the expense of a spread of more local improvements which target these criteria.**

### **Accessibility**

In relation to Accessibility, major road schemes tend to reduce public transport viability and hence service levels (either directly through modal switching or indirectly through land-use settlement patterns) and broaden the divide in term of inequity of access. The impacts of the reduction in revenue support for public transport will be focused on the most disadvantaged groups, including people living in rural areas and people with disabilities.

### **Integration**

116. **Turning to integration, infrastructure programmes, including the DRD's plans must align themselves strongly to the Regional Development Strategy if co-ordinated and all-encompassing efforts to increase economic prosperity and balanced regional development are to be achieved.**
117. **Specifically in relation to land use, it is important to note projected housing demand requires future development to take place in a way which avoids urban sprawl, achieves high standards of urban design quality and promotes more compact and public transport friendly urban areas to maximise peoples' quality of life and the sustainability of future development. The proposed road schemes will tend to promote further spatial dispersal and rural isolation as it becomes increasingly expensive to sustain local public transport. In general terms, the provision of improved public transport works to encourage desirable spatial development patterns while major highway infrastructure encourages sprawl, ribbon development and dispersed settlement.**
118. **The RDS Consultation Draft of January 2011, acknowledges the importance of this in the following statement: "If it is to be effective however, any reorientation on transport must be sustainable. It must provide for more integrated, equitable, competitive and environmentally sensitive arrangements. Against severe fiscal constraints, any new RTS is likely to suggest making better and smarter use of our roads and railways, reduce our environmental impact, maintain our roads and railways better, improve accessibility and safety, support communities and our economy."**
119. **The key reason for this conclusion is the absence, for many journeys, of more sustainable alternatives for non urban passenger transport and the absence of competitive rail freight or other sustainable modes for internal freight movements. This situation has been reinforced by years of relative underfunding of public transport compared to other parts of the UK and Ireland, an undesirable position that will be exacerbated by the DRD's Draft Budget proposals should they be implemented as currently tabled.**

120. **The de facto emphasis on a predict and provide policy rather than managing demand not only reinforces the growing extent of these challenges but also means possible problems for the long term funding of infrastructure maintenance, the viability of public transport, with the attendant effects on future flexibility in policy.**

**4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives**

121. The overall aims of the Public Transport Reform proposals are to deliver a public transport system that:

- underpins implementation of the Regional Transportation Strategy;
- provides safe, efficient and high quality public transport services;
- complies with EU regulations;
- encourages the greater use of public transport; and
- maximises efficiency and value for money.

122. The Government announced its intention to reform the way in which public transport is delivered in 2002 via a consultation document entitled 'A New Start for Public Transport in Northern Ireland'. The overall goal of the reform process was to create an effective, efficient and sustainable public transport service that contributes to the Government's wider mobility, environmental, social and economic objectives.

123. The process of reform has proceeded extremely slowly. In the interim period new European legislation and regulations have been introduced that could affect the outcome of the process. For instance, EU Regulation (1370/2007) on public transport by rail and road came into force in 2009 aiming to ensure regulated competition within public transport delivery. The implications for Northern Ireland is it requires public authorities who award exclusive rights or provide funding to an operator to do so within the framework of a public service contract that must be strictly controlled and adhere to a performance-based contractual regime (NIAR 373/09)

124. DRD embarked on a consultation process on its reform proposals culminating in publication of Department for Regional Development (2010) Public transport Reform: Final Report on Public Consultation.

125. The original intention had been to devolve responsibility for planning, designing and securing public transport services to the new 'super councils' that were to be established under the Review of Public Administration (RPA). However, following devolution in 2007 it was decided that public transport should remain the responsibility of the DRD. Local roads were also earmarked for devolution, however given the complementary nature of both roads and public transport, it was agreed that responsibility for both should be retained by the DRD.

126. DRD along with key stakeholders including Translink/NITHC, the Federation of Passenger Transport (FPT) and the Consumer Council concluded that future public transport needs in Northern Ireland would best be met by a three-tier structure with consumer representation at each level.

127. The reform proposals therefore included a three tier structure: a government top tier, responsible for broad policy, legislation and regulation; a middle tier responsible for designing and managing services and securing provision from transport operators; and a third tier which comprises the transport operators.

128. The Strategic Business Case (SBC) for Public Transport Reform, prepared by DRD in 2008, identified and evaluated five main structural options for delivering reform,

focusing on the establishment of a new organisation at the middle tier. The options considered were:

1. Do Nothing;
  2. Revised Northern Ireland Transport Holding Company (NITHC) / Translink Model;
  3. Local Authority Based Passenger Transport Authority (PTA);
  4. Executive Agency; and
  5. Non Departmental Public Body (NDPB).
129. The SBC recommended that two options be taken forward to an Outline Business Case for a more detailed review against the 'do nothing' option. Therefore the OBC report considered the 'revised NITHC/Translink' option and the 'Agency' option for reform, particularly focusing on the potential monetary and non-monetary costs and benefits, and the risk associated with each option.
130. Following the publication of the OBC and the subsequent public consultation the 'Public Transport Agency' was chosen as the preferred option which would operate as an Executive Agency within the DRD, thereby making it accountable to the Minister for Regional Development, the Executive and the Assembly. The intention had been for the agency to take control of some of the Authority functions currently undertaken by the NITHC and its subsidiaries while also incorporating the various regulatory powers for public transport currently held by DRD and the Department of the Environment (DOE).
131. According to the Outline Business Case for Public Transport Reform the proposed formation of an Executive Agency to oversee and manage public transport in Northern Ireland will bring benefits such as efficiency and improved service. Therefore DRD proposed: "A single client body with expertise in the specification of integrated transport services and facilities, and in procurement and contract management is necessary in order to achieve and sustain the best possible value for money over the long term".
132. This model received significant support in the public consultation with the DRD stating that the agency model was chosen based on consideration of a number of options and it was "...concluded that the agency option provided greater independence and offered the prospect of a more efficient system overall."
133. The Department emphasised the need for an independent body as an important factor in bringing together all the various stakeholders involved with public transport into a cohesive unit, in order to provide the best possible service; this would not be achievable through the existing NITHC model.
134. The proposal was that the new public transport agency would be responsible for:
- Public transport regulation, planning and policy implementation;
  - Working with others, including new local authorities, to develop and agree local public transport plans;
  - Specifying the public transport service requirements;
  - Securing the delivery of those public transport services through performance-based contracts, awarded either directly to Translink or, in some specific circumstances, subject to open competition;
  - monitoring and evaluation of service delivery performance by operators;
  - the granting and enforcement of public transport service permits where gaps in service provision are identified;
  - the designation of bus/rail stations as shared facilities, to allow permitted independent operators to set down and pick up passengers at those locations; and
  - providing public funding subsidies.

135. The Transport Act (Northern Ireland) 2011 received Royal Assent on 16 March 2011. The Act provides the necessary legislative provisions to support the Public Transport Reform proposals. The reform process is on-going and subordinate legislation will be required to facilitate most of the powers given to the DRD by the Transport Act, including access to shared bus stations and bus stops to enable other permitted operators to access NITHC/Translink facilities, conduct at or near bus stations, service agreement (contracts) and service permits regulations to enable the Department to enter into directly awarded contracts with Translink (in line with EU Regulation 1370/2007) and to enable the DRD to take over responsibility for regulating permit applications.
136. A fundamental change has subsequently been made to the arrangements after the consultation and stakeholder engagement process was completed. The proposed Public Transport Agency will be combined with the responsibilities of Roads Service (no longer an Executive Agency since 31st March 2012) in one entity called Transport Northern Ireland. The new organisation will not be an Executive Agency.
137. This is broadly similar to the position in Wales and Scotland, where Transport Wales and Transport Scotland perform broadly similar functions to those proposed for Transport NI. These proposals are still at an early stage and are not expected to come into play before 2013. Roads Service ceased to be and is now part of the Core Department within DRD.
138. How well do the updated reform arrangements or indeed current structures perform in terms of this response to that question draws on a variety of sources, including the evidence from the Outline Business Case drawn up by consultants to inform the DRD's reform plans.

## **A Review of Developments in Transport Competition and Regulation in OECD Member States:**

### **Overview**

139. Over the past 30 to 40 years competition has been introduced into transport markets in OECD member states and observer states as well as further afield. Change has happened faster in some states than others. Not only that but the competition has assumed different forms. The variety of experience reflects two factors. Within the European Union (EU) for instance, the European Commission has not yet implemented fully clear guidelines as to the way state-run systems should cede control to the market.
140. In addition, the approach adopted by individual governments has been influenced by the extent to which they have embraced anglo-saxon capitalism as compared to its European continental counterpart. The focus of intervention in transport in the UK has changed with time. Historically, many of the regulatory controls in the UK were aimed specifically at containing the potential power of railway monopolies, while the inter-war period witnessed controls over highly competitive road-based modes such as buses and road haulage. One of the aims of inter-war legislation was to protect railways against "unfair" competition from road transport. A further goal was the protection of existing bus operators and road hauliers, together with concern over the possibly undesirable consequences of instability in the supply of services. **The cross-subsidisation generated by this bus licensing system was in part intended to ensure comprehensive public transport services across the country. This philosophy remains in vogue in Northern Ireland up to the present day.**
141. In the UK, post-Second World War policy saw nationalisation of the main transport supply industries, on the grounds that it would improve internal efficiency by facilitating greater co-ordination within and between modes, and afford transport a more central place in developing the country's economy. However, less than two decades later, a further change in direction saw public ownership no longer regarded as necessarily the

optimum solution and emphasis was placed on market forces. In this new situation, economic regulation was intended to replicate efficient market outcomes rather than being seen as a straightforward replacement for market processes. More recently, UK governments have tended to withdraw from direct control of transport with the introduction of wide-ranging privatisation. Changes in licensing laws have made market access easier for transport operators (bus, taxi and airline). In terms of infrastructure provision, there has also been greater encouragement for private-sector participation. Nevertheless, comprehensive regulation of rail including fares, has remained the order of the day, even after privatisation. Moreover, fiscal policies regarding road transport have remained almost unaltered since the 1920s.

142. Overall, the consensus appears to be that the laissez-faire approach has yielded greater efficiencies. Nevertheless, in some areas, especially public transport, the results have been, to say the least, mixed. When bus services were opened up to free competition in many parts of England, the outcome can be considered, in a very narrow sense, consistent with Pareto optimality, on the assumption that oligopolistic behaviour does not become a feature of the market. But more importantly, the result is only acceptable if one ignores externalities such as increased road congestion, greater emissions of greenhouse gases and further isolation of rural communities. If a complete free-for-all in public transport is a step too far, then what solution combines greater efficiency as well as addressing externalities?
143. Broadly speaking, full deregulation of local transport systems lowers costs but at a price of lower ridership. **Continuation of fully state-controlled operations sacrifices efficiencies for the sake of social benefits.** Limited competition, being a compromise between the first two, does seem to offer the best option at least for urban and local transport.
144. Whatever the nature of the system, however, there will generally if not always be a need for regulation. What shape it takes will be influenced by the priorities and policies of government. The ensuing interplay between competition and regulation then determines the character of the overall public transport service. **The most intensive regulatory instrument is, of course, public ownership or state control.**
145. Even where direct ownership is not practised governments frequently intervene directly to influence both the level of supply and the form of transport service which can be offered. The most common method is through licensing systems. However, government intervention may also influence both supply and demand via fiscal measures.
146. Government intervention via cross-subsidies, both between modes and across services by individual modes, is also common and generally enforced through combinations of price controls and licence allocation systems. Under such arrangements, typically, operating licences are granted to operate profitable services only if the supplier agrees to provide financially unattractive ones. **While most examples of this have been withdrawn in the UK, Northern Ireland's state-owned bus services continue to be regulated in this manner.**

Interim Observations on suitability current structures and Transport NI proposals for the efficient and effective delivery of public transport legislative and policy objectives

147. **The overall goal of the reform process was to create an effective, efficient and sustainable public transport service that contributes to the Government's wider mobility, environmental, social and economic objectives.**
148. **The process of reform has proceeded extremely slowly. The original intention had been to devolve responsibility for planning, designing and securing public transport services to the new 'super councils' that were to be established under the Review of**

**Public Administration (RPA). However, following devolution in 2007 it was decided that public transport should remain the responsibility of the DRD.**

149. **The reform proposals therefore included a three tier structure: a government top tier, responsible for broad policy, legislation and regulation; a middle tier responsible for designing and managing services and securing provision from transport operators; and a third tier which comprises the transport operators.**
150. **Following publication of the Outline Business Case on options the ‘Public Transport Agency’ was chosen as the preferred option which would operate as an Executive Agency within the DRD, thereby making it accountable to the Minister for Regional Development, the Executive and the Assembly.**
151. **According to the Outline Business Case for Public Transport Reform the proposed formation of an Executive Agency to oversee and manage public transport in Northern Ireland will bring benefits such as efficiency and improved service. Therefore DRD proposed: “A single client body with expertise in the specification of integrated transport services and facilities, and in procurement and contract management is necessary in order to achieve and sustain the best possible value for money over the long term”.**
152. **The Department emphasised the need for an independent body as an important factor in bringing together all the various stakeholders involved with public transport into a cohesive unit, in order to provide the best possible service; this would not be achievable through the existing NITHC model.**
153. **Overall, the consensus appears to be full deregulation of local transport systems lowers costs but at a price of lower ridership. Continuation of fully state-controlled operations sacrifices efficiencies for the sake of social benefits. Limited competition, being a compromise between the first two, does seem to offer the best option at least for urban and local transport.**
154. **Whatever the nature of the system, however, there will generally if not always be a need for regulation. The most intensive regulatory instrument is, of course, public ownership or state control.**
155. **The revised arrangements are not consistent with the goal of maximising the efficient and effective delivery of public transport legislative and policy objectives.**
156. **Nor are they in line with the original proposals as set out in the 2002 under which establishment of a New Public Transport Company would remove the ambiguities in the current arrangements; establish lines of direct accountability with DRD and with a new Public Transport Regulatory Body (see below); and enable “Transport Northern Ireland” to focus on the development of the commerciality of the operating companies consistent with the aims and objectives of the RTS.**
157. **Nor will they effectively open up the public transport market to private sector participation as a way of better exposing it to market forces, improving quality and efficiency, increasing attention to customer requirements and reducing the cost of service provision where practicable.**
158. **Moreover, the revised plan fails to provide for the independence claimed for the agency model let alone that afforded by a Public Transport Regulatory Body as originally conceived operating at arms length from DRD and would be staffed by individuals with the necessary financial and organisational resources to undertake an economic/ commercial regulatory function in the provision of public transport in Northern Ireland. In 2002 DRD recognised ‘The establishment of this body would rectify the current conflicting role whereby the Minister is the public owner, policy maker and part regulator of public transport. The aim is to bring a great deal more**

**rationality and objectivity to the planning and delivery of public transport and provide an independent challenge function to the operating companies.**

**5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery**

159. The ECMT research also offers pointers to establishing the optimum organisational and delivery structures to improve the efficiency and effectiveness of service delivery

**Competition for the market vs. Competition in the market: The emergence of competitive tendering as the preferred Option for urban and local transport**

160. Urban and local transport provides some of the greatest challenges to policymakers in both developed and developing countries. It is recognised that distortions in the marketplace for transport in cities do create a requirement for a variety of interventions to be available to “managers” of the system, not only if a pareto efficiency objective is to be achieved but also where wider economic, social and environmental challenges are to be addressed. These interventions encompass measures to regulate the market for road space, either by physical measures, legal controls or nascent market mechanisms, as well as through a variety of regulatory and control measures relating to public transport. Such interventions are intended to have an impact on both operations and supply generally, as well as on demand, specifically modal split.

161. The competition spectrum encompasses a number of regulatory regimes, ranging from deregulated through limited competition to fully regulated, under which a monopolistic (normally publicly-owned) company is charged with the operation of the system. Under such an arrangement the only forms of competitive pressure are indirect.

162. The **Deregulated Free Market Model** is the dominant form in the UK outside London. Even here, however, socially necessary services are provided on the basis of a competitive tendering process. Under the **Deregulated or Open Market**, no restrictions apply to transport operators, except those imposed by general law on business practices, vehicle construction and use and highways and traffic matters.

163. **Limited Competition models** embrace a number of alternatives. Under both a tendering and in a franchising system, potential operators bid for the right to operate in a certain area for a specific time period according to clearly defined contractual rules. The main difference between tendering and franchising tends to be the larger scope for the operators (winning bidder) to modify the product or production size under a franchising agreement. A further distinction can also be drawn between franchises and concessions:**Franchise:** In franchising arrangements, the franchisee is granted an exclusive right, usually as a result of a competition, to provide a service, which meets a number of quantity, quality, and price standards laid down by the authority. **Concession:** Again, these involve the granting of an exclusive right to provide a service but without payment by the authority, although the authority may attach conditions such as maximum fares or minimum service requirements.

164. Franchises can take a number of forms:

- **Total franchises** include both the operation and provision of necessary infrastructure/rolling stock;
- **Operations franchises** exist where the franchisee operates the system, but with rolling stock and infrastructure provided by the franchisor, normally a public authority also responsible for the planning and financing of public transport;
- **Management franchises** occur where a public body is responsible financially for both operation and for rolling stock/infrastructure, but where an outside franchisee provides the necessary management competence for the operation of the system;

- **Planning franchises** operate where there is public operation, and infrastructure and rolling stock are owned by the same authority, but where the planning of the system is done by a franchise.

The first two are the most common.

165. The most common Limited Competition Models are: the so-called Scandinavian model, based on minimum cost tenders at a route level and the French model, based on network management contracts.
166. **Public Monopoly:** In this regime, transport operations are provided exclusively by one operator. That operator will often be the public agency itself or another public corporation but can also be a privately-owned enterprise. Regulated, publicly-owned monopolies have tended to remain the dominant organisational form in around one third of the EU Member States. However, it is worth noting that even in these countries there can be some variations or fundamental differences from the dominant model. Northern Ireland is now the only significant region of the UK that continues to employ a wholly publicly-owned monopoly model.
167. Licensing can be employed as a surrogate for more explicit regulation. This is reflected in a number of restrictions on market access and service delivery:
- **Quantity Licensing:** The number of vehicles allowed to operate a defined type of service,
  - or in a defined area, is limited by the authority. Where quantity licensing is practised, this
  - will usually be on top of a form of quality licensing.
  - **Quality Licensing:** Operating a public transport service is allowed by anyone receiving a
  - licence and complying with any conditions attached to it.

#### **Contracts, risk and responsibilities**

168. The limited competition model is characterised in a range of contractual forms. An important element is the allocation of financial risks between buyer and seller, because some allocations can be more expensive than others. Two types of risks can be distinguished in the situation where a government agency orders public transport services from a supplier:
- Production risk: risk associated with the production costs of a fixed production quantity, independent of the number of passengers;
  - Revenue risk: risk associated with the sale of transport services.
169. These risks can be allocated in different ways. **Subsidy contracts** result in the operator taking both the revenue and the production cost risk. This is the dominant form of tendering used for socially necessary services in the English Metropolitan areas. **Cost contracts** result in the operator taking the production cost risk and the authority the revenue risk. This is the dominant form of tendering used for socially necessary services in UK non-Metropolitan areas. Examples of what might be termed “**hybrid**” **contracts**, where risks are shared between operators and authorities, are to be found in Australia and Sweden. Under **management contracts**, common in France, risks are borne by the authority.
170. The different possible allocations of risks give rise to the following types of contracts:
- **Gross Cost Service Contracts** involve a public authority procuring services from another party, without the operator taking any direct commercial responsibility for the overall financial performance of the service. In this type of contract, the

production risk is borne by a transport company while the revenue risk is borne by the tendering authority. Revenues accrue to the tendering authority.

- **Net Cost Service Contracts** are similar to gross cost contracts, except that the operator is responsible for the revenues from the service as well as the costs of providing it and, as such, is responsible for the overall commercial performance of the service. In this contract, the transport company bears both production and revenue risks.
- Under **Management Contracts**, the operational assets are usually owned by the (public authority) client. The operator is responsible for the management of the operations, possibly including service specification within agreed parameters. Whilst the contractor does not own the assets, he may be responsible for their procurement and maintenance to agreed standards as well as negotiating wages and conditions for labour. The performance responsibility for a management contractor may cover a combination of production costs, service quality, ridership and overall financial performance. The management contract is the direct opposite of the net cost contract, with the tendering authority instead of the transport company bearing both production and revenue risks.

171. Apart from these three types of contract, all kinds of variants are possible. The success of contracts will be determined by the incentive structures, including those incorporated in the contract and those provided by other regulatory instruments.

#### **Strengths and weaknesses of alternative regulatory and control frameworks for local transport**

172. The competition spectrum can be divided into two main types. The first involves the granting of an exclusive right to an operator to provide services, i.e. competition for the market. The second involves no such exclusivity and allows operators to compete in the market.
173. Established theory would suggest that private firms are likely to be more effective in maximising profits due to a variety of financial, market and intervention incentives, provided by takeover constraints, bankruptcy constraints, shareholder monitoring and lack of interference from politicians and civil servants. Research has demonstrated the financial effectiveness of deregulated systems. However, this does not necessarily signify efficiency.
174. In terms of labour productivity, the best performance was achieved by the limited competition systems, where vehicle-kms per member of staff are higher than in deregulated markets or regulated markets, although this may reflect variations in input prices including labour costs. This may indicate that subsidies are too low in deregulated markets. In terms of cost efficiency, the costs per vehicle-km for deregulated systems are typically some 50 per cent less than those for regulated systems and one third lower than those for limited competition systems. The main reason for the poor record of deregulated services seems to be that, without exclusive rights, service pattern are unstable and levels of integration are low.
175. Competitively tendered franchises typically address two different purposes: the control aim and the efficiency aim. The control aim is reflected in a planned system under which transport authorities define route structures, fares and the overall structure of the public transport system. The control role reflects social welfare objectives. The efficiency role seeks to create a more efficient public transport system, both as regards internal efficiency (x-efficiency) and allocative efficiency.
176. These two roles can be conflicting. Systems that maximise net social benefits frequently do not give the most internally efficient public transport system. Case study

evidence suggests that profit maximisation can reduce net economic benefits by at least half compared to perfect planning.

177. In contrast, there is evidence to suggest that, in certain instances, open access (competition-in-the-market) may increase net social benefit when it leads to new services or new pricing structures. In contrast, competition tends to reduce net social benefit when it leads to duplication of services or excessive price wars. However, public intervention of some sort is likely to be required to maximise welfare due to user economies of scale (user benefit from increased service levels) and second-best arguments (subsidy required to offset the impact of congestion, accidents and environmental pollution by cars).
178. Overall therefore, the data suggest that, in comparison with controlled competition, deregulated services are cheaper, but tend to be substantially worse from the point of view of attractive public transport. Closed markets sometimes achieve similar standards of attractiveness for passengers, but at a higher price. Competitive tendering has produced quality public transport service. London Transport found that a competitively-tendered service was generally of higher quality, including those provided by the public operator. Competitively-tendered services have also been evaluated as equal to or better than non-competitive services in for instance Copenhagen and Stockholm. Competitive tendering may be the most appropriate selection method for operational-level decisions but may be less appropriate for tactical- and strategic-level decisions.
179. Overall there is support for the hypothesis that regulated markets are efficient in terms of consumption, deregulated markets are efficient in terms of production and limited competition markets are somewhere in-between the two ends of this spectrum. A key element in recent EU legislation establishes the concept of "...adequate consumer-oriented public passenger transport...". This also makes specific provision for integrated public transport in relation to services, information and ticketing. In assessing the adequacy of public passenger transport services, in defining selection and award criteria and in awarding public service contracts, competent authorities would be required to take account of:
- Consumer protection, the level of tariffs for different groups of users and the transparency of tariffs;
  - Integration between transport services;
  - Accessibility for people with reduced mobility;
  - Environmental factors;
  - The balanced development of regions;
  - The transport needs of people living in less densely-populated areas;
  - Passenger health and safety;
  - The qualifications of the staff;
  - How complaints are handled.

#### **Public service contracts**

180. EU arrangements also establishes as a general rule that authorities' interventions in public transport should take the form of public service contracts. Article 6 states that competitive tendering should normally award public service contracts. It defines some important aspects of the content of public service contracts and sets a limit on their duration. In accordance with the principle of non-discrimination, competent authorities should ensure that public service contracts do not cover a wider geographical area than is required by the general interest. Compensation payments, which exceed the net

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cost incurred by an operator as a result of fulfilling a public service requirement, are liable to be examined under Community rules on state aids.

**The lessons learned from experience in OECD member states for effective regulatory structures and patterns of control**

181. The main impacts of competition in the market have occurred in the bus and coach markets. Experience from both Great Britain and Sweden suggests that the unbundling and privatisation of bus and coach services can lead to cost reductions of 40 per cent, while deregulation could lead to increases in demand on competing intercity coach routes of up to 50 per cent. On the road, competition has had less of an impact on the local urban bus market.
182. Lack of competition in railway markets is only a small part of the issues for regulatory reform in European railways. Many observers argue that competition from other modes is quite sufficient in almost all European product markets to prevent any abuse of monopoly powers by the railways. Most public debate over the European Commission's policy focuses on the introduction of competition through vertical separation of train operations from infrastructure management.
183. With respect to competition in the market for railways head-on competition is typically not feasible, but limited entry, in the form of "cream-skimming", may be feasible for high-density routes. More commercially oriented railways had one third higher productivity than the more directly state-controlled railways. However, there is evidence that the productivity gap has reduced. It is also argued that the average EU railway is too large and the average railway's traffic too limited in its use of infrastructure. The optimal-sized network is estimated to consist of around 2 900 route-kms and 23 000 train-kms per route-km per annum.
184. Evidence with respect to the vertical integration of railways is mixed. Research has demonstrated evidence of the diseconomies of scope of joint passenger and freight services (at least above a certain output level). This also suggests the possibility of benefits from vertical integration.
185. The situation in Great Britain is based on a privately-owned track authority utilising a variant of average cost pricing. There is a problem in that the track authority is a monopoly. Research suggests suggests the problem may be more severe than this if the operations are provided by area monopolies. This results in multiple marginalisation and a situation where prices are higher and output lower than that which would be provided by an integrated monopoly.
186. An important advantage of vertical separation is that it creates a level playing field for competition in the market, although problems concerning the determination of access rights and charges remain. Overall, however, the verdict on vertical separation remains uncertain pricing principles.
187. For scheduled interurban public transport, where passengers can book in advance and pre-plan their journey, user economies of scale are less important and can be more easily internalised. Price/quantity regulation is probably not required, although non-economic regulation is still needed.
188. For rail, there is, however, the problem of the interface between urban and interurban operations. This suggests that competition for the market might also be appropriate for high-frequency, short-distance interurban routes. Open access competition for passenger rail might be limited to long-distance interurban services.
189. The evidence from research in relation to local passenger transport suggests diseconomies with respect to both scale and density. In other words, on average, European bus operations are too big and too dense. However, large companies may

gain advantages in terms of non-human factor inputs. There may be demand-side complementarities related to timetable and route co-ordination. There may also be market power advantages with monopoly or monopolistic trading implications.

190. With respect to local and urban transport, five forms of market organisation can be identified, embracing:
- The hitherto largely universal fully-regulated public sector model;
  - The so-called Scandinavian model – essentially based on a mixture of minimum subsidy and
  - minimum cost contracts at a route level (also London);
  - The French model – based on network management contracts with additional contractual
  - incentives;
  - The so-called Adelaide model – intermediate contracts where operators have some freedom
  - to develop services;
  - The largely deregulated model, which accounts for the vast majority of bus services in Great Britain outside London.
191. They can be thought of as a spectrum or be viewed as a series of stages in a progressive move towards full market liberalisation. As we have noted there is some support for the claim that regulated markets are efficient in terms of consumption, deregulated markets are efficient in terms of production and limited-competition markets are somewhere in-between.
192. For the choice between “limited competition” and “regulated”, **if the political will and the technical competence of the authority are present then, on balance, a “limited competition” regime is the best choice, since the stability of the system can be maintained at lower costs and with improved prospects for permanent improvement.**
193. In general, gross-cost contracts are a solution which presents a lower risk of capture of the authority by the operator, a relatively low burden for the authority and easier mobilisation of investment resources by private companies than by local authorities. However, because the operator is reduced to a more passive role, it also reduces the opportunity to improve service to the customers.
194. Net cost contracts give authorities the option of specifying what they want to achieve, and are bound by contract to get it at a fixed price, leaving to the operator the opportunity to make use of his ingenuity in reading and adapting to the wishes of the market, thus improving chances of a higher revenue. Net-cost contracts, however, effectively lower the contestability of the market. As the operator has the possibility to improve service and efficiency during the life of the contract, net-cost tenders should be longer in duration than for the corresponding gross-cost contract.
195. Management contracts may be preferred to gross-cost contracts if the authority perceives that the potential number of tenderers is likely to be very small. If gross-cost contracts are preferred, they should possibly be designed as a “network of contracts”, with varying longevity for different components of the infrastructure/assets and service being rendered.
196. The use of various forms of franchising can be an effective means of solving the need for further efficiency measures in public transport operations, without the risk of failing to address social and welfare goals while, at the same time, reducing the pressure on public budgets. However, the increased consolidation of operators which such a system

tends to promote, creates barriers to competition, with the potential to acquire almost monopoly levels of power over the market.

### Requirements of an effective regulatory structure

197. According to research, where they have succeeded, regimes have generally satisfied the following criteria:
- Enjoyed legislative backing;
  - Demonstrated accountability;
  - Demonstrated transparent and consistent procedures;
  - Expertly and efficiently run.
198. These conditions, however, are necessary rather than sufficient. On top of that, there exists an inevitable tension between some of the criteria. While legislators create the structure of regulation, if it is to function satisfactorily, the regulatory regime must be free of day-to-day interference from government. Thus, while the regulator must be accountable to political masters, it is preferable that reviews of his or her decisions are carried out by the courts or by independent bodies set up to review the workings of competition. The disadvantage is that such reviews may be carried out by those unfamiliar with the detailed and rather complex workings of the regulated industry.
199. Transparency and consistency are essential to give private companies or their backers the confidence to make long-term investments. Opacity, or what might be perceived as politically motivated decision making on the part of the regime, can exact a cost in increased regulatory risk. While transparency, however, is demanded from the regulatory regime, at the same time the regulator has to make judgements without having the wealth of detail available to insiders in the industry. Such asymmetry of information can make the process of regulation a somewhat hit-or-miss affair.
200. The issues of expertise and efficiency are best considered together. Ideally, the regulatory authorities are set specific, measurable aims. This enables a judgement to be made on quantifiable rather than qualitative terms. However, it must be said that regulators are not usually set objectives amenable to metrics. The aims are usually too broad and too general. The difficulty is that, without clearly defined, measurable targets, it becomes a matter of debate whether regulation is working well or not.
201. As civil society in Northern Ireland matures hopefully politicians will have more confidence in those aspects of decision making which they, in the best interests of efficiency and transparency, have outsourced to regulators.

### Interim Observations

202. **For the choice between “limited competition” and “regulated”, if the political will and the technical competence of the authority are present then, on balance, a “limited competition” regime is the best choice, since the stability of the system can be maintained at lower costs and with improved prospects for permanent improvement.**
203. **In general, gross-cost contracts are a solution which presents a lower risk of capture of the authority by the operator, a relatively low burden for the authority and easier mobilisation of investment resources by private companies than by local authorities. However, because the operator is reduced to a more passive role, it also reduces the opportunity to improve service to the customers. Net cost contracts give authorities the option of specifying what they want to achieve, and are bound by contract to get it at a fixed price, leaving to the operator the opportunity to make use of his ingenuity in reading and adapting to the wishes of the market, thus improving chances of a higher revenue.**

204. **Management contracts may be preferred to gross-cost contracts if the authority perceives that the potential number of tenderers is likely to be very small.**
205. **The use of various forms of franchising can be an effective means of solving the need for further efficiency measures in public transport operations, without the risk of failing to address social and welfare goals while, at the same time, reducing the pressure on public budgets.**
206. **According to research, where they have succeeded, effective regulatory structures have generally satisfied the following criteria:**
  - **Enjoyed legislative backing;**
  - **Demonstrated accountability;**
  - **Demonstrated transparent and consistent procedures;**
  - **Expertly and efficiently run.**
207. **These conditions, however, are necessary rather than sufficient. If it is to function satisfactorily, the regulatory regime must be free of day-to-day interference from government. Thus, while the regulator must be accountable to political masters, it is preferable that reviews of his or her decisions are carried out by the courts or by independent bodies.**
208. **The issues of expertise and efficiency are best considered together. Ideally, the regulatory authorities are set specific, measurable aims. This enables a judgement to be made on quantifiable rather than qualitative terms. However, it must be said that regulators are not usually set objectives amenable to metrics. The aims are usually too broad and too general. The difficulty is that, without clearly defined, measurable targets, it becomes a matter of debate whether regulation is working well or not.**
209. **As civil society in Northern Ireland matures hopefully politicians will have more confidence in those aspects of decision making which they, in the best interests of efficiency and transparency, have outsourced to regulators.**

# Translink



## The Committee for Regional Development's Inquiry into Comprehensive Transport Delivery Structures

### A Submission paper from Translink

Translink welcomes the Committee's inquiry examining comprehensive transport delivery structures.

At this time we do not intend to submit a full response which addresses the more political and/or public policy reaches of the inquiry, as those subjects are the rightful domain of our sponsor department and other stakeholders, to which we defer. We note that there are a number of useful research papers produced by the Assembly itself which touch upon the other aspects of the Committee's Inquiry. A particularly good example is the research paper entitled 'A regional comparison of rail investment in the UK and Ireland', reference 182/12, which is a useful starting point for addressing Inquiry questions numbers 2 and 5. ([http://www.niassembly.gov.uk/Documents/RaISe/Publications/2012/regional\\_dev/18212.pdf](http://www.niassembly.gov.uk/Documents/RaISe/Publications/2012/regional_dev/18212.pdf) - see page 5 in particular)

For the remainder of this submission, we focus on the legal status of this organisation and its relationship with its sponsor, the Department for Regional Development (question 1 of the Inquiry's terms of reference). We will set out the different components comprised in our constitutional status. Our status can best be described as being "hybrid", sitting as it does between both public and private sectors. The uniqueness of our constitution would be most evident in terms of our statutory commercial mandate, dual corporate governance standards, and dual accountability lines (toward the Minister and company law shareholders at the same time).

### Our legal status and the difference between NITHC and Translink

The Northern Ireland Transport Holding Company (NITHC) took over the railway and bus businesses of the former Ulster Transport Authority in 1967 and in 1973 the bus services of the former Belfast Corporation Transport Department. NITHC is classified as a public corporation (a status shared with organisations such as the BBC and Channel 4) and was set up by the Northern Ireland government of the time to oversee the provision of passenger transport in Northern Ireland (under the Transport Act (NI) 1967 – the Act). See appendix 1 for relevant sections of legislation (taken from the Management Statement and Financial Memorandum – the MSFM).

Translink is a trading name used by any one or more of the subsidiary companies under the ultimate ownership of NITHC.

### Translink has a commercial remit

The government at that time purposely established NITHC as a commercial organisation with statutory power to manage its assets and generate revenues as if it were a company engaged in a commercial enterprise (see section 48 of the Act). By statutory instrument in 1972 the government further extended NITHC's powers so that it could generate wealth in ways not originally prescribed under the Act. Two examples would be the power to invest money not

immediately required by the Company, and the power to develop land commercially, if not required for public transport functions. These commercial underpinnings are set very firmly in a public policy environment sponsored by government.

## Translink is not owned by government

The Translink corporate group comprises NITHC as parent company which owns the three main operating companies, Citybus (trading as Metro), Ulsterbus and Northern Ireland Railways (plus four other non-trading companies). The main operating companies are household names in Northern Ireland. They operate scheduled bus and rail services in a coordinated way. None of the shares of the main operating subsidiaries are owned by any government department. The Translink Group's shareholders are effectively self-contained and exist within the corporate group. The powers and legal capabilities of each of the subsidiary companies are primarily governed by Articles of Association (but also by the operating agreement we hold with Government which we shall describe later); the Articles can only be amended by the company's corporate shareholders.

## Translink's arms' length relationship with government

### **Through the Minister**

NITHC is established as one of the Department's arms' length bodies. NITHC is sponsored by the Department and receives funding for the provision of public transport services (in GB public sector funding goes to private sector operators in a similar way). All of NITHC's corporate and commercial activity is designed to take place within a passenger transport policy envelope. This is decided upon by Government, and is reflected in the Department's Public Service Agreement targets.

The Minister for Regional Development as a matter of statute can direct NITHC as to policy to be followed by it and its subsidiaries (section 49 of the Act). Moreover, the Minister appoints suitably skilled and qualified persons to the NITHC Board, and has reserved to himself through the Transport Act (NI) 2011 effective powers of removal, suspension and replacement of NITHC Board directors. The Minister and his Departmental officials perform a close monitoring role through bi-annual meetings with the NITHC Chairman, tri-annual monitoring meetings at Board/permanent secretary level, and regular monitoring meetings between different levels of staff in the respective organisations.

The Minister is answerable to the Assembly for the broad activities performed by, and the public funds spent by, not only the Department but its arms' length bodies too. Translink fully supports the Minister in delivering these aspects of his role, whether that is through Assembly questions, Committee scrutiny, or bespoke inquiries such as the present case.

### **Through the Board**

The NITHC Board is responsible to the Department for the delivery of public transport services, within the policy framework described above. The MSFM in many respects is the operating agreement which documents this chain of public accountability and responsibility – it sets out the broad framework within which NITHC and its subsidiaries will operate. The associated Financial Memorandum within the MSFM sets out in greater detail certain aspects of the financial provisions and reporting obligations to DRD.

The MSFM has no binding legal status (unlike the Board's company law director duties) but is nevertheless mutually adhered to as if it were a legally binding arrangement between the parties. The Board enjoys its constructive working relationship with the Department, channelled through the MSFM, and is acutely aware of the wider political backdrop which accompanies the activities performed by any arms' length body operating in Northern Ireland.

### Through the Accounting Officer

The Group Chief Executive holds a number of separate yet overlapping responsibilities: (i) as a legally liable Director of the NITHC Board and all its subsidiaries' boards, (ii) as an employee holding an employment contract as Group Chief Executive and (iii) as an appointee to the public sector role of Accounting Officer for NITHC as a Departmental arms' length body. The latter in particular brings with it a personal, not corporate, reporting line into DRD, and imposes expected standards upon the Accounting Officer to have regard to regularity, propriety and value for money over the organisation's activities and expenditure of any public money.

### Some further facts

- Unlike many other arms' length bodies in Northern Ireland, Translink's legal status obliges it to report regularly to Companies House. This relationship is conducted through, and the relevant obligations are performed through, a legally qualified Company Secretary.
- The Department for Regional Development makes funding available to achieve Northern Ireland's transport policy. This funding is disbursed to a number of bodies, including Translink, to achieve these aims.
- Translink receives approximately £70m of revenue funding from the Department (out of total Group turnover £190m), which is mostly to pay for the NI Executive –supported concessionary fares scheme (for bus this accounts for 70% of its funding). We note that in GB fare revenue accounts for only a limited proportion of turnover.
- As a matter of statute, Translink's land and other assets are its own, and cannot be accurately said to be in State or "public" ownership. Translink's property is "not to be regarded as property of, or property held on behalf of the Crown" according to Section 53 of the Act.
- Translink's operating and staffing independence from Government is also enshrined in legislation, as the Translink companies "are not and are not to be regarded as servants or agents of the Crown, or as enjoying any status, immunity or privilege of the Crown". Translink employees face the various industry risks in their jobs without Crown immunity (e.g. health and safety risks) unlike other public sector workers, and our staff are not civil servants (again, as per Section 53 of the Act)
- Translink subsidiaries are all private limited companies governed by company law. The personal risks and legal liabilities facing Translink's directors and officers include disqualification, fines and imprisonment in the most serious cases. These risks appear to be appreciably more onerous and indeed personally consequential for the individuals concerned than would be the case if they were employed in most other arms' length bodies in Northern Ireland or in central government.

We hope the foregoing is useful and are happy to attend the Committee for Regional Development at its pleasure, to answer any questions arising from this inquiry into comprehensive transport delivery structures.

For and on behalf of the Translink Group

*JP Irvine*

JP Irvine  
General Counsel & Company Secretary

## Appendix 1

### **Extract from the Transport Act NI 1967 (as replicated in the MSFM between Translink and the Department for Regional Development)**

#### **Establishment of the Northern Ireland Transport Holding Company.**

##### **47. —**

- (1) For the purposes of this Act there shall be a body corporate with perpetual succession to be known as the Northern Ireland Transport Holding Company (in this Act referred to as “the Holding Company”).
- (2) The Holding Company shall consist of a chairman and not more than eight other directors all of whom shall be members thereof and shall be appointed by the Minister.
- (3) The chairman and other directors of the Holding Company shall be appointed from among persons who appear to the Minister to have had wide experience of, and to have shown capacity in, transport, industrial, commercial or financial matters or to have other adequate or suitable experience, and the Minister in appointing them shall have regard to the desirability of including among them persons who are directors of, or concerned in the management of, the subsidiaries of the Holding Company.
- (4) Schedule 1 shall have effect as regards the directors of the Holding Company and its proceedings.

#### **General functions of the Holding Company.**

##### **48. (1) The objects of the Holding Company shall be—**

- (a) subject to the provisions of sections 69 and 70, to hold and manage the properties vested in it by virtue of section 68 and any other properties acquired by it; and
  - (b) to exercise the rights attached to such properties; as if the Holding Company were a company engaged in a commercial enterprise, and the Holding Company shall have power for those objects—
    - (i) to form, promote and assist companies (including subsidiary companies) and, without prejudice to the foregoing, to lend money to any of its subsidiary companies;
    - (ii) to subscribe for, take, acquire and hold, exchange and sell securities of companies;
    - (iii) to acquire and, subject to subsection (2), dispose of any property; and generally to carry on any business usually carried on by a holding company and to do all such other things as are incidental or conducive to the attainment of those objects.
- (2) The Holding Company shall not, without the consent of the Minister which may be given for any case or description of cases specified in the consent or may be general and may be given subject to conditions, exercise its powers under subsection (1) to dispose of any property held by it.
  - (3) The Minister may by order extend or vary the objects, duties and powers of the Holding Company under this section but he shall not make such an order unless a draft of the order has been laid before Parliament and approved by resolution of each House.

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**Power to Minister to give directions as to policy and control by the Holding Company of its subsidiaries.**

49. —

- (1) The Minister may from time to time give directions to the Holding Company as to the policy to be followed by it (including its policy towards its subsidiary companies) and may vary, suspend or revoke any directions so given and the Holding Company shall comply with any such directions.
- (2) It shall be the duty of the Holding Company to exercise its powers in relation to its subsidiary companies so as to ensure that a subsidiary company—
  - (a) does not do anything which the Minister has directed the Holding Company not to do;
  - (b) does not, except with the consent of the Minister, borrow money; and
  - (c) does not, except with the consent of the Minister, raise money by the issue of shares or stock.
- (3) The appointment or re-appointment by the Holding Company of any person to be a director of any of its subsidiary companies shall be subject to the approval of the Minister.

# Transport Planning Society

One Great George Street, London, SW1P 3AA

## TPS response to the Regional Development Committee

### **Introduction**

The Transport Planning Society is grateful for this opportunity to provide input to the Regional Development Committee on this important subject. The specification of organisational structures for the planning and delivery of public transport is central to success of public transport. It is also an issue on which members of the Transport Planning Society in London and elsewhere in GB have a great deal of experience.

Our comments are therefore based upon our extensive experience of the statutory transport planning processes applied in GB and the long term impacts of de-regulation of bus and rail services.

Our comments are quite concise and relate to the last three questions posed under the Terms of Reference – we have no expert knowledge of the first question nor direct access to the data in answer to the second. Our comments are offered to the Committee as an initial contribution to the professional debate. We would also be most willing to engage in further debate, for example through an event held in conjunction with the other professional bodies, should that be advantageous to the Committee.

### **About the Transport Planning Society**

The Transport Planning Society (TPS) has been established to facilitate, develop and promote best practice in transport planning and provide a focus for dialogue between all those engaged in it, whatever their background or other professional affiliation. It is also strongly committed to enhancing professional standards and runs the TPS professional development scheme. This in turn creates a pathway to the Transport Planning Professional qualification (see below). In summary:

- Transport planning is about preparing, assessing and implementing policies, plans and projects to improve and manage our transport systems. There is a need for transport planning on a local, regional, national and international level. It must involve understanding the link between transport and the future shape of our towns and cities, the economy, the environment and climate change, and the quality of life. It is also about changing people's attitudes towards travel to encourage use of alternatives to the private car.
- Professional standards are of great importance and the Transport Planning Professional, TPP, qualification is awarded jointly by the TPS and the Chartered Institution of Highways and Transportation (CIHT). It has been designed to provide professional recognition for professional transport planners in the same way that Membership of the Royal Town Planning Institute recognises professional town planners and being a Chartered Engineer identifies professional engineers.
- In Northern Ireland, there are only 3 transport planners who hold the TPP professional qualification. This small number may be a product of the limited exposure to transport planning provided by NI's universities – Queens and University of Ulster. Whilst both provide useful content as part of their Civil Engineering and Transport degrees respectively, neither offer post graduate degrees in Transport Planning which could also provide a standard pathway to TPP.

**TPS commentary**

In Great Britain there are a variety of approaches to transport governance in terms of land use and transport.

For example, in many major cities throughout GB, public transport authorities have been established to plan and finance public transport. There are particularly comprehensive structures in place in Greater London (not just the city centre) and these are not replicated elsewhere in England..

These public transport authorities convert the objectives of local government into public transport standards and oversee their delivery by contracting bus operations. Underpinning the work of the public transport authorities work is a Local Transport Plan which specifies future needs for highway infrastructure, traffic management, cycling and pedestrian facilities and public transport services. The Local Transport Plan is developed in conjunction with the statutory Development Plan which sets out future land-use changes in response to local demographic and business needs. A key feature of the Local Transport Plan is a consideration of ease of access by public transport to shops jobs, healthcare, leisure and shopping facilities. This so-called accessibility planning process uses bus timetable data and allows alternative bus service configurations to be checked against policy objectives.

Outside the cities there is a mix of Unitary Authorities and others who have responsibilities for different aspects of transport and planning. For example, a county which controls grants for non-commercial bus services may not have control over the number of parking spaces in new developments. Previous regional arrangements (which had few statutory powers) have now been set aside.

The system is now being changed to reflect new local initiatives such as Local Enterprise Partnerships (LEPs) and new Local Transport Boards (LTBs) are being created. In some areas there has been a co-operative effort to make sense of the new arrangements, but in others there is strong local disagreement over how to proceed. It is too early to say whether this will improve the situation, or weaken the logical structure of the Local Plan process.

What is clear is that the arrangements in London have met the challenge of economic and population growth through public transport improvement, and most recently of staging a hugely successful Olympics – not just in terms of medals but in terms of transport management. Local public transport use has risen significantly in London while it fell in many other cities. There are some success stories in English cities, such as Nottingham (tram funded by workplace parking levy) and Brighton (close co-operation between the local authority and the former Municipal owned bus company). In other cities the governance arrangements have revealed their weaknesses, and there has been a reliance on good will and ad hoc compromise to make progress. Some are taking the opportunity of the new LTBs to make this a more stable and consistent process, but much still needs to be done.

We have set out some of the problems in the existing and newly developing system in England to show why we favour an approach which creates a comprehensive and evidence based approach to transport planning, and is able to unify land use and transport planning to benefit the economy and the environment. Only these arrangements can provide the scale at which centres of expertise and excellence can flourish. Although they do not guarantee success, these are an essential pre requisite.

In GB, professional Transport Planners work on the core processes and are employed by the local authorities and the public transport authorities. Transport Planners analyse alternative future networks and services and specify the best performing for construction or delivery by others. In NI, to the best of our knowledge, professionally qualified Transport Planners are not employed in these roles.

We note that the same processes are generally not applied in NI. In NI, Translink, the prime / monopoly public transport operator, has direct responsibility for planning and delivering

public transport services in line with high level policies set by the Department for Regional Development.

***TPS conclude therefore that the current structures in NI are unlikely to be the best suited to the efficient and effective delivery of public transport legislative and policy objectives. TPS recommend that the application of standard transport planning processes and the establishment of an independent public transport authority with links to land use planning would offer a substantial improvement.***

Translink is currently the prime / monopoly operator of public transport in NI. All things being equal, we would expect that the operation of all services by a single operator would provide the best opportunity for an efficient and effective integrated public transport network. This is particularly important where passengers need to make inter-linked journeys, for example using a local bus service to link with an onward coach or train service.

In GB outside London, bus services were deregulated in 1986. It has taken some time for the effects of deregulation to settle and a number of differing detailed interpretations have been made depending on political viewpoint. However, in general it is accepted that within a local network, the inability of bus companies to cross-subsidise unprofitable but socially necessary services with more profitable services is a marked disadvantage. The requirement to split services into commercial and non-commercial services, perhaps across multiple operators, ultimately leads to a reduction in network connectivity and ease of use by passengers. This loss of connectivity leads to a reduction in patronage and can trigger a negative feed-back loop of reducing revenue, services and patronage.

Following deregulation outside London, bus use has fallen. In London, while service operations are tendered, the setting and collection of fares, and all service planning, is undertaken by TfL, which in turn is responsible to the elected Mayor and Greater London Authority.

Similarly but to a lesser extent on the train network in GB the division of the national network amongst a number of separate train operating companies make interconnecting journeys less convenient and ultimately less popular than previously. City based PTAs are negotiating to increase their role, but this is unresolved at present. In London, integration of local Overground rail with other public transport is making good progress. In addition, inter-city travel in GB has grown strongly, indicating that it is possible for rail to provide an attractive alternative to the car despite significant fare increases.

As stated before, we consider the London model, which links transport and land use, has powers across a wide area, and has the resources and expertise to deliver excellence, should provide the basis for any new approach in NI.

***We conclude therefore that any move to deregulate the current delivery structures, and to remove Translink as the prime / monopoly operator is unlikely, in itself, to improve the efficiency and effectiveness of service delivery. In particular we advise that care should be taken not to impact on the integrated nature of the current public transport network.***

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# Transport Salaried Staffs' Association



## **Submission by the Transport Salaried Staffs' Association (TSSA) to the Northern Ireland Assembly Committee for Regional Development Inquiry into Comprehensive Transport Delivery Structures.**

### 1 Introduction

- 1.1 TSSA welcomes the Northern Ireland Assembly Committee for Regional Development's interest in this important issue and this opportunity to comment. TSSA policy supports a publicly owned and operated transport network that is run in the public interest not for private profit.
- 1.2 TSSA is an independent trade union with approximately 325 members working in Translink. Our members are employed in a wide range of jobs undertaking various duties in most areas of transport work. TSSA members are from the Clerical, Supervisory, Professional/Technical and Management grades.
- 1.3 An integrated, well developed public transport system is a vital part of economic strategy, assisting in the productivity and competitiveness of both the public and the private sectors, thereby contributing towards added value and job creation. In terms of economic development, it is the most efficient, cost-effective way of linking up all the centres of economic activity.
- 1.4 The public transport system makes a significant contribution towards reducing carbon emissions, as required by policy commitments at government level, both by displacing the more polluting private carbon-fuelled transport and incorporating innovative environmentally friendly technologies in public transport vehicles and centres. By contributing to a cleaner environment it, therefore, enhances public health and also social inclusion.
- 1.5 Northern Ireland has a very low population density compared to most UK regions, and also one of the lowest levels of income per capita in the UK. A widely dispersed and relatively poorer population relies more heavily on public transport and requires greater levels of public subsidies for a public transport system.

### 2 Funding of Transport in Northern Ireland

- 2.1 In Ulsterbus, funding is set to be reduced by £17.6 million in the next two years and in Metro by £5.9 million over the same period. This represents declines of 19% and 17% respectively of their current revenue levels.
- 2.2 In Ulsterbus companies, the basic problem is that total revenue is set to decline in real terms. A rise of 2.7% to £96 million over three years will be less than inflation. If the lowest prediction for UK inflation are realised, 3% per annum, this will represent a real cut in revenue to Ulsterbus of 6.6%. In the meantime Operating costs are expected to rise by 14.5% and overheads by 11.5%. As trade unions and management have made unprecedented efforts to keep these costs down, there is no room for further savings through cost-cutting. The revenue side is where the problem lies.

- 2.3 In City bus/Metro, a similar pattern emerges. Total revenue is projected to rise by 5.5% up to 2014/15 (at £37.4 m), a 3.8% fall after inflation. But operating costs are scheduled to rise by 12.5% to £34.4 m, a real increase of over 3%.
- 2.4 In NI Railways, there was no funding shortfall for 2011/12 but there is a planned funding shortfall of £1.9 million for 2012/13, which will rise to £2.6 million in 2013/14 and further to £7.2 million by 2014/15. The main reason for this funding shortfall is the proposed cut in the PSO from £24.3 million in 2011/12 to £20.67 million in 2014/15, a 15% cut. Meanwhile operating costs on NIR are expected to rise by 29% in the three year period, while overhead costs may keep pace with inflation or slightly less.
- 2.5 The transport arm of the DRD currently spends the majority of its budget on roads. Construction and maintenance of roads cannot solve Northern Ireland's transport needs alone; this fact was not lost on the previous DRD minister or his officials. A budgetary shift in emphasis to public transport is required to deliver sustainable and environmental transport solutions for the province in the future that will also contribute to economic growth and social inclusion.
- 2.6 A properly funded, fully integrated public transport network eases the pressure on our current road network. Simply put the more people that use public transport;
- Less cars on our roads.
  - Reduced requirement for new/upgraded roads.
  - Reduced pressure on the road maintenance budget.
  - Reduction in our carbon emissions.
  - Less congestion on our roads.
- 2.7 Subsidies made to the public transport network system should be seen as an investment and not purely as a subsidy to the user of public transport because it delivers real benefits to businesses and other road users and the entire community through lower congestion.
- 2.8 Making public transport more affordable means people's disposable incomes to spend on other goods and services will be increased and contribute to increased economic activity that is especially important at the present time.
- 2.9 A large element of the cost increase in the last two years is the removal of the NILGOSDC subsidy which affects all areas of the business (Translink Corporate Plan).

### 3 Revenue and service provision

- 3.1 This growing funding problem opening up in all areas could be met by raising passenger fares or by cutting back services.
- 3.2 It is crucial that Translink needs to better engage in protecting/collecting revenue going forward. Currently revenue protection/collection is under resourced. By under resourcing this area it results in significant slippage of revenue and potential revenue. It is acknowledged by all that an element of fare evasion exists on the Translink services and there is a belief by our members that more effective strategies should be put in place to deal with this issue. A much more robust approach to revenue protection needs to be adopted so that staff undertaking these duties are solely engaged in this crucially important activity. A revenue protection organisation with a much sharper focus should result in reduced revenue loss as demonstrated by transport companies elsewhere whose approaches should be examined in depth.
- 3.3 Any significant increase in passenger fares, above inflation, will lead to a fall-off in demand, lower revenue and worse funding problems. Increasing passenger fares in a recession will be self-defeating. Moreover it defeats the Public Service Obligation of Translink. Those least able

to afford services would cut back the most, leading to a substantial fall in transport use by the less well-off, those in rural areas, disabled people, the elderly, children, etc. On grounds of economic efficiency, equity and environmental targets, as well as in accounting terms, increasing fares will not address the problem.

- 3.4 Cutting back on services: the majority of services operated by Translink are not profitable in a purely commercial sense. Services, such as town-to-town, rural and school services are strongly cross-subsidised to achieve maximum coverage. Any attempt to separate out these services for commercial purposes would lead to losses for passengers on all services. As these services require the greatest subsidies, cut-backs would only be effective by concentrating largely in these areas. This would be socially unacceptable and economically damaging to large areas of Northern Ireland, especially the loss of bus services, as in most areas, there are no rail services that could be used as an alternative.
- 3.5 TSSA would call on the Committee to commission an 'impact analysis' on the economic, social and environmental effects that would result if cuts to services were implemented.

## 4 Privatisation

- 4.1 Another solution is to privatise public transport services, with or without a PSO subsidy to private operators.
- 4.2 One of our main concerns is the (wrong) assumption that private sector operators are better than anything deliverable by the public sector. The experiences of the role of the private sector in transport in the UK illustrate serious deficiencies of private sector companies to work in the public interest. The experience in Britain, France and elsewhere is that once this occurs, private operators are less committed to meeting social objectives than public service organisations, even when they are subsidised.
- 4.3 Privatised services introduce competition into public transport. Northern Ireland is a tiny market of 1.8 million, more dispersed than most other populations. Bus deregulation in the rest of the UK (outside of London) has on the whole been disastrous. Public transport provision in NI is close to a natural monopoly, i.e. it delivers greater social and economic returns than a fragmented, competitive market could.
- 4.4 Translink has created a highly integrated bus and rail system, with integrated management, IT, ticketing systems, planning, procurement, marketing, integrated depots and other infrastructural facilities.
- 4.5 Privatisation would require a significant breaking up of the level of integration creating more interfaces (and costs) between the various parties working within a more complex structure. Economies of scale would also be lost. This would lead to less efficient services to the public. It would also lead to higher fares and/or a higher level of subsidy from the taxpayer than is currently the case. The failure of the fragmentation of bus and rail services in the much more densely population regions of the UK underlines this point.
- 4.6 Amongst other things, a substantial report 'Rebuilding Rail' (June 2012) ([http://www.transportforqualityoflife.com/u/files/120630\\_Rebuilding\\_Rail\\_Final\\_Report\\_print\\_version.pdf](http://www.transportforqualityoflife.com/u/files/120630_Rebuilding_Rail_Final_Report_print_version.pdf)) identified the huge amount of waste arising from the privatisation of the railways in the rest of the UK. The research undertaken by Transport for Quality of Life confirmed that since privatisation the cost to the public of running the railways had risen by a factor of between two and three times. The most cautious view is that the public money going into the railways has increased from around £2.4 billion per year before privatisation (in the period 1990/91 to 1994/95), to approximately £5.4 billion per year in the period 2005/06 to 2009/10 (all at 2009/10 prices). Over the same period, the money going into the railways from passenger fares has also increased in real terms. According to this report much of the increase in cost may be attributed to the fundamental problems with the complex privatised railway structure

created by the Conservative Government in 1994. It says the key reasons for the increase in cost include:

- higher interest payments in order to keep Network Rail's debts off the government balance sheet;
- debt write-offs;
- costs arising as a result of fragmentation of the rail system into many organisations;
- profit margins of complex tiers of contractors and sub-contractors, and
- dividends to private investors.

4.7 Taken together, these represent a cumulative cost since privatisation of more than £11 billion of public funds, or around £1.2 billion per year. This should be considered a minimum figure, as it included only those costs that may be most readily quantified. To put these figures in context, 'Rebuilding Rail' says if all unnecessary costs were eliminated and the resultant saving used entirely to reduce fares, this would equate to an across-the-board cut in fares of 18% (or a substantially larger cut in fares that are price-regulated because of their social importance). While in Northern Ireland we are dealing with a much smaller network, we believe that privatisation would add significantly to cost pressures on the network. In addition, a failure by privatised services to service remote rural areas, schools and other necessary social services would impose greater demands on the exchequer to compensate.

## 5 Future Development

5.1 Translink, as an integrated public service transport provider, will play a vital role in Northern Ireland's future development. It has already played a significant role in opening up venues like the Titanic Centre in Belfast to huge numbers of visitors will grow in years to come, in this and other venues.

5.2 Northern Ireland's three airports, Aldergrove, George Best and Derry need better linkages to each other and to the wider transport network via public transport.

5.3 As the Metro North link from Dublin city centre to Dublin Airport has been deferred indefinitely, we suggest it would be useful for NIR to explore with Irish Rail in the Republic and the Railway Procurement Office, the feasibility of linking the Belfast-Dublin rail-line to Dublin airport via a spur, thus strengthening significantly the transport links between the three airports in Belfast and Dublin.

5.4 All public transport i.e. hospitals, education and library boards, health etc. should be brought into an adequately funded public transport sector i.e. Translink.

5.5 If funding cannot be sourced from elsewhere within the block grant then the DRD must redirect funds from other projects to ensure we have a properly funded public transport system. In securing this funding we will be going towards defending the public's right to travel on public transport safely at all times including night-time and at weekends

## 6 TSSA contributions to Translink

6.1 TSSA represents management supervisory and clerical staff within not only Translink but also shipping and tourism industries. As a union we have cooperated with Translink where changes were for the good of both staff and the public in providing a cost effective, socially inclusive transport network.

6.2 We do not however subscribe to the notion that a reduced grant allocation from Stormont should lead to service reduction and staff losses, both these are detrimental to the economic conditions that prevail at this present time.

6.3 The people of Northern Ireland deserve a good quality public transport service. While investment in buses, rolling stock, infrastructure, stations etc. is important, public transport also needs to be adequately staffed. We are concerned that quality will suffer if further staff cuts are proposed as part of this inquiry. This approach would prove to be a false economy if it contributed to fewer people travelling and, for example, resulted in increased anti-social and criminal behaviour on the network.

6.4 Staff numbers have fallen significantly in recent years at a time when passenger journeys on rail and receipts/revenues on both rail and bus have increased significantly. We are, however, concerned with the fall in bus passenger journeys. Based on information published in Northern Ireland Transport Statistics 2011/12 (Department for Regional Development/ Northern Ireland Statistics & Research Agency) our analysis is set out below:

#### Buses (All Staff)

2007/08		2011/12		Reduction (%)	
Ulster Bus	Metro	Ulster Bus	Metro	Ulster Bus	Metro
2,519	756	2,234	731	-285 (-11.3%)	-25 (-3.3%)

#### Buses (Passenger Journeys - Millions)

2007/08		2011/12		Reduction (%)	
Ulster Bus	Metro	Ulster Bus	Metro	Ulster Bus	Metro
43.9	26.0	40.6	25.9	-3.3 (-7.5%)	-0.1 (-0.4%)

#### Buses (Local Passenger Receipts – £Millions)

2007/08		2011/12		Increase (%)	
Ulster Bus	Metro	Ulster Bus	Metro	Ulster Bus	Metro
76.6	29.6	83.7	33.4	+7.1 (+9.3%)	+3.8 (+12.8%)

#### Buses (Local Passenger Receipts per Employee– £)

2007/08		2011/12		Increase (%)	
Ulster Bus	Metro	Ulster Bus	Metro	Ulster Bus	Metro
£30,409	£39,153	£37,466	£45,691	+£7,057 (+23.2%)	+£6,538 (+16.7%)

#### NI Rail (All Staff)

2007/08		2011/12		Reduction (%)	
957		912		-45 (-4.7%)	

#### NI Rail (Passenger Journeys - Millions)

2007/08		2011/12		Increase (%)	
9.5		10.7		+1.2 (+12.6%)	

**NI Rail (Passenger receipts - £ Thousands)**

2007/08	2011/12	Increase (%)
£25,063	£32,868	+£7,805 (+12.6%)

**NI Rail (Passenger receipts per employee- £)**

2007/08	2011/12	Increase (%)
£26,189	£36,039	+£9,850 (+37.6%)

- 6.5 Safe affordable public transport has been successfully provided by Translink and its workforce through difficult times and conditions. This is a time for forward thinking and investment in the transport infrastructure of Northern Ireland, to provide easy access for our tourism industry, for our socially deprived sections of community who cannot afford private vehicles or through disability, who would otherwise be excluded.
- 6.6 The Northern Ireland Executive could be providing Translink with sufficient funding to maintain present services with provision for enhancement where this is shown to be of community, economic or environmental benefit. It should be remembered much of the school transport delivery has been reliably provided by Translink and its subsidiary companies.
- 6.7 TSSA has in conjunction with our sister unions has been prepared to work with Translink, Department of Regional Development, the Minister and the Committee to ensure a sensible, effective and beneficial transport network was created. However, we have already suffered reduction of staffing levels leading to potential losses of revenue, and through this inaccurate data collection for the Department.

## 7 Worker Directors

- 7.1 As part of a process of ensuring good corporate governance, transparency and a better managed transport system it is our view that the Board of Northern Ireland Transport Holding Company should establish two seats for worker directors. Worker directors would be elected directly by the staff at Translink. This would be in line with CIE that currently has two worker directors as do various other semi-state organisations in the Republic of Ireland. This is also the common practice in various other European countries particularly in Scandinavia, Germany, Luxembourg, Austria and France. It has been proven that worker participation at board level makes a valuable contribution to an organisation. The concept of workers bringing advice and knowledge from the shop-floor in company decision making can only be of benefit to Translink.
- 7.2 Studies have shown that the vast majority of ordinary directors in firms with worker directors considered worker directors to be loyal to their company, trustworthy and diligent with their contributions and are seen as being positive and unique. Worker directors help avoid group thinking and promote a diversity of opinion. Worker directors on the board would contribute to staff feeling confident in the direction of the company.
- 7.3 TSSA believe there is a better way to deliver integrated transport to Northern Ireland. TSSA through its representatives at Translink and its officials would welcome the opportunity to discuss in person with the Committee the issues facing Translink and how the challenges of delivering a best practice transport system for the benefit of both users and workers in the industry can be achieved.

## 11 Conclusion

- Translink is a vital agency in implementing the social, environmental and economic goals of the Northern Ireland Executive.
- These goals can only be met if Translink remains as a fully integrated publicly owned entity.
- Serious problems are opening up in the finances of Translink.
- These problems are on the revenue side, not on the costs side. They can only be remedied effectively by increasing public funding in line with the growth in the cost base.
- Privatisation in full or in part, would only exacerbate the problems as would increase the burden on the fare paying public.
- The trade unions and management have done their bit in containing costs and developing the service in the most efficient and comprehensive manner within the resources available.
- Even with agreed measures and savings we still suffered a significant increase in job losses over the last four years.
- Further reductions in funding to Translink could lead to a loss of some 500 jobs across Translink. This would have a considerable negative impact for the travelling public.
- We are also concerned about the impact this will have on weekend and evening services. We also have severe worries about the impact this will have on our rural services with the closure of rural depots and certainly the definite closure of all the rural sub-depots.
- Our concerns on the railways under the current proposed funding levels could result in the end of the railway line north of Ballymena on the Derry line and north of Whitehead on the Larne line, resulting in hundreds of job losses in Northern Ireland Railways.
- In closing, TSSA would call for all public transport i.e. hospitals and education and library boards be brought into an adequately funded public transport sector i.e. Translink.
- If funding cannot be sourced from elsewhere within the block grant then the DRD must redirect funds from other projects to ensure we have a properly funded public transport system.
- It is time for the government to meet its obligations, working with the workforce and other interested parties to deliver a good quality, affordable public transport system.
- We call on the DRD to join with us to find the resources to bridge this gap that is opening up and to give public transport the priority it deserves.
- We believe that a failure to identify and supply the necessary resources will be a false economy that in the long run will add cost to the exchequer.

### January 2013

<b>TSSA Contact Details</b>		
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# Victor Emerson

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DUNGANNON  
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BT71 7JJ

18<sup>th</sup> January 2013

The Committee for Regional Development  
Room 435  
Parliament Buildings  
Ballymiscaw  
Stormont  
Belfast  
BT4 3XX

Dear Members of Committee,

Re: Inquiry into Comprehensive Transport Delivery Structures

In connection with above, numerous structural changes need to be implemented into Northern Ireland's Transport System, some of which are indicated hereafter.

With the experience of travelling in some European Countries where they issue tickets that are useable on all modes of transport, this should be easily implemented in Northern Ireland as the same company (Translink) operates both Trains and Buses.

When tickets are purchased from official outlets the debit on the ticket is not activated until used on the first journey when the ticket is date and time stamped and thereafter valid for the amount of time purchased. (Be it 24 hours, 3 days or whatever). Single journey tickets from 'A' to 'B' are for that journey alone.

The purchase of a return ticket should mean exactly that, and should be valid on Bus or Train on any subsequent date until used. Multi-journey tickets should not be exhausted until all journey days are used up irrespective of the date and should be valid on Bus or Train.

More experimental trials at reduced fares should be introduced to measure the uptake of indecisive travelers making it more attractive than private transport.

Consideration should be given to extending the Railway System throughout the Province in order to facilitate the expected move to Public Transport in the years to come. If there was a Railway Station in Dungannon, about 20 Bus journeys to and from Belfast together with hundreds of other motor vehicles would not be causing congestion in Belfast.

Railway Stations such as Templepatrick should be open and working as a vital link into Belfast City Centre.

In so far as School Transport is concerned it should be controlled and operated by Translink.

Rural Community Transport should be discontinued because it seems to operate only for Jacobs' Chosen Few. (Total waste of Tax Payers money)

Yours sincerely

  
Victor Emerson



Northern Ireland  
Assembly

Appendix 4

# Memoranda and papers from the Department for Regional Development (DRD)



# Correspondence from the Department

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Your reference:  
Our reference: DALO 11/G/2013

14 May 2013

Dear Paul

## **REQUEST FROM COMMITTEE FOR REGIONAL DEVELOPMENT IN RESPECT OF QUERIES FOLLOWING TRANSLINK EVIDENCE AT INQUIRY INTO TRANSPORT DELIVERY STRUCTURES**

Further to the queries raised following the recent presentation from Translink in respect of its inquiry into transport delivery structures, I would respond as follows.

- **The Consumer Council stated its concern of how you have progressed against previous efficiency review recommendations. Can you outline what these recommendations were and how you went about implementing these?**

Please see attached summary prepared by DRD and previously shared with CCNI in relation to progress against the recommendations from a review carried out on behalf of the Department (Annex A).

In addition, in 2009 the Department completed an efficiency review of the Translink companies. This was based on benchmarking with broadly similar operators, mainly in GB. The review concluded that savings of £12.8m could be achieved over a five year period.

A further review was carried out in 2010. This concluded that after adjusting for changes in activity levels, wage rates and fuel prices, savings of around £6.2m has been achieved between 2007/08 and 2009/10. A link to the relevant section of the report is shown below.

All of these reviews have been shared with the Consumer Council.

[http://www.drdni.gov.uk/obc\\_chapter\\_3.pdf](http://www.drdni.gov.uk/obc_chapter_3.pdf) “

1

- **Can Translink define the percentage increases in fares based on the ticket type and the percentage of passengers in each of these categories?**

It is very difficult to assess this accurately and provide a figure Translink could stand over, as assumptions have to be made on usage patterns for multi-journey ticket types including weekly, monthly and annual tickets. In addition, it would mean knowing the numbers of passengers who will move from higher cash and/or single fares to lower multi journey/period tickets - which Translink will be encouraging and promoting.

This can probably be best demonstrated in terms of the information provided in Translink's Press Release which aimed to encourage passengers to use alternative ticketing to reduce the impact of increases where possible.

- **What assets, other than those secured through public grants, has NITHC purchased since 2007 and at what cost?**

Assets at a cost of £13.1m have been purchased since 2007, other than those secured through public grants. The details are below:

April 2007 – March 2012

Group	Cost £'000
Land & Buildings	6,943,072
Plant and Machinery	840,508
Signalling	146,581
Structures	120,275
Bus and Coach	2,799,673
Cars, Vans, Lorries	175,424
Furniture, Fittings and Equipment	2,092,154
Total	13,117,687

- **Can Translink provide examples where revenues from commercial ventures have been used to fund transport assets such as train or bus stations?**

It is not possible to provide specific examples as the financial analysis is produced at company level. However, since 2007, operational costs have been offset to a value of £11.8m by revenues from commercial ventures.

- **What is the total value of NITHC assets, excluding those purchased by means of public grant?**

The total net book value of NITHC assets, excluding those that have been purchased by public grant, is £53.5m.

- **Can you outline how Translink consults with its customers to inform a consumer transport needs analysis?**

Translink has a decentralised operational structure with management in place at local/community level throughout Northern Ireland who liaise directly with elected representatives, Councils, schools and community groups and individuals. This is maintained on an on-going basis such that local management will be aware of changes to potential travel patterns arising from new developments in employment, education, retail or leisure, along with population shifts. Local management also maintain close contact with Roads Service and planning authorities to ensure passenger transport is included as necessary in all planned changes to infrastructure.

Translink hosts open days (Meet the Manager events) at all its passenger facilities for local elected representatives, media and members of the public and Translink also has a series of standing 'passenger groups' who meet quarterly and return formal feedback surveys weekly.

In general, Translink encourages passengers and members of the public to contact us directly in relation to any service issue. In the event of specific/proposed changes to services, Translink will correspond directly with elected representatives and affected communities to seek feedback; this can also take the form of feedback events, for example at shopping centres or communication through local media.

I hope this information is helpful to the Committee.

The content of this letter is fully disclosable under FOI.

Yours sincerely



**ALAN DOHERTY**  
Departmental Assembly Liaison Officer

## ANNEX A

### **Action Plan Financial Review – Key Recommendations Document – Current position at January 2013**

**Assets Disposals** – Asset Disposals considerations are being taken forward as part of the work of the Strategic Investment Board Sub Group and associated Executive targets.

**Abbey Centre and NITHC Car Parks** - These have been included in the asset disposal target set by Budget.

**Coach Tour Business** - It was agreed that this would remain in Translink's ownership as the income supports other business areas. That is it supports Ulsterbus and Metro services.

**Pensions** - Not affordable to consider substantial change to pensions. Economic Appraisal demonstrated this. Changes to the scheme are currently being considered by NILGOS for 2015 onwards.

**Salary / Remuneration Benchmarking** – Was undertaken but is now effectively part of Collective bargaining arrangements conducted annually.

**Automated Ticketing on Railways** - Hand held machines replaced. Work has now commenced on a new ticketing system.

**Leverage car parking revenue** - This was considered further but pricing structure deemed appropriate. Effectively part of Asset Disposal plans referred to above.

**Charging at rail station car parks** - Not considered to be appropriate by Minister.

**Sharing Bus Maintenance facilities with Education / Health** - Translink were keen to develop this proposal but the other authorities were not so forthcoming. Translink / NIW / Roads have agreed to work proactively and collaboratively with Central Procurement Division and other COPEs on the procurement of categories such as common goods and services.

**Leasing of Buses/Trains** – Not considered value for money and ruled out as it adds to costs of bus and rail companies.

**Bus Service Optimisation** - Implemented 2010/2011

**Duncrue Street Engineering** - Implemented 2011

**Collaborative Procurement** - Ongoing discussions.

# Department for Regional Development

CENTRAL MANAGEMENT BRANCH

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Your reference:  
Our reference: DALO 11H/2/2013

15 May 2013

Dear Paul

This letter provides the Department's reply to the questions raised in your letter of 2 May 2013 in relation to the Committee's Inquiry into comprehensive transport delivery structures. The responses are set out beneath each of the Committee's questions.

## **What KPI's are used to assess whether Translink are providing value for money?**

As part of the Department's scrutiny of Translink, a detailed monthly resource budget position report is provided for consideration at the Monthly Monitoring Meeting. This details both the group financial position and their performance against a wide range of KPIs including passenger numbers, reliability/punctuality, fleet age and safety information. In relation to assessing value for money the key indicators used are:-

- Total cost per passenger;
- Operating cost per passenger;
- Operating cost per kilometre; and
- Indirect overhead cost.

The first three indicators measure the cost efficiency of the services, i.e. the trend in the cost of carrying one passenger travelling one kilometre. For the last indicator, trends are evaluated with the objective of continuously lowering the indirect overheads in order to improve the effectiveness and overall performance of the administration of the companies.

1



**When will the PEDU efficiency review be made available to the Committee?**

The Department and PEDU are currently completing an efficiency review of the Translink companies. The report is expected to be completed over the next few months and a copy will be provided to the Committee when it is completed.

**What plans has Transport NI to redress the imbalance between roads capital and public transport?**

Through the New Approach to Regional Transportation the Department is introducing a new prioritisation mechanism to assess the "policy fit" of what we do and to help the Department to reach better decisions on transportation investment by identifying those schemes which will best achieve our strategic objectives. This framework will be used to influence our transportation investment from 2015 onwards through the production of a delivery plan of prioritised strategic transportation interventions. This will be subject to normal budget processes going forward.

**What progress has the Department made on the performance based contract with NITHC/Translink, due to be in place in April 2014?**

The requirement for a contract with NITHC/Translink arises from the provisions of EU Regulation 1370/2007 and the Transport Act (NI) 2011. In preparation, the Department has placed a notice of its intention to award a contract in the European Journal. The Department is also in the process of developing regulations on service agreements (contracts) and service permits, which will continue to regulate the routes provided by public transport operators in Northern Ireland. The Department is also reviewing its current Key Performance Indicators on Translink performance and later in the year will begin to prepare a draft contract for discussion with NITHC/Translink. The Department will brief the Committee on the work to date on 29 May 2013.

**A number of groups have highlighted the importance of transport planning. What is the Department doing to address this issue?**

The Department has recently appointed a senior transport planner to plan and procure the implementation of a transport modelling system and an associated managed service through which specialist short-term technical support could be obtained as necessary for specific assignments. It is planned to establish a transport planning team within the Department to co-ordinate the use of the model and to guide transportation planning activities undertaken by the Department and partner organisations. This approach to transport planning operates successfully in all areas of GB and in the Republic of Ireland.

**What progress has been made on the introduction of a single integrated ticket?**

With the involvement of the Department, Translink will shortly begin a feasibility study to examine the options for the next generation of ticketing systems. As part of this study, the implications, costs, options, feasibility and benefits of wider integration with other operators will be considered. Translink's existing ticketing system offers integrated ticketing between Translink's bus and rail services, which covers about 96% of passenger transport journeys made in Northern Ireland. All concessionary smartpasses are integrated tickets as they are accepted on all Translink bus and rail services. Translink offers customers a range of integrated smartcard and paper-based ticketing products under the brand names of iLink and Plusbus respectively. These products can be purchased to travel on Metro, Ulsterbus and Northern Ireland Railways services within a specified zone for a period of time.

**What discussions have taken place with other relevant departments to ensure a collaborative approach to the planning, funding and delivery of transport services will be in place in time for the next budget period beginning in 2015?**

As part of its preparations for implementation of A New Approach to Regional Transportation, the Department is developing a Policy Prioritisation and Delivery Framework to help identify spending priorities for the next budget period. In view of the importance of transport in helping to meet the Programme for Government targets and to the implementation of other Department's delivery strategies, the Department has met with

all other Government Departments to discuss the Prioritisation Framework and has taken account of their comments and views in developing this.

At a more detailed level, the Department is working in co-operation with the Department of Education, the Department of Health, Social Services and Public Safety and the Department of Agriculture and Rural Development to explore the opportunities for better integration of publicly funded passenger transport services on a pilot basis in the Dungannon area. The pilot is currently being planned and may need to be implemented iteratively as problems are overcome, with some initial changes expected in autumn 2013. It will then be subject to a period of evaluation. At this stage, it is too early to say whether this will have any long term funding implications.

The contents of this reply are fully disclosable.

Yours sincerely



**ALAN DOHERTY**  
Departmental Assembly Liaison Officer

# DALO Committee Inquiry Into Comprehensive Transport Delivery Structures

CENTRAL MANAGEMENT BRANCH

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**Your reference:** DALO 27/2/2013  
**Our reference:** SUB663/2013

13 August 2013

Dear Paul

## QUESTIONS RELATED TO INQUIRY INTO COMPREHENSIVE TRANSPORT DELIVERY STRUCTURES

I refer to your letter of 30 July 2013 regarding the numbers of Transport NI staff in who are specialised in:

- Local transport planning;
- Contract specification;
- Performance and contract management; and
- Fares regulation.

Transport Northern Ireland's (TNI) Public Transport Services Division consists of 30 staff. At the more senior levels, this includes one Director, two Principal Officers, five Deputy Principals and nine Staff Officers. These figures include three qualified accountants. Public Transport Services Division also works collaboratively with colleagues in Transport Projects Division and Strategy, Policy and Legislation Division in the core Department on the review and implementation of new policies and strategies.

In relation to your question, the numbers of staff with specialist experience in the listed areas are set out below.

### Local transport planning

Three senior staff in TNI's Public Transport Service Division have been involved in the annual corporate and business planning process with Translink. This has involved



negotiations over the provision of services. In addition, over the past five years, seven staff have been involved in the planning and analysis of services provided through the Rural Transport Fund and demand-responsive services.

Two staff from TNI have worked closely with Transport Projects Division on the development of the integrated public transport planning pilot in Dungannon. In addition, as part of its future approach to transport modelling, the Department plans to procure an expert transport modelling and planning service. This contract will enable TNI to have access to expert transport planners to assist, where necessary, with the development of local public transport plans.

#### **Contract specification**

Four staff from Public Transport Services Division have been involved in agreeing performance indicators and the passenger charter with Translink and Accessible Transport schemes in urban areas with local service providers. Eight staff have also been involved in developing specifications for demand-responsive services. In relation to the development of the proposed Service Agreement with Translink, TNI staff work jointly with Transport Projects Division in the core Department to develop the contract.

In all contract specification work, staff utilise specialist advice from the Central Procurement Directorate, the Departmental Solicitor's Office and the Strategic Investment Board, as necessary.

#### **Performance and contract management**

Six members of staff from Public Transport Services Division have long experience of managing the performance of Translink, the Rural Community Transport providers and the Rathlin Ferry operator under the existing sponsor or contracting arrangements. When the Service Agreement and Service Permit regime is introduced in April 2014 one Staff Officer from Transport Projects Division who has been involved in setting up the new arrangements will transfer to TNI to help ensure a smooth transition.

#### **Fares regulation**

Three staff, mainly those with accounting experience, have knowledge of high level fare analysis and associated financial matters specifically in relation to Translink.

In relation to the rest of Transport NI, the staff have mainly specialised in roads maintenance/construction matters, often covering functions similar to those listed above but not with a particular focus on public transport.

I trust this will provide the Committee with the details it requires for its Inquiry.

This letter is fully disclosable under FOI.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan', written in a cursive style.

**ALAN DOHERTY**  
**Departmental Assembly Liaison Officer**





Northern Ireland  
Assembly

Appendix 5

# Memoranda and Papers from Others



# Community Transport Association

## Written briefing for oral presentation for the Regional Development Committee 24 April 2013

### **The Community Transport Association**

#### **1.1 To assess the current legal status of the NI Transport Holding Company and its relationship with the Department for Regional Development**

The CTA is not at liberty to provide further evidence than is already publically available to the Committee on this part of the inquiry.

NITHC was established by the Transport Act (NI) 1967. It is a public authority delivering public transport services including bus and rail in Northern Ireland.

The relationship with DRD appears to be limited to provision of funding to provide the public transport network and support the provision of public transport passenger bus and rail depots/stations.

CTA is aware the transport planning function within NITHCs company divisions is contained to only their service provision. The strategic transport planning function for Northern Ireland was to move to DRD's Public Transport Authority (see appendix i). This has since been replaced by Transport NI.

#### **1.2 To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and RoI**

CTA is unable to contribute to the comparative analysis as our main priority is community transport. CTA sees community transport as an integral part of the mix of services required to deliver an appropriate public transport service. Community transport works to enable rural and isolated dwellers to access the public transport network through our provision of rural minibus and volunteer car services subsidised through the DRD's Rural Transport Fund (RTF). This grant equates to approximately £3.7m per year and includes @ £1m per year for Translink's rural service provision, the remaining £2.7m is split between 7 geographical areas where CT delivers access to local, rural services.

It is difficult to compare the NI expenditure to other areas in the UK because we exist in a regulated transport regime. The NI legislation limits provision of public transport services to one supplier, namely Translink. London is the only other area where regulation limits the number of suppliers. The difference between landscape and socio-geography makes it impossible to compare.

In order to examine the investment in transport there must include all expenditure on public transport. This should take into account all transport delivered through the public purse such as transport for Health, Education, Job schemes etc. At present there is no available data to determine how much money NI government spends on transport largely because for some Department's transport is ancillary to main purpose and therefore budget not easily discernible.

#### **1.3 To compare the policy objectives for provision of public transport in the UK, RoI and in Europe**

CTA can only comment on the provision of the community transport solutions that form part of the mix of transport services in the UK.

Due to changes in EU legislation RoI and Europe no longer have community led transport solutions delivered by and for the community by volunteers and the community sector. While RoI still has a number of organisations who call themselves 'community transport operators'

they differ fundamentally from the UK community transport sector. In RoI community transport operators must be licensed as commercial and therefore are profit making or hire commercial operators to deliver services on their behalf. This barrier has stopped the community from being able to create their own access solutions through a community transport, non-commercial, not-for-profit, local scheme.

Across the UK the S19 and S10b permit system alongside the UK derogation on driving licenses has enabled the community to provide transport solutions to work in partnership with the public transport system. Much of the evidence regarding the inclusion of community transport in the rest of UK will be limited to the work of Local Authorities for example: Hampshire County Council.

While DRD encourages the connection of CT passengers to the public transport network there are some issues raised by DoE that may prevent this from continuing in the future.

**1.4 To assess whether current structures and Transport NI proposals are best suited for the efficient and effective delivery of public transport legislative and policy objectives.**

There is only limited information about the proposed Transport NI model but CTA are particularly concerned about any proposal to drop specialist Transport Planning input. Appendix i outlines what was outlined for the Public Transport Authority in the DRD Public Transport Reform Consultation.

The DRD website provides the following information about Transport NI:

*“Establishment of Transport NI: In order to implement the public transport reforms, new organisational arrangements are necessary within the Department to ensure compliance with EU Regulation 1370/2007, and to ensure the most cost effective and efficient delivery of our services. In order to provide for this a three tier model for the future delivery of public transport services has been identified incorporating:*

- (1) A top government tier, responsible for transportation policy, legislation, and for securing funding;*
- (2) A middle tier Authority, responsible for tactical planning, specifying service requirements, securing their provision, managing contracts, and regulating the provision of permits for new and existing services; and*
- (3) A third tier comprising of public transport operators, responsible for operational planning and delivery of public transport services, either through contracts or permits.*

*The Department is currently reorganising its business to ensure the best long term arrangements for the delivery of the middle tier functions. A project is underway to establish a single organisation within the Department, to be known as Transport NI, to deliver Roads and Public Transport Authority functions and which will come into effect in April 2013”*

CTA believe that the absence of skilled transport planners or a robust transparent transport planning process has a substantial impact. Public transport requires public subsidy to ensure it meets public policy objectives. Transport therefore requires objective analysis and debate and careful consideration by government in order to balance investment in transport against other public priorities such as education, health, environment and the economy. CTA believe that without transport planners or a robust transparent transport planning process the role of public transport and its interactions with land-use and highway planning may not be fully understood. This may result in lack of direction in transport investment; the change in investment between that planned in the Regional Transportation Strategy 2002 – 2012 and as delivered and included in the Budget to 2015 is a case in point.

**1.5 To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery**

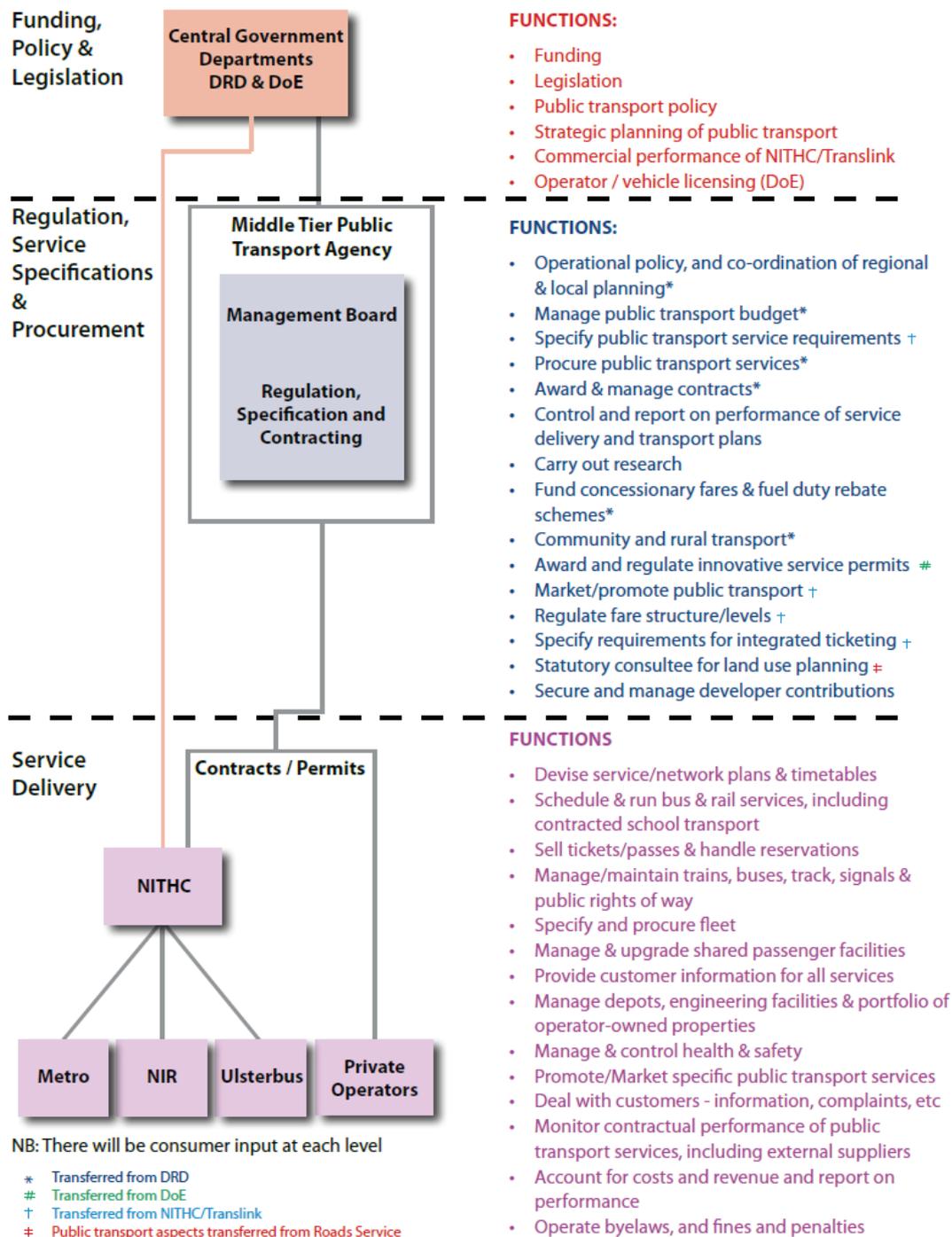
- Delivery structures for public transport are monitored and evaluated but very few reports or outcomes of investigation are made public.
- There is no comparative investigation of how public money is spent on transport in other Departments of the Executive. This needs to be examined and rationalisation based on resource and financial duplication
  - There needs to be transparency evidencing how Departments of the NI Assembly is spending money on transport. In order to ensure efficiency a central procurement system for transport should be adopted.
  - This evidence would provide the necessary detail to identify duplication, where further efficiencies and value for money can be created through effective transport planning.
- CTA believes that transport is considered an 'operational detail' for many Departments including Education and Health.
  - However, in continuing to centralise and specialise services, transport to access the services becomes increasingly important.
  - More evidence is required to examine the impact of centralisation – has there been more partnership working between Education, Health and Translink to enable people to use public transport to access services? Has it been successful and if not why not?
  - CTA congratulates the DRD for the establishment of the Integrated Transport Group. This will collate information about current transport needs and current transport services covering Education, Health, Community and Public transport in the Dungannon Pilot area. This is the first time any attempt has been made to integrate transport solutions.
  - CTA hopes the learning from the pilot could be rolled out in conjunction with Local Transport Plans across NI.
- In CTA's previous submission to the Committee (Inquiry into the better use of public and community sector funds for the delivery of bus transport in Northern Ireland, 14 September 2012) we confirmed a 10 year approach that would enable appropriate cross-departmental strategic planning (centred within DRD) and lead to the creation of an NI Integrated (accessible)Transport Plan. That approach would identify how any public money is spent on transport, review where and why people travel, integrate resources and use the most effective suppliers to deliver the transport needs of the NI community.

## Appendix i

From: DRD Public Transport Reform Model (DRD Public Transport Reform Consultation, Page 20)

# Annex 1

## Proposed Three-tier Model for Public Transport



# Professor Austin Smyth

## The Northern Ireland Assembly's Committee for Regional Development Inquiry into Comprehensive Transport Delivery Structures Briefing Summary prepared by Professor Austin Smyth (FCILT)\*

April 2013

\*Director of the Centre for Sustainable Communities at the University of Hertfordshire

### Executive Summary

The Northern Ireland Assembly's Committee for Regional Development is holding an Inquiry into Comprehensive Transport Delivery Structures, the terms of reference of which are as follows:

1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development;
2. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland;
3. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe;
4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives;
5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery

The Committee has issued an invitation to all organisations and individuals to submit evidence. This Submission is made by **Professor Austin Smyth (FCILT)**.

**This submission provides only outline recommendations. More details will be provided at Oral Hearing.**

The terms of reference of the Committee have identified five key objectives. However, it can be argued that it is more appropriate to reverse the order of considering Objectives 2 and 3 on the basis that policy drives the level of subsidies. Thus this submission addresses the question of policy objectives for provision of public before turning to analysis of the costs and subsidies. This Executive Summary sets out selected observations of the author in relation to each of the issues raised in the terms of reference. The submission draws on a variety of sources including the authors own research and the Outline business Case produced on behalf of the Department for Regional Development.

#### **1. To assess the current legal status of the Northern Ireland Transport Holding Company and its relationship with the Department for Regional Development**

##### **Selected Observations**

1. The arrangements for the control and regulation of transport in Northern Ireland are markedly different from the rest of the UK outside London and are very similar to those obtaining in the Republic of Ireland. In contrast to the widespread privatisation

and deregulation of public transport operations in the rest of the United Kingdom, public transport in Northern Ireland remains state owned and wholly regulated and gives the operators a near monopoly on scheduled services. This has enabled the bus companies to maintain uneconomic services by cross subsidisation from profitable services without the need for significant route support grants from DRD.

2. On the basis of evidence of best practice in the sector the current arrangements raise issues concerning the overall effectiveness and efficiency of delivery of public transport as well as constraints on innovation and leadership demonstrated by the transport operators. Such concerns stem from the degree of day to day operating independence enjoyed by the operators and the extent to which NITHC has demonstrated an ability to operate as 'an institutional unit separate from the Department for Regional Development'. These are issues addressed below.

## **2. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe**

3. It makes little sense to consider public transport in isolation from the sector as a whole. This contribution seeks to place public transport policy in a wider sector context.

### **Selected Observations on Transport Policies in the UK's Devolved Areas**

4. The UK has, to date, maintained a single transport strategy of sorts. However, differences between the Regions are emerging:
  - priorities of policy makers in Scotland, Wales and Northern Ireland tend to focus much more on regional economic development;
  - Westminster and the devolved administrations also differ in their priorities in relation to international transport connections - in both Northern Ireland and Scotland, peripherality combined with the absence of competitive alternative modes makes business travel to the south east highly dependent on air services;
  - The new devolved governments were also quick to understand that there were very clear local reasons why support for such policies was unlikely to be forthcoming in their own jurisdictions.
5. The sentiments expressed in all of the strategies and plans of the devolved administrations have at least until very recently echoed those of the UK Government. Northern Ireland policy for public transport has also tended to echo that for the Republic of Ireland and its regulatory and control arrangements have been almost identical to Northern Ireland throughout the post war period.
6. Given the similarity in the rhetoric, it would be reasonable to anticipate both the scale of resources and the balance of investment between more and less sustainable policy options to be similar taking into account differences in demography and geography. Thus spending on the Transport Sector can be viewed as a Barometer of Commitment to Public Transport.

## **3. To undertake a comparative analysis of the costs and subsidies to maintain the current and future public transport infrastructure and service delivery in the UK and Republic of Ireland**

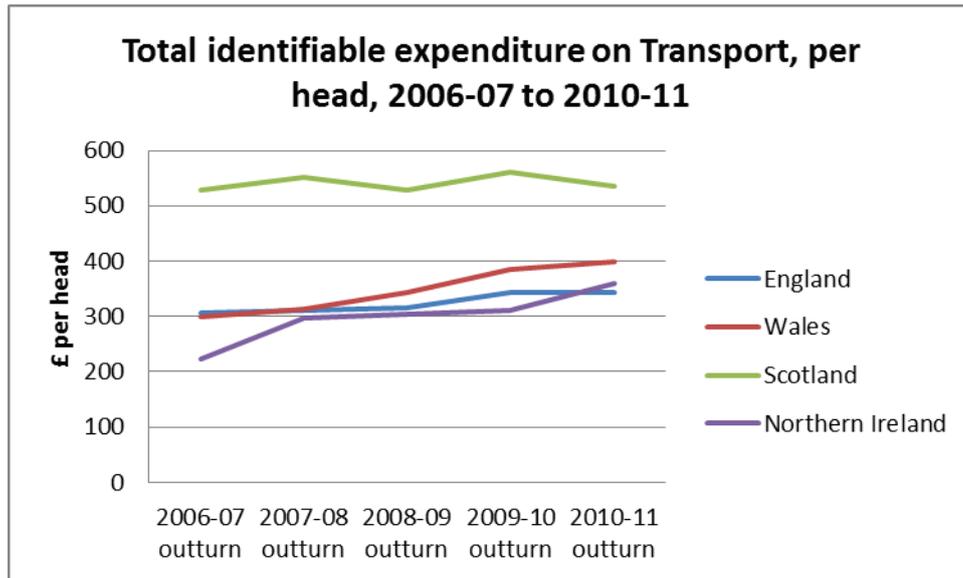
7. Any comparative analysis of the costs and subsidies to maintain current and future public transport infrastructure and service delivery cannot be divorced from the wider spending profile for transport given the latter's implications for mode competitiveness, modal shares and ultimately financial viability and call on public subsidies.
8. Moreover, given the very fundamental differences in the control and regulatory frameworks covering public transport in Northern Ireland compared to elsewhere in the UK and the fact that much of what would appear capital here is allocated via current

spending elsewhere it is misleading to ignore capital spending when considering subsidy levels in Northern Ireland compared to elsewhere in the UK.

### **Conclusions on Current Profile of Transport Spending**

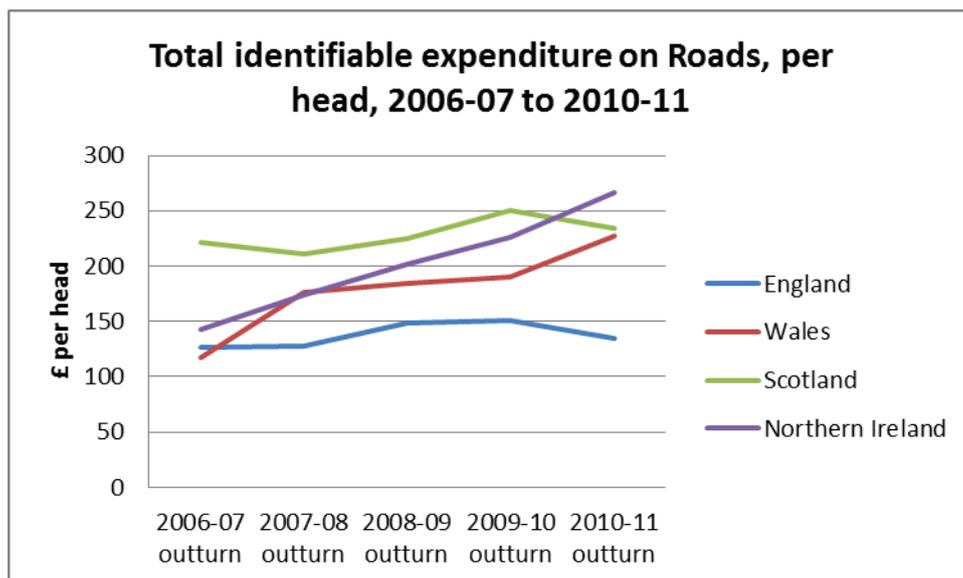
9. The gap in overall transport spending between Northern Ireland and England has been closed in the last couple of years. Between 2005-06 and 2010-11 Northern Ireland's investment in transport rose significantly, virtually doubling. Northern Ireland overtook the English and UK average spend per head on transport in 2010-11. Nevertheless, even by 2010-11 expenditure remained lower than in the other devolved regions. (See Graph 1)
10. Spending on roads in Northern Ireland has recently grown rapidly. Per capita spend on roads is now higher in Northern Ireland than any other UK region and is over double the per capita spend in England (See Graph 2).
11. Moreover, expenditure on roads in Northern Ireland is consistently higher than other transport modes and this continues to rise year on year, whereas, investment in public transport is more variable. This spending profile where road spending is consistently higher is unique to Northern Ireland. In the rest of the UK there has been a noticeable policy shift towards supporting public transport, particularly rail in England and Scotland.
12. Spending (Capital and current including subsidies) on public transport per head in Scotland was double that of Wales and some three times that of Northern Ireland for much of the last decade while the gap between Wales and Scotland has closed in the last couple of years spending in Northern Ireland has continued to lag well behind the remainder of the UK devolved areas and nationally (See Graph 3). After taking into account differences in the structure of the industry in Northern Ireland and Great Britain much of this can be attributed to the fact that the contribution of government funding to rail turnover in Northern Ireland is typically lower compared to other devolved areas (excluding London) and the more deprived regions of England.
13. It is important to note once again that the figures for England include those for London and the remainder of the country. Separate figures for London indicate the capital enjoys spending on public transport that exceeds levels for Scotland.
14. Per capita spending on public transport (capital and current) in the Republic of Ireland has also tended to exceed significantly the level of spending enjoyed in Northern Ireland over many years. For instance PSO revenue support payment for rail per journey is typically at least 50% higher for Irish Rail than for Northern Ireland Railways.

**Graph 1. Total Expenditure on Transport, per head 2006/07 – 2010/11.**

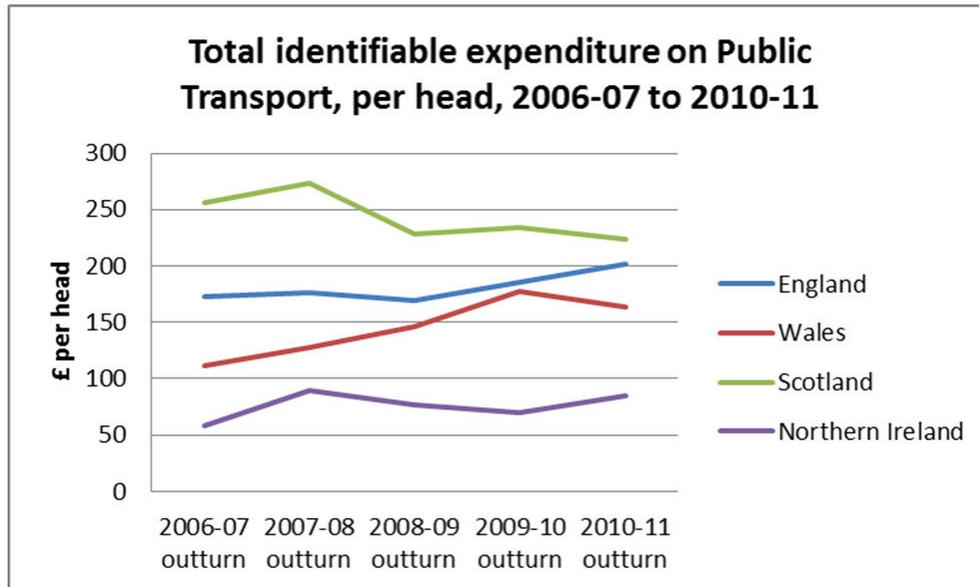


Source: HM Treasury

**Graph 2. Total Expenditure on Roads, per head 2006/07 – 2010/11.**



Source: HM Treasury

**Graph 3. Total Expenditure on Public Transport, per head 2006/07 – 2010/11.**

Source: HM Treasury

15. The profile of expenditure by mode of transport has changed over the period 2002 to the present day. Public Transport (PT) share fell steadily from 31% in the RTS, through 19% in the IDP to 14% in the Draft Budget. Average PT annual spend falls sharply from £80m in the RTS to £18m in the Draft Budget. Average Roads annual spend falls less sharply from £179m in the RTS to £111m in the Draft Budget.
16. It is apparent that if these proposals proceed then the following undesirable scenario will unfold:
- A reduction in bus service levels and fare increases initiating a potential downward spiral in demand for public transport and further rounds of service cutbacks. The initial changes will only encourage car-owning commuters to use their cars and cause modal transfer from bus to private car.
  - This in turn will create additional congestion, local air pollution, accidents and encourage out-of-town development and trip patterns. This in turn will decrease fare revenue and hence lead to a further reduction of service levels and increased fare increases.
  - People without cars, people living in rural areas in particular will be forced increasingly to depend on lifts in private cars and taxis or lose mobility, access to job, shopping and recreational opportunities.
  - The value of concessionary travel to pass holders will be increasingly reduced as services are withdrawn. In practice their use will be increasingly limited to urban areas and weekday daytime travel hours.
17. Quality public transport is a pre-requisite for the Department to achieve its key objectives affording transport choices in addition to providing essential accessibility for people without private cars. Public transport is a necessity for people without cars and people with disabilities; whilst the costs accrue to the Department for Regional Development, substantial cross-sector benefits are realised by Departments responsible for employment, health, education, environment, culture, rural and social development. Having made significant progress in addressing social and accessibility issues in recent years, it appears illogical, inefficient and inequitable to place the burden of savings on relatively disadvantaged people, when funding is reduced.

**4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives**

18. The overall aims of the Public Transport Reform proposals are to deliver a public transport system that:

- underpins implementation of the Regional Transportation Strategy;
- provides safe, efficient and high quality public transport services;
- complies with EU regulations;
- encourages the greater use of public transport; and
- maximises efficiency and value for money.

Selected Observations on suitability current structures and Transport NI proposals for the efficient and effective delivery of public transport legislative and policy objectives

19. The overall goal of the reform process was to create an effective, efficient and sustainable public transport service that contributes to the Government's wider mobility, environmental, social and economic objectives.
20. The process of reform has proceeded extremely slowly.
21. The original intention had been to devolve responsibility for planning, designing and securing public transport services to the new 'super councils' that were to be established under the Review of Public Administration (RPA). However, following devolution in 2007 it was decided that public transport should remain the responsibility of the DRD.
22. The reform proposals therefore included a three tier structure: a government top tier, responsible for broad policy, legislation and regulation; a middle tier responsible for designing and managing services and securing provision from transport operators; and a third tier which comprises the transport operators.
23. Following publication of the Outline Business Case on options the 'Public Transport Agency' was chosen as the preferred option which would operate as an Executive Agency within the DRD, thereby making it accountable to the Minister for Regional Development, the Executive and the Assembly.
24. On the basis of the Outline Business Case for Public Transport Reform DRD proposed: "A single client body with expertise in the specification of integrated transport services and facilities, and in procurement and contract management is necessary in order to achieve and sustain the best possible value for money over the long term".
25. The Department emphasised the need for an independent body as an important factor in bringing together all the various stakeholders involved with public transport into a cohesive unit, in order to provide the best possible service; this would not be achievable through the existing NITHC model.
26. Overall, the consensus appears to be full deregulation of local transport systems lowers costs but at a price of lower ridership. Continuation of fully state-controlled operations sacrifices efficiencies for the sake of social benefits. Limited competition, being a compromise between the first two, does seem to offer the best option at least for urban and local transport.
27. Whatever the nature of the system, however, there will generally if not always be a need for regulation. The most intensive regulatory instrument is, of course, public ownership or state control.
28. The revised arrangements are not consistent with the goal of maximising the efficient and effective delivery of public transport legislative and policy objectives.

29. Nor are they in line with the original proposals as set out in the 2002 under which establishment of a New Public Transport Company would remove the ambiguities in the current arrangements; establish lines of direct accountability with DRD and with a new Public Transport Regulatory Body (see below); and enable “Transport Northern Ireland” to focus on the development of the commerciality of the operating companies consistent with the aims and objectives of the RTS.
30. Nor will they effectively open up the public transport market to private sector participation as a way of better exposing it to market forces, improving quality and efficiency, increasing attention to customer requirements and reducing the cost of service provision where practicable.
31. Moreover, the revised plan fails to provide for the independence claimed for the agency model let alone that afforded by a Public Transport Regulatory Body as originally conceived operating at arms length from DRD and would be staffed by individuals with the necessary financial and organisational resources to undertake an economic/commercial regulatory function in the provision of public transport in Northern Ireland.
32. In 2002 DRD recognised ‘The establishment of this body would rectify the current conflicting role whereby the Minister is the public owner, policy maker and part regulator of public transport. The aim is to bring a great deal more rationality and objectivity to the planning and delivery of public transport and provide an independent challenge function to the operating companies.

**5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery**

33. Research undertaken by the author for the ECMT, a former part of the Organisation for Economic Cooperation and Development (OECD) offers pointers to establishing the optimum organisational and delivery structures to improve the efficiency and effectiveness of service delivery.

**Selected Observations**

34. For the choice between “limited competition” and “regulated”, if the political will and the technical competence of the authority are present then, on balance, a “limited competition” regime is the best choice, since the stability of the system can be maintained at lower costs and with improved prospects for permanent improvement. There are opportunities to apply such a model on a selective basis to elements of the public transport system in Northern Ireland.
35. In general, gross-cost contracts are a solution which presents a lower risk of capture of the authority by the operator, a relatively low burden for the authority and easier mobilisation of investment resources by private companies than by local authorities. However, because the operator is reduced to a more passive role, it also reduces the opportunity to improve service to the customers.
36. Net cost contracts give authorities the option of specifying what they want to achieve, and are bound by contract to get it at a fixed price, leaving to the operator the opportunity to make use of his ingenuity in reading and adapting to the wishes of the market, thus improving chances of a higher revenue.
37. Management contracts may be preferred to gross-cost contracts if the authority perceives that the potential number of tenderers is likely to be very small.
38. The use of various forms of franchising can be an effective means of solving the need for further efficiency measures in public transport operations, without the risk of failing to address social and welfare goals while, at the same time, reducing the pressure on public budgets.

39. According to research, where they have succeeded, effective regulatory structures have generally satisfied the following criteria:
- Enjoyed legislative backing;
  - Demonstrated accountability;
  - Demonstrated transparent and consistent procedures;
  - Expertly and efficiently run.
40. These conditions, however, are necessary rather than sufficient. If it is to function satisfactorily, the regulatory regime must be free of day-to-day interference from government. Thus, while the regulator must be accountable to political masters, it is preferable that reviews of his or her decisions are carried out by the courts or by independent bodies.
41. The issues of expertise and efficiency are best considered together. Ideally, the regulatory authorities are set specific, measurable aims. This enables a judgement to be made on quantifiable rather than qualitative terms. However, it must be said that regulators are not usually set objectives amenable to metrics. The aims are usually too broad and too general. The difficulty is that, without clearly defined, measurable targets, it becomes a matter of debate whether regulation is working well or not.
42. As civil society in Northern Ireland matures hopefully politicians will have more confidence in those aspects of decision making which they, in the best interests of efficiency and transparency, have outsourced to regulators.

## Appendix

### Profile for Professor Austin Smyth

**A Fellow of Chartered Institute of Logistics and Transport** I have recently been appointed to the position of '**Director of the Centre for Sustainable Communities' at the University of Hertfordshire** in conjunction with the role of '**Head of Sustainable Transport**'. As Director of the Centre for Sustainable Communities I am responsible for providing strategic direction, inspirational leadership and oversight of relevant activities.

I am a Transport Professional with diverse experience and skills gained through academic, consultancy and strategic management roles with a track record of formulating, advising and contributing to the delivery, impact and implementation of effective strategic transport plans both at National/Regional Government, and Corporate level. I bring a history of senior operational leadership and Board level experience.

I am a Transport Professional with diverse experience and skills gained through academic, consultancy and strategic management roles. I have more than twenty five years experience of leadership in transport and some twenty years in multi disciplinary research and consultancy, including holding Professorships at four highly related UK universities as well as in the private sector for organisations including Ove Arup & Partners. In 1989 I was appointed to the first Chair in Transport on the island of Ireland at the University of Ulster. My research and consultancy has had real impact on public policy and strategic and operational development in the transport sector both at home and abroad.

I have experience of working for a variety of public and private sector clients in various EU States, Russia and Eastern Europe as well as North America, the Middle East and Thailand. I have advised Governments, Devolved Administrations and Local Authorities as well as public transport operators on urban rail systems and intercity rail systems in the UK, USA, The Middle East, Russia and Ireland.

I have undertaken commissions from The European Commission, the European Economic and Social Committee, Organisation for Economic Cooperation and Development (OECD)/ European Conference of Ministers of Transport (ECMT), the Office of Deputy Prime Minister Department for Transport, the Scottish Executive, the Scottish Parliament, the Welsh Office, Department for Regional Development (NI), Department of Education (NI), the UK's Engineering and Physical Sciences Research Council, the Economic and Social Sciences Research Council, the Scottish and Northern Ireland Forum on Environmental Research (SNIFFER), InterTrade Ireland as well as a variety of local government and private sector transport operators in rail, air and bus sectors, including London Underground Limited, the Tyne and Wear PTE and Translink.

I have received recognition and a variety of international awards in my field. Selected Invited Public Lectures and Presentations include:

- Regulatory Reform in Transport: Lessons for Central and Eastern Europe. Presented at **Thredbo9, Lisbon September 2005.**
- **Competition and regulation: Substitutes or Complements? Keynote Paper presented to. 16th International Symposium on Theory and Practice in Transport Economics; 50 Years of Transport Research: Experience Gained and Major Challenges Ahead, Budapest, November 2003, pp 287-332, Budapest October 2003.** Commissioned under competition by the Organisation for Economic Cooperation and Development (OECD)/ European Conference of Ministers of Transport (ECMT). **ISBN92-821-232-2** (2005).

My work in the transport industry and for Governments has had real impacts Selected Projects include the following (see Appendix A for more information):

- Surface Transport Project for Sultanate of Oman - 2008/9

- Phoenix Arizona Light Rail system – Project implemented 2008
- Public Transport Reform in Northern Ireland – completed 2004
- Belfast - Dublin Cross Border Rail Upgrading Project - completed in 1996/7
- Great Victoria Street rail spur and station – completed in 1995
- Belfast Cross Harbour Rail bridge - completed in 1994

My Executive Appointments have included the following:

- Appointed by the Department of Education Northern Ireland Executive to investigate the provision of school transport with particular reference to regulatory and financial issues.
- Co-led a review of the regulation of bus services in Northern Ireland on behalf of the Department for Regional Development (2003)
- Member of an Innovative Funding for Infrastructure Oversight Panel set up by the Department for Regional Development (NI). The organisation was charged with delivering the infrastructure of Northern Ireland's devolved Government (A precursor to the Strategic Investment Board, taking forward PPP's) (2002).
- Member of Expert Panel which provided economic and strategic advice on new train purchase and rolling stock by Northern Ireland Transport Holding Company/Translink (2002)
- Advisor to the Scottish Parliament on the Scottish Executive's proposed budget for 2002/3 (2001) and subsequent reappointed (2002).
- Member of Expert Panel appointed to advise the Minister in preparation of the Northern Ireland Executive's Regional Transportation Strategy. (2001). Provided guidance on the development of the Rapid Transit System in Belfast, a high frequency bus system and traffic restraint measures.
- Member of Scottish Executive's External Advisory Panel in Multi Modal Studies for Scotland (2000).
- Expert Panel Member Northern Ireland Executive's Rail Task Force. Provided economic and operational advice on securing the retention and future development of the rail network. (2000).
- Advisor to the European Commission on value for money and cost effectiveness of Cohesion Fund transport expenditure in the Republic of Ireland (2000).
- Advisor to the European Commission on proposed investment in Light Rail systems for Dublin (1999). Subsequently implemented as LUAS 2004-2006.
- Expert Advisor to European Economic and Social Committee on economic aspects of sustainable transport and development policies and regulatory issues (1999).
- Programme Technical Director, Designer and Principal Presenter on Award Winning programme of Technical assistance in Transport Economics to Transport Professionals in c10 Accession States and other Eastern, Central and South Eastern European States. Provided them with the technical ability to manage their own transport systems (1998).
- Technical Director on ground breaking M4 Common Appraisal Framework Study- forecasting methodology development including the evaluation of a wide range of policy measures to deal with increased motorway congestion. (1998)
- Technical Advisor and Chief Economist provided economic advice and business case on £1bn Private Sector Funded Scheme for Bangkok Elevated Road and Train System (BERTS).
- Advised London Transport on forecasting issues relating to the development of the Heathrow Express (1998).

- Advisor to the Government of Israel plans for a High Speed Rail link between Jerusalem and Tel Aviv (1993). Instigated research, prepared and presented findings which recommended against progressing project. The recommendations were followed.
- Completed “Alternative Urban Transport Technologies Study for Belfast to 2030AD” – commissioned to examine the potential economic case and planning guidelines. The research findings provided the basis for government’s 1998 sustainable transport policy for Northern Ireland (1992) and Belfast’s Rapid Transit System (€250m project) currently being implemented 2009-2001.

My Professional Roles also include:

- Appointed Commissioner to the UK Infrastructure Planning Commission (2010)
- Appointed Fellow Chartered Institute of Logistics and Transport (2006)
- Member of US Transport Research Committee: Geographic Information Science and Applications Committee (2001 to date).
- Appointed Director General, National Institute for Transport and Logistics, Dublin Institute of Technology (2002)
- Member, College of the Engineering and Physical Sciences Research Council (2000-2003). 1996

# Transport Working Group

**Committee for Regional Development** Inquiry into Comprehensive Transport Delivery Structures

Representing the **NI Environment Link Transport Working Group (TWG)**:

**Dr Stephen McCabe**

Organisation: Northern Ireland Environment Link

Position: Policy and Projects Officer

**Dr Joanna Purdy**

Organisation: Institute of Public Health in Ireland

Position: Public Health Development Officer

**Mr Steven Patterson**

Organisation: Sustrans

Position: Northern Ireland Director

The TWG is a cross-sectoral group comprising members with an interest in transport policy, planning and delivery. The group advocates best practice transport planning and appraisal approaches, including the proper consideration of cross-sectoral benefits in a number of key areas (including health and wellbeing, economic development, environmental protection, energy security, social justice and inclusion, mobility and integrated policymaking), all of which will naturally lead to the development of a more sustainable transport system.

The TWG responds to three of the terms of reference in the *Inquiry into Comprehensive Transport Delivery Structures*, namely terms 3, 4 and 5.

**3. To compare the policy objectives for provision of public transport in the UK, Republic of Ireland and in Europe;**

In 2000 and 2001, the European Conference of Ministers of Transport (ECMT) undertook a large scale survey of towns and cities around the world<sup>1</sup>. Key public transport policies included:

- Reduction in car use
- Increased in public transport use, walking and cycling
- Reduced journey times for all modes of transport
- Increased accessibility of the public transport system
- Increased economic development

Points from Europe on successful delivery of public transport policy objectives included:

- Without appropriate financial support for infrastructure and fare subsidies, a shift from car usage will not be achieved.
- Shift from car use can be encouraged by the existence of policies that restrain car use.
- A regional structure limited to controlling public transport, often whose aim will be to integrate public transport provision.

Sustainable and active travel can play a very significant role in helping to deliver the Programme for Government. **It can contribute to the delivery of all 5 priorities and 20 of the 80 key commitments.**

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1 Transferability of Best Practice in Transport Policy Delivery: Final Report, Transport Research Planning Group, Scottish Executive 2003.

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Public transport can, for example, help us to deliver on environmental targets. This should be reflected in public transport policy objectives for Northern Ireland. While domestic transport emissions in the UK increased by 9% from 1990 to 2006, in Northern Ireland they increased by a staggering 51%. The transport sector now accounts for 25% of Northern Ireland's total greenhouse gas emissions<sup>2</sup>.

Transport is one of a range of social, environmental and economic factors outside the healthcare sector known to influence health<sup>3</sup>. Transport policy can help promote access to a range of services and facilities, as well as being planned and designed to facilitate walking and cycling and therefore have a positive effect on health. The Chief Medical Officers in the UK recognise that everyday active travel is one of the easiest ways for people to incorporate physical activity into their lives.

In this context it is important to address the delivery of public transport in relation to the promotion of active travel. Currently, over half the adult population and one third of children in Northern Ireland are either overweight or obese<sup>4</sup>. Low levels of physical activity are common place, with just over one third of adults in Northern Ireland participating in the recommended 30 minutes of physical activity five times per week<sup>5</sup>.

At present, 1% of journeys made in Northern Ireland are by bicycle and 16% walking<sup>6</sup> compared to 2% cycling and 23% walking in Great Britain<sup>7</sup>. Increasing walking and cycling for everyday activities such as going to work or shopping has the potential to improve health and physical fitness as well as reduce the risk of chronic conditions, such coronary heart disease, stroke, cancer, obesity and type II diabetes. Active travel can help maintain a healthy musculoskeletal system as well as improving mental health and wellbeing<sup>8</sup>.

Current transport policy in the UK and Ireland highlights the need to combine public transport delivery and active travel to achieve behavioural change which will bring cross-sectoral benefits.

In Wales, the Government is seeking to use legislation to reinforce the idea of active travel as a viable mode of transport and a suitable alternative to motorised transport for shorter journeys. The Government wants better information provision, and better forward planning processes, which allow a more strategic use of funding and drive activity so that it is focused on promoting active travel. **The Active Travel (Wales) Bill** is currently at Stage 1 of the Assembly's legislative process.<sup>9</sup>

The Republic of Ireland's transport policy '*Smarter Travel – A Sustainable Transport Future. A New Transport Policy for Ireland 2009-2020*'<sup>10</sup> seeks to improve transport accessibility for all and reduce private car usage. A number of initiatives have been established and examples include:

- *Active Travel Towns* – a programme to support walking and cycling in towns outside the Greater Dublin Area

2 Northern Ireland Environment Link, Sustainable Transport Report 2009

3 Kavanagh, P, Doyle, C. and Metcalfe, O. (2005) Health impacts of transport – a review. Dublin: Institute of Public Health in Ireland

4 DHSSPS (2012) Health Survey Northern Ireland. Belfast: DHSSPS

5 Sport NI (2010) The Northern Ireland Sport and Physical Activity Survey. Belfast: Department for Culture Arts and Leisure

6 DRD (2012) Travel Survey NI 2009-2011. Belfast: Department for Regional Development

7 Department for Transport (2012) National Travel Survey 2011. London: Department for Transport

8 Lavin, T., Higgins, C. and Metcalfe, O. (2011) Active travel – healthy lives. Belfast and Dublin: Institute of Public Health in Ireland

9 Welsh Government (2013). Available at: <http://wales.gov.uk/legislation/programme/assemblybills/active-travel-bill/?lang=en>

10 Department for Transport (2009) Smarter Travel – A Sustainable Transport Future. A New Transport Policy for Ireland 2009-2020. Dublin: Department for Transport

- *Smarter Travel Jobs Initiative* – development of measures to enhance the attractiveness of walking and cycling
- *Green Schools* – schools set their own travel targets, with the aim of increasing the number of pupils walking, cycling, using park ‘n’ stride, carpooling or using public transport

**The significance of local travel**

The reality of everyday travel for many people is that it is restricted to their local area:

- Nearly two-thirds (63%) of all journeys in Northern Ireland are under five miles in length
- Just over a third (34%) of journeys are under two miles in length – a distance which can easily be walked or cycled. Yet, half of these journeys are being undertaken by car
- 17% of journeys are under one mile in length – yet a third of these journeys are being driven

**Success to date**

Cycling in Greater Belfast is increasing and we would encourage the DRD to continue to take steps to support this. At counter sites in Belfast cycling rose on average 152% between 2000 and 2010<sup>11</sup> with particular increases in the high quality National Cycle Network in south, east and central Belfast. The 2011 NI Census shows 2.1% of work trips in Belfast are made by bike – **a rise of 60% in 10 years**. In certain wards of Belfast this rises to 5% and 6% of commuting trips (see Figure 1). These increases are in areas of Belfast where good quality routes exist on greenways and bus lanes.

<b>Top 10 Wards in Greater Belfast for cycling to work</b> Aged 16-74 years (excluding students) in employment and currently working (%)			
<b>Ward</b>	<b>Method of travel to work: Bicycle %</b>	<b>Method of travel to work: Taxi %</b>	<b>Method of travel to work: Bus, minibus or coach %</b>
Ballynafeigh	6.20	1.45	11.54
Ravenhill	5.18	1.06	8.66
Woodstock	4.89	1.81	11.58
Rosetta	4.33	0.94	8.78
Wynchurch	4.19	1.23	12.37
Blackstaff	3.56	2.11	9.35
Stranmillis	3.39	0.79	6.89
Botanic	3.39	2.41	10.67
Windsor	2.97	1.68	12.38
Bloomfield	2.96	1.42	16.71

Figure 1

**4. To assess whether current structures and Transport NI proposals are the best suited for the efficient and effective delivery of public transport legislative and policy objectives;**

The TWG welcomed the published proposals in the Reform of Public Transport for a new independent middle-tier Public Transport Authority responsible for the translation of high-level policy objectives into meaningful operational standards for Translink to deliver. We agreed with the Department’s original decision that the independence of such a body would be an important factor in bringing together all the various stakeholders involved in public transport into a cohesive voice, in order to bring about the best possible service.

The TWG has some concerns, however, that the latest intentions for the Reform of Public Transport have changed since the previously published proposal, resulting in combining public transport responsibilities with the responsibilities of the Roads Service. In this transition, we would stress the need for monitoring to ensure that the delivery of public transport does not become the poor cousin in this relationship.

The Draft PfG states that the Executive will invest “over £500m to promote more sustainable methods of travel”<sup>12</sup>. However, this figure simply represents the capital and revenue expenditure for public transport, cycling and walking which had already been earmarked in the Executive’s Budget 2011-15<sup>13</sup>. Moreover, despite highlighting public transport investment plans, the Draft Investment Strategy states that just £196m of capital investment is allocated to public transport between 2011-15, while nearly £1.2bn is allocated to roads. **We would recommend a shift in budgetary emphasis toward public transport.**

## 5. To optimise the organisational and delivery structures to improve the efficiency and effectiveness of service delivery

The TWG suggests that there is little to be gained in the short-term by reducing Translink’s role as the majority/monopoly bus operator. In our view, based upon the lessons of bus de-regulation in GB<sup>14</sup>, there is a danger that the network connectivity could be lost, making public transport less attractive and initiating a spiral of declining patronage and increasing fares. No regions in Europe whose transport policy implementation is judged to be best practice have in place a de-regulated system of local bus transport.

### Regional delivery

- Regional Transport Strategy (RTS) reporting – we find it hard to know and monitor what is being delivered year on year as there are no annual reports on the RTS.
- It is difficult to obtain public reports from DRD on the annual budget spent against the 2011-15 budget forecasts.
- The Integrated Transportation Working Group could be a useful body and needs reviewed and we would suggest needs wider representation from the sustainable interest within 3rd sector.

### Local delivery

Given that 65% of journeys are under 5 miles:

- Infrastructure – in promoting active travel there is a need for Roads Service, other central government bodies such as DSD and Councils to work together on infrastructure to ensure complete networks of on-road and off-road routes. While DRD will be main funders, other sources such as SIF, DSD, Lottery and Council grants can add value.
- Community and marketing programmes – it is important that DRD works at town level with Local Government and third sector experts. We would recommend local plans with local forums to coordinate programmes. This should involve local Councillors to ensure local communities have a voice.
- An example of good practice is the Active Belfast component of the Belfast Strategic Health Partnership (Public Health Agency, Belfast City Council, Belfast Health and Social Care Trust and DRD). The Partnership is producing a local Active Travel Action Plan with a forum for delivery.

12 Draft Programme for Government 2011-15, p.9.

13 This calculation is based on expenditure details provided to Sustrans by the DRD in April 2011, a copy of which has been appended to this submission as a separate document. A total of £593m was allocated towards non-roads capital and investment expenditure, and relevant roads expenditure (see footnote 22) for the four years 2011/12 to 2014/15.

14 Preston, J. 1999. An Overview of public transport in the United Kingdom and forecasts for the New Millennium.

- In Derry-Londonderry the One Plan has targets for active travel, such as 6% of trips to be by bike by 2020. There is a need for a local forum to coordinate delivery of this target.
- There is a need for partnership structures that coordinate delivery with central and local government, third sector, elected members and private sector.

**Key summary points:**

- 1. Public transport is wider than simply using buses or trains. It needs to be linked to facilitation of active travel on either side (true door-to-door integration).**
- 2. Importance of local journeys and the potential for active travel to meet the need in this area.**
- 3. Sustainable travel brings cross-Departmental and cross-sectoral benefits (for example, health and wellbeing, economic development, environmental protection, social inclusion). Good public transport policy and delivery will help to deliver key themes in the PfG.**
- 4. There should be local delivery structures that feed into the planning and delivery of the public transport system and active travel, with integration between DRD and other government bodies, with local government, and with the third sector.**

**Annex:**

**Active travel and the Programme for Government priorities**

**2.1 Priority 1: Growing a Sustainable Economy and Investing in the Future**

Active travel can support economic growth in many ways, from creating jobs in the construction and tourism sectors to improving access to workplaces and reducing absenteeism. In Scotland, the National Cycle Network contributes £12m a year to SMEs in the construction sector, over £60m a year in health benefits and almost £100m in the leisure and tourism sectors. The Great Western Greenway in County Mayo, which we surveyed for Fáilte Ireland, has increased local turnover for 47% of businesses, created 38 new jobs and sustained a further 56.

**Active travel can help deliver the following Key Commitments:** *support the promotion of over 25,000 new jobs; Increase visitor numbers to £4.2m and tourist revenue to £676m by December 2014; Invest in social enterprise growth; Upskill working population through qualifications; Develop Maze/ Long Kesh as a significant regeneration site; Develop the 'One Plan' for the regeneration of Derry/Londonderry*

**2.2 Priority 2: Creating Opportunities, Tackling disadvantage, Improving Health and Wellbeing**

In Northern Ireland 25% of households are without access to a car (40% in Belfast). Non-drivers can be excluded from accessing essential services such as jobs, education or healthcare. Making walking and cycling safer and more accessible for the poorest communities is a key way to address transport poverty and improve quality of life.

**Active Travel can contribute to the delivery of these Key Commitments:** *provide £40m to regenerate deprived areas through the SIF; Provide £40m to improve pathways to employment and increase community services through the SIF; Fuel poverty; tackle poverty and social exclusion through the Delivering Social Change framework; provide skills and training for employment; Invest £7.2m in tackling obesity; Invest £13m to tackle rural poverty and social and economic isolation*

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### 2.3 Priority 3: Protecting Our People, the Environment and Creating Safer Communities

Regular physical activity is vital for good physical and mental health. The Chief Medical Officers in the UK recognise that everyday active travel is one of the easiest ways for people to incorporate physical activity into their lives.

**Active Travel can contribute to meeting the following Key Commitments:** *reduce greenhouse gas emissions by 35% on 1990 levels by 2025; halt the loss of biodiversity; Invest over £500m to promote sustainable modes of travel; By 2015 create the conditions to facilitate at least 36% of primary school pupils and 22% of secondary school pupils to walk or cycle to school as their main mode of transport.*

### 2.4 Priority 4: Building a Strong and Shared Community

**Active Travel can contribute to meeting the following Key Commitments:** *Deliver at least 30 schemes to improve landscapes in public areas to promote private sector investment in towns and cities across Northern Ireland; significantly progress work on the plan for the Lisanelly Shared Education campus as a key regeneration project*

### 2.5 Priority 5: Delivering High Quality and Efficient Public Services

With local transport responsibility resting with a regional agency, this does present challenges for delivery at city or town level. This is evident as Belfast City Council are now working with DRD to coordinate the communications around the good new bus lanes in Belfast and may present issues around delivery of local transport targets within the One Plan in Derry~Londonderry.

**Active Travel can contribute to meeting the following Key Commitments:** Review of Public Administration;

Further reduce the levels of sickness absence across the NICS (CFP)

# **Presentation to the Committee for Regional Development**

## **- Inquiry into Comprehensive Transport Structures**

**1 May 2013**



### **Legislative Arrangements Transport Act (NI) 1967**

- Northern Ireland Transport Holding Company (NITHC) established as a statutory public corporation.
- Empowers the Minister to appoint a chairman & Board of Directors of NITHC.
- Minister can give directions to NITHC on matters of policy.
- Introduced the current regulated public transport system of Road Service Licences.



## Transport Act (NI) 2011

- Introduced to separate the Authority (Transport NI) from the Operator (NITHC/Translink).
- Gives the Department contracting rights as required by EU Regulation 1370/2007.
- Gives Dept for Regional Development responsibility for route licensing through a contracting and permit regime, leaving Dept of Environment with responsibility for operator licensing from April 2014.
- Other provisions include powers on sharing of bus premises, purchase of land, integrated ticketing and grants.



## Transport NI Functions

- The Authority functions will be carried out by Transport NI.
- Its roads functions include:
  - the design of major and minor road improvement schemes;
  - the maintenance of the road network, including roads, footways, bridges, street lights, etc;
  - the management of the road network, including the provision of a winter service, as well as managing motorway communications and signalised junctions.
- Securing the delivery of public transport services, including through contracts with Translink and other operators; and, in the future
- The development of local public transport plans to improve the integration of passenger transport services, as far as possible.



## Relationship between Department & NITHC

	Now	Future
Performance	Monthly Key Performance Indicators (KPIs)	Contract Key Performance Indicators (updated) Annual report on performance (to comply with EU Regulation 1370/2007)
Governance	Management Statement & Financial Memorandum (MSFM) Corporate & Business Plan	Management Statement & Financial Memorandum (MSFM) Corporate & Business Plan

## Translink Governance

- Translink is a Public Corporation
  - Board appointed by the Minister
  - Chief Executive has Accounting Officer Role
  - Balance required in terms of Commercial Remit
- Relevant Legislation
  - Transport (NI) Act 1967
  - Transport (NI) Act 2011
  - EU Regulation 1370
- Management Statement Financial Memorandum (MSFM) in place
  - Details Governance arrangements
  - Corporate Planning Process – agreement of Financial Targets and KPIs
  - Passenger Journeys/Punctuality/Reliability/Cost per Journey,....
  - CORPORATE PLAN
  - Monitoring**
    - Monthly Monitoring Meetings
    - Resource report (Capital and Revenue performance) . Asset Disposals
    - Tri-annual Review Meeting
    - Permanent Secretary and Full NITHC Board
    - Ministerial Performance Review Meeting
    - Accounts/Audit Committee

## Annual Public Transport Financial Support

	2013/14 Budget £m
<b>REVENUE</b>	
Public Service Obligation	25.2
Concessionary Fares	37.7
Fuel Duty Rebate and other grants	10.4
Accessible Transport	8.4
Other transport	2.0
	<b>83.7</b>
<b>CAPITAL</b>	
Bus	0.1
Rail	16.2
	<b>16.3</b>



### RELEVANT DEPARTMENTAL BALANCED SCORECARD – OBJECTIVES 2013-14

- Support and ensure Translink's delivery of the project to **Upgrade the Coleraine to Derry/Londonderry railway line** by completing preparations for Phase 2 to enable work to commence in 2014-15 (by 31 March 2014). **(PfG Commitment)**
- Support Translink to achieve 78 million passenger journeys for bus and rail transport (by 31 March 2014).
- Agree Passenger Charter targets for Translink services and monitor results based on bi-annual survey of punctuality, reliability and customer satisfaction, in conjunction with the Consumer Council (throughout 2013-14).
- Ensure effective corporate governance arrangements are in place for NITHC/Translink, including monitoring of performance and agreement of contract services for future year(s) (throughout 2013-14).
- Support the growth of **sustainable modes of travel by investing at least £92.8m** on projects including delivery of Door 2 Door and Rural Transport services; (throughout 2013-14). **(PfG Commitment)**
- Implement an action plan of measures to **facilitate at least 34% of primary school pupils and 21% of secondary school pupils to walk or cycle to school as their main mode of transport (by 31 March 2014).**



## New Approach to Regional Transportation

- Sets out the aims and objectives that will help determine future priorities.
- It sets the transport objectives within the existing & emerging strategic, economic, environmental and social contexts of N Ireland.
- Aligns with other Department's policies and strategies.
- Policy Prioritisation Framework to identify the investments that will best meet the aims and objectives.
- Lead to development of new transport delivery plan.



## Technology to Support Public Transport

- Managed through a Programme Board involving the Regional Planning & Transportation Group, Transport NI & Translink.
- Improved journey planner introduced by Translink.
- Improved real-time passenger information – new Bus Trak contract; Translink considering options for Ulsterbus.
- Feasibility Study into new ticketing system to begin shortly.
- Transport Planning and Modelling service being planned – at business case stage.
- Technology for enforcement of moving traffic offences in bus lanes.
- New Geographic Information System infrastructure recently introduced – currently examining requirements and options for better sharing of transport data across the Department, Translink and with external organisations.





Northern Ireland  
Assembly

Appendix 6

# Northern Ireland Assembly Research Papers





Northern Ireland  
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## Research and Information Service Briefing Paper

Paper 000/00

31st August 2012

NIAR 602-12

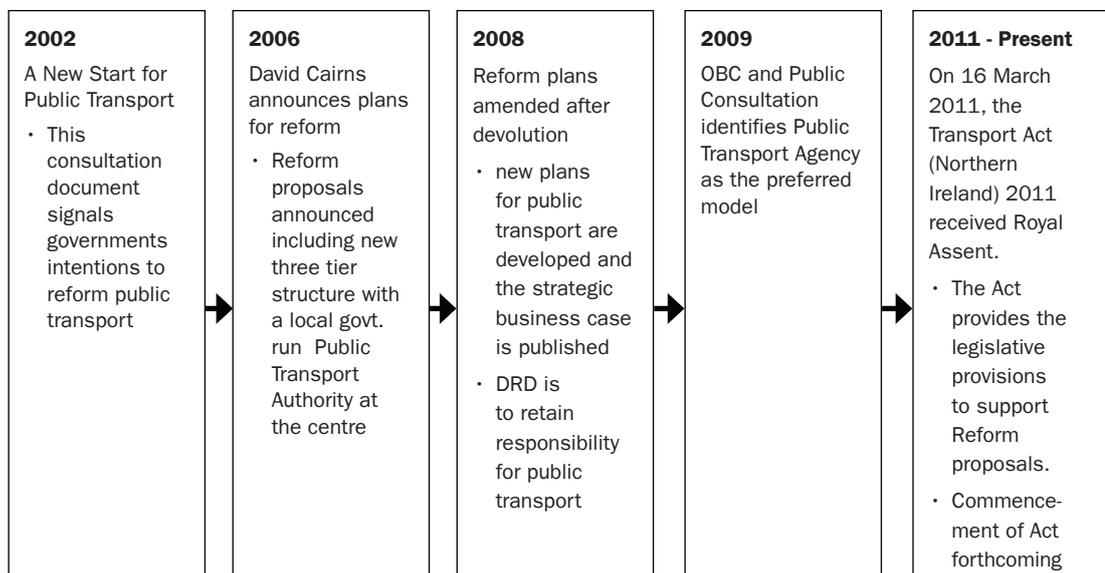
**Des McKibbin**

# Public Transport Reform

## 1 Overview

This paper provides an outline of the current legal status of the Northern Ireland Transport Holding Company (NITHC) and its relationship with the Department for Regional Development (DRD). This paper is written in the context of the on-going reform of public transport which was legislated for with the Transport Act (Northern Ireland) 2011. The Transport Act will significantly alter how public transport services are delivered in Northern Ireland and will enable an improved and more accessible public transport system. Figure one below shows a timeline of the reform process to date with all key dates considered further in this paper.

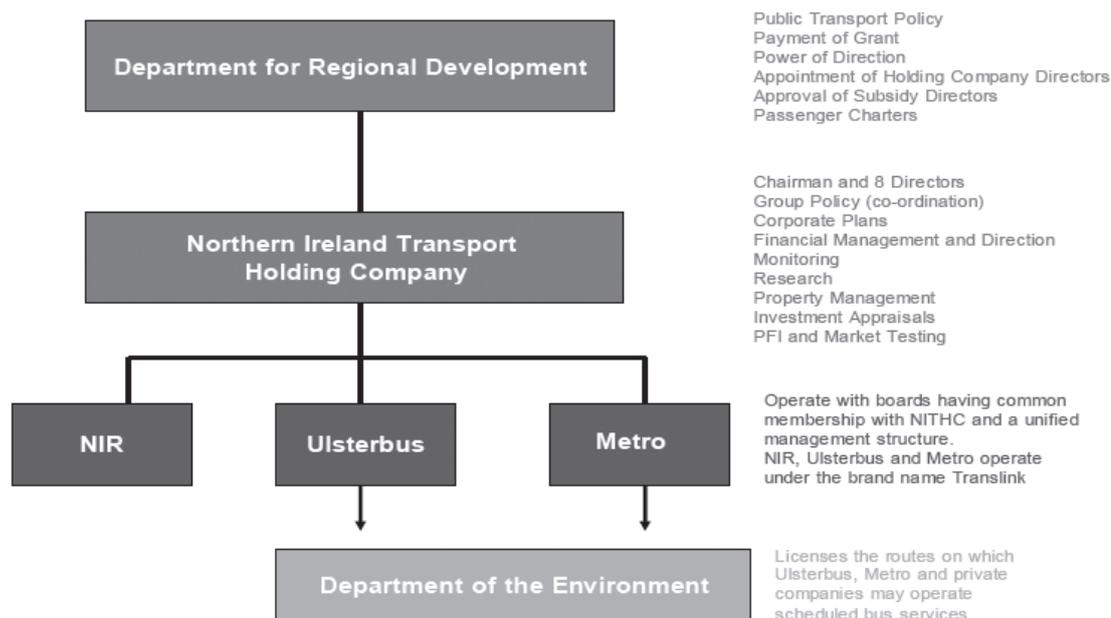
**Figure 1: Timeline representing the progression of public transport reform in Northern Ireland**



## 2 The current relationship between DRD and NITHC

The Department for Regional Development (DRD) has overall responsibility for public transport policy and planning in Northern Ireland, whilst the Department of the Environment (DoE) is responsible for the safety and operating standards of road passenger transport providers and for the licensing of bus routes. Delivery of the majority of public transport services is the responsibility of the Northern Ireland Transport Holding Company (NITHC) and its subsidiary companies; Metro, Ulsterbus and NI Railways which operate under the collective brand name of Translink (see figure 2).

**Figure 2: Current structure of institutional arrangements for the provision of public transport in Northern Ireland**



Source: Ports and Public Transport Division 2007

### 2.1 NITHC Status

The NITHC is a statutory body (public corporation) established by the Transport Act (NI) 1967. In common with other public corporations, NITHC:

- is a trading body, recovering (a proportion of) its costs from fees charged to customers;
- is controlled by central government;
- has substantial day to day operating independence, acting commercially as required by section 48 of the Transport Act (NI) 1967 and should be seen as an institutional unit separate from the Department for Regional Development.

The Department for Regional Development is the sponsoring department of NITHC/Translink and as such the Minister has ultimate authority over the way the company operates and how they use public funds.

### 2.2 Operating framework

As required by the Transport Act (NI) 1967 the Minister, the Department and NITHC/Translink agree a broad framework under which NITHC/Translink operate, this is published in the Management Statement and Financial Memorandum (MSFM). The Management Statement includes:

- NITHC's overall aims, objectives and targets in support of the Department's wider strategic aims and the outcomes and targets contained in its current Public Service Agreement (PSA);
- the rules and guidelines relevant to the exercise of NITHC's functions, duties and powers;

- the conditions under which any public funds are paid to NITHC; and
- how NITHC is to be held to account for its performance.

The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which NITHC is required to observe.

### 3 Public Transport Reform

Government announced its intention to reform the way in which public transport is delivered in 2002 via the consultation document 'A New Start for Public Transport in Northern Ireland'.<sup>1</sup> The reform process was intended to create an effective, efficient and sustainable public transport service that contributes to the Government's mobility, environmental, social and economic objectives.

The overall aims of the Public Transport Reform proposals are to deliver a public transport system that:

- supports the implementation of the Regional Transportation Strategy;
- provides safe, efficient and high quality public transport services;
- complies with EU regulations;<sup>2</sup>
- encourages the greater use of public transport; and
- maximises efficiency and value for money.<sup>3</sup>

Initially the intention was to devolve responsibility for planning, designing and securing public transport services to the new 'super councils' that were to be established under the Review of Public Administration (RPA). However, following devolution in 2007 it was decided that public transport should remain the responsibility of the DRD. Local roads were also earmarked for devolution, however given the complimentary nature of both roads and public transport, it was agreed that responsibility for both should be retained by the DRD.

#### 3.1 Regulated bus services

At all stages in the reform process it was widely agreed among key stakeholders that public transport provision should remain regulated with designers and providers of services remaining accountable to the Minister for Regional Development who would therefore be accountable to the Northern Ireland Assembly. The position taken was that accountability is crucial, given the role public transport plays in many of the Government's economic, mobility, environmental and social objectives. Under the reform proposals responsibility for the regulation of bus routes will transfer from the Department of the Environment to the Department for Regional Development with effect from April 2014.

#### 3.2 Drawbacks of deregulation

The experience of Great Britain (GB), where bus services were deregulated in 1986, demonstrated the potential drawbacks of such a model. Since deregulation, bus operators have been able to design and develop their own commercial services and set their own fares. It was envisaged that this type of competitive system would bring about a higher

1 (DRD) Department for Regional Development (2002) A New Start for Public Transport in Northern Ireland [online] available from: <http://nia1.me/d0>

2 EU Regulation (1370/2007) on public transport by rail and road came into force in 2009 aiming to ensure regulated competition within public transport delivery. This has implications for the current system in Northern Ireland as it requires public authorities who award exclusive rights or provide funding to an operator to do so within the framework of a public service contract that must be strictly controlled and adhere to a performance-based contractual regime (NIAR 373/09)

3 (DRD) Department for Regional Development (2010) Public transport Reform: Final Report on Public Consultation [online] available from: <http://nia1.me/10d>

quality service and lower fares, ultimately benefiting passengers. However, the opposite has occurred<sup>4</sup> and the situation exists where there are too many services on busy routes and not enough on quiet ones. This has resulted in 'fares which are too high and service quality which is too low'.<sup>5</sup> It has also resulted in the local Councils in GB having to fund and contract with operators to provide services on routes that are unprofitable

### **3.3 Reform proposals**

DRD along with key stakeholders including Translink/NITHC, the Federation of Passenger Transport (FPT) and the Consumer Council concluded that future public transport needs in Northern Ireland would best be met by a three-tier structure with consumer representation at each level.

The reform proposals therefore included a three tier structure: a government top tier, responsible for broad policy, legislation and regulation; a middle tier responsible for designing and managing services and securing provision from transport operators; and a third tier which comprises the transport operators.

The Strategic Business Case (SBC) for Public Transport Reform, prepared by DRD in 2008, identified and evaluated five main structural options for delivering reform, focusing on the establishment of a new organisation at the middle tier. The options considered were:

1. Do Nothing;
2. Revised Northern Ireland Transport Holding Company (NITHC) / Translink Model;
3. Local Authority Based Passenger Transport Authority (PTA);
4. Executive Agency; and
5. Non Departmental Public Body (NDPB).

### **3.4 Options for Reform (Outline Business Case)**

The SBC recommended that two options be taken forward to an Outline Business Case for a more detailed review against the 'do nothing' option. Therefore the OBC report considered the 'revised NITHC/Translink' option and the 'Agency' option for reform, particularly focusing on the potential monetary and non-monetary costs and benefits, and the risk associated with each option.

### **3.5 Preferred Option**

Following the publication of the OBC and subsequent public consultation the 'Public Transport Agency' was chosen as the preferred option which would operate as an Executive Agency within the DRD, thereby making it accountable to the Minister for Regional Development, the Executive and the Assembly. The intention is for the agency to take control of some of the Authority functions currently undertaken by the NITHC and its subsidiaries while also incorporating the various regulatory powers for public transport currently held by DRD and the Department of the Environment (DOE).

According to the Outline Business Case for Public Transport Reform<sup>6</sup> the proposed formation of an Executive Agency to oversee and manage public transport in Northern Ireland will bring benefits such as efficiency and improved service. Therefore DRD proposed:

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4 (OFT) Office of Fair Trading (2009) Local Bus Services [online] available from: <http://nia1.me/10c>

5 Preston, J. (2004) The Deregulation and Privatisation of Public Transport in Britain: Twenty Years On. Transport Research Foundation [online] available from: <http://nia1.me/10b>

6 McClure Waters (2009) Outline Business Case for Public Transport Reform. DRD: Belfast [online] available from: <http://nia1.me/10e>

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*“A single client body with expertise in the specification of integrated transport services and facilities, and in procurement and contract management is necessary in order to achieve and sustain the best possible value for money over the long term”.<sup>7</sup>*

This model received significant support in the public consultation<sup>8</sup> with the DRD stating that the agency model was chosen based on consideration of a number of options and it was “... concluded that the agency option provided greater independence and offered the prospect of a more efficient system overall.”<sup>9</sup>

The Department emphasised the need for an independent body as an important factor in bringing together all the various stakeholders involved with public transport into a cohesive unit, in order to provide the best possible service; this would not be achievable through the existing NITHC model. The proposal was that the new public transport agency would be responsible for:

- Public transport regulation, planning and policy implementation;
- Working with others, including new local authorities, to develop and agree local public transport plans;
- Specifying the public transport service requirements;
- Securing the delivery of those public transport services through performance-based contracts, awarded either directly to Translink or, in some specific circumstances, subject to open competition;
- monitoring and evaluation of service delivery performance by operators;
- the granting and enforcement of public transport service permits where gaps in service provision are identified;
- the designation of bus/rail stations as shared facilities, to allow permitted independent operators to set down and pick up passengers at those locations; and
- providing public funding subsidies.

### **3.6 The Transport Act (Northern Ireland) 2011**

On 10th June 2010, the Northern Ireland Executive gave approval for a Draft Transport Bill to be introduced into the Assembly which provides the legislative basis for bringing forward the proposed reform of public transport. The Transport Act (Northern Ireland) 2011 received Royal Assent on 16 March 2011. The Act provides the necessary legislative provisions to support the Public Transport Reform proposals.

### **3.7 Current status of public transport reform process**

The reform process is on-going and subordinate legislation will be required to facilitate most of the powers given to the DRD by the Transport Act. In the short term, a pilot scheme involving the opening up of Translink’s Europa Bus Centre has just commenced on 3 September 2012, while further down the line the powers to issue public transport service permits will transfer from DoE to DRD in April 2014.

Significantly the remit of the original Public Transport Agency model is now to be combined with the responsibilities of Roads Service; thereby forming one Departmental grouping called Transport Northern Ireland. This is broadly similar to the position in Wales and Scotland, where Transport Wales and Transport Scotland perform broadly similar functions to those

7 DRD) Department for Regional Development (2009) Public Transport Reform Consultation: Detailed policy proposals [online] available from: <http://nia1.me/td>

8 In total there were 109 written responses to the consultation; 56 responded on the agency issue, six of which were opposed.

9 (DRD) Department for Regional Development (2010) Public transport Reform: Final Report on Public Consultation [online] available from: <http://nia1.me/10d>

proposed for Transport NI. These proposals are still at an early stage and are not expected to come into play before 2013. Roads Service ceased to be an Executive Agency on 31st March 2012 and is now part of the Core Department within DRD.

The new organisation will not be an Executive Agency. The CRD is due to receive a briefing on this in October

### **3.8 Forthcoming legislation**

The following subordinate legislation is currently being developed.

- Conduct at or near bus stations – to bring conduct in bus stations broadly in line with rail stations;
- Service agreement (contracts) and service permits regulations to enable the Department to enter into directly awarded contracts with Translink (in line with EU Regulation 1370/2007) and to enable the DRD to take over responsibility for regulating permit applications where gaps in the market result in operators putting forward proposals for new services;
- Access to shared bus stations and bus stops – to enable other permitted operators to access NITHC/Translink bus stations and bus stops.



Northern Ireland  
Assembly

## Research and Information Service Briefing Paper

Paper 000/00

12 September 2012

NIAR 540-12

**Des McKibbin**

# Best practice in transport integration

## 1 Background

The UK Government's 2010 Spending Review introduced drastic cuts to public spending, aimed at tackling the UK's £156 billion deficit.<sup>1</sup> This policy resulted in a £4 billion reduction to the Northern Ireland block grant (for the budget period 2011-15)<sup>2</sup>, requiring government departments to look at ways in which savings could be made, while limiting the impact on front line services.

Cross-departmental working has been identified as key mechanism for reducing costs and there is growing evidence from Great Britain<sup>3</sup> and Ireland<sup>4</sup> of the potential to save money by coordinating the planning, management and delivery of transport across government departments.

Collectively transport provision requires in excess of £200 million per annum from the Northern Ireland public purse. This is divided among the Department for Regional Development (DRD); The Department of Education (DE); and The Department for Health, Social Services and Public Safety (DHSSPS). However, cross-departmental cooperation is limited to the DE contracting Translink (DRD) to provide home-to-school transport and

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- 1 HM Treasury (2010) Government announces £6.2bn of savings in 2010-11 [online] available from: <http://nia1.me/114>
  - 2 Official Report (Hansard) Monday 18th June 2012 [online] available from: <http://nia1.me/118>
  - 3 HOC Transport Committee (2011) Bus services after the Spending Review [online] available from: <http://nia1.me/116>
  - 4 MVA Consultancy (2010) External Review of the Local Integrated Transport Services Pilot Project. LITS Central Steering Committee [online] available from: <http://nia1.me/qw>

the agreement whereby DE purchases free bus passes from Translink. This is despite recommendations made by the Committee of Public Accounts (PAC) at Westminster and the Northern Ireland Audit Office (NIAO) for DE and DHSSPS to look at the possibility to achieve efficiencies by coordinating their transport planning and provision.<sup>5</sup>

In addition to saving money better co-ordination or integration of different transport services has the potential to improve the service. Transport plays a vital role in supporting social inclusion and connecting people to education, health care, and employment.<sup>6</sup> However, there are gaps in the existing provision, particularly in rural areas, which could potentially be addressed through integrating existing services.

This paper provides an insight into the concept of 'Integrated Transport' and examines cases of best practice. Already RalSe publication NIAR 250-12 has considered the outcomes of a pilot scheme in Ireland which looked at ways in which mainstream bus services provided by (the publically owned) Bus Éireann could be integrated with other transport services such as home-to-school, rural/community and health transport. This paper will therefore focus on the cases of transport integration in Great Britain (GB).

## 2 Integrated Transport

Transport integration has been central to transport policy since the UK Governments 1998 Transport White Paper. Since then integration has taken on various meanings with policies designed to achieve integrated ticketing; integrated timetables; and integrated services. In addition to service integration, this paper will examine the potential costs/benefits of integrating management arrangements; the Northern Ireland Audit Office identifies three ways in which this might happen:

**Cooperation** – two (or more) departments could achieve efficiencies with joint procurement of fuel, maintenance and insurance.

**Joint-use agreement** – two (or more) departments could share the same resources e.g. a joint vehicle pool.

**Integration** – All transport services could be consolidated under one agency.<sup>7</sup>

For the purposes of this paper, transport integration is defined as:

*'A mechanism where departments of an organisation or various organisations jointly plan and deliver transport, sharing resources (vehicles/drivers/staff) and procurement procedures to optimise their use to meet service demand, and enhance the delivery of transport to appropriate users.'*<sup>8</sup>

## 3 Transport Integration in England and Wales

In England and Wales responsibility for transport planning and delivery is devolved to local authorities. Within England's six largest conurbations: Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire this function is delivered by Passenger Transport Executives (PTE). PTEs are regional bodies representing district authorities. They are overseen by a Passenger Transport Authority (PTA) which is made of elected representatives from the respective districts. PTEs designated for "the purpose

5 NIAO (2005) Education and Health and Social Services Transport [online] available from: <http://nia1.me/117>

6 RalSe (2012) Achieving efficiencies in public transport delivery: The role of Local Integrated Transport Services (LITS) [online] available from: <http://nia1.me/115>

7 As above

8 Transport Scotland (2009) Providing transport in partnership [online] available from: <http://nia1.me/111> (Page 15)

of securing the provision of a properly integrated and efficient system of public passenger transport to meet the needs of (their) area".<sup>9</sup>

All transport authorities, whether local authorities or PTE/PTA, have a statutory (under the Transport Act 2000) responsibility to produce local transport plans (LTP) based on consultation with local people, businesses and statutory bodies (e.g. health and education). The Local Transport Act (2008) (LTA) amended The Transport Act reemphasising the need for local authorities to plan their own transport services around the needs of local people<sup>10</sup>, and significantly it gave greater powers to transport authorities to deliver better and more integrated transport services.<sup>11</sup>

### 3.1 Integrated Transport Areas

The LTA made some significant changes to the governance arrangements for PTA/PTEs, changing the name of passenger transport authorities to "integrated transport authorities". In addition:

- The LTA allows for the possibility of new PTEs to be created and for the areas of existing ones to be altered;
- The LTA has strengthened the powers of PTEs/ITAs to regulate bus services; and
- ITAs can do anything in relation to transport which they think might improve the 'social, economic or environmental well-being' of their area as they are the sole transport planning authorities in their areas.<sup>12</sup>

### 3.2 Coalition Policy

The Coalition Government released its new Transport White Paper 'Creating Growth, Cutting Carbon – Making Sustainable Local Transport Happen' in January 2011. The focus of their policy is on economic growth and carbon reduction together with an emphasis on local delivery: this is reflected in two of the four funding streams: the Integration Block and the Sustainable Transport Fund. There is also a commitment to examine the best ways to encourage the development of integrated (including multi-operator and multi-modal) schemes with the possibility of a legislative framework to support this.<sup>13</sup>

### 3.2 Integrated Transport Units

Outside of the ITAs, responsibility for planning, organising and procuring transport rests with the local authority. In general local authorities are responsible for home to school transport; social services transport; co-ordinating/subsidising passenger transport; staff travel; fleet management; one-off transport hires; and quality standards and processes.<sup>14</sup>

Often these responsibilities are divided between a number of departments whereby social services, education and health departments, facilitate provision of transport for their specific needs without any coordination. However, as there is a statutory duty on English and Welsh local authorities *to deliver services to clear standards – of cost and quality – by the most economic, efficient and effective means available*<sup>15</sup>, a number of local authorities have identified better coordination/integration as a way of delivering best value.

9 Transport Act 1968, Part II, Section 9

10 HOC Hansard 26th March 2008 [online] available from: <http://nia1.me/11a>

11 DfT (2008) The Local Transport Act 2008: Creating the right public transport system for your area [online] available from: <http://nia1.me/11g>

12 PTEG (2008) A Full Guide to the Local Transport Act [online] available from: <http://nia1.me/11b>

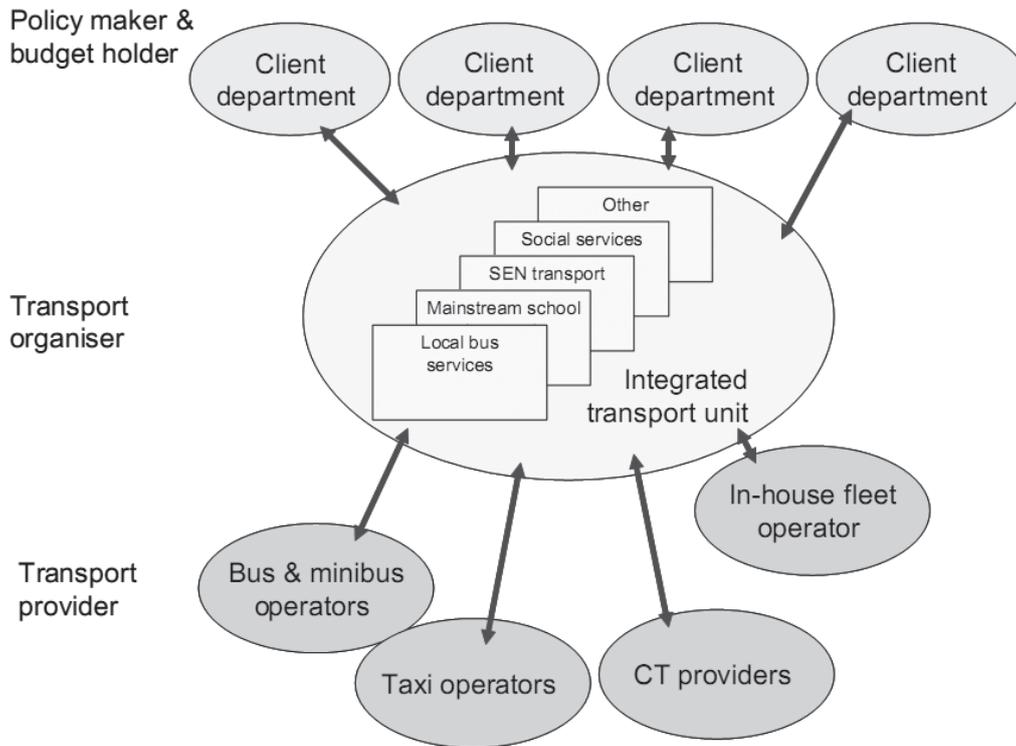
13 DfT (2011) Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen. UK Government [online] available from: <http://nia1.me/11o>

14 Audit Commission (2002) Devon County Council: Transport Provision [online] available from: <http://nia1.me/11k>

15 The Local Government Act 1999 [online] available from: <http://nia1.me/11i>

An Integrated Transport Unit (ITU) is a single division responsible for coordinating all the authority's transport services, rather than doing this across a number of teams. Figure one (below) shows how this works at a local authority level in England/Wales. Effectively it is a three tier system involving a top tier of individual clients/departments; the ITU is the middle tier, responsible for designing and managing services and securing their provision; and the third tier comprises transport operators.

**Figure 1: Typical passenger transport service delivery with an Integrated Transport Unit**



Source: NWCE (2006)<sup>16</sup>

### 3.2.1 Benefits of ITU

The North West Centre of Excellence (NWCE) published a best practice paper detailing different factors for achieving efficiency in local transport. According to their paper, there are five main areas where efficiency benefits can be realised in moving to an organisational model based on an integrated transport unit from one where different passenger transport services are planned, organised and procured separately. These are:

- More focussed professional staff
  - An integrated approach presents the opportunity to assemble a team of transport professionals with the skills and experience to address the range of issues around the movement of people.
- More efficient staff utilisation
  - An integrated approach can streamline and standardise processes, cutting out duplication.
- Better service planning and packaging of external contracts
  - An integrated approach encourages consideration of the whole range of transport needs in planning and procuring passenger transport services;
  - An ITU provides a single point of contact for service providers;

- An ITU wields greater purchasing power; and
- An ITU will reduce duplication;
- Better in-house vehicle fleet utilisation
  - Better use can potentially be made of the in-house vehicle fleet, particularly where a fleet is under-utilised or used only at certain times e.g. school bus fleet.
- Greater flexibility
  - An integrated unit with professionally focussed staff gives a powerful vehicle for responding to new challenges in transport organisation.

### **3.2.2 Costs**

There may also be initial costs associated with setting up an integrated transport unit, Key cost elements in moving to an alternative organisational model may include:

- Re-location costs
  - Costs associated with removal to new premises and re-siting of IT systems
  - Costs of any preparatory works at the new premises
  - Costs of any transitional arrangements for re-located staff
- Staff training costs
  - There will almost certainly be a need for significant staff training and education
- Staff package costs
  - Costs associated with any staff redundancies or early retirements where staff numbers are reduced
- IT costs
  - Costs of any new integrated systems required to underpin the integrated transport unit
- Change management support
  - External consultants may be required to support establishment of ITU
- Contingency
  - Inclusion of a contingency sum within the implementation budget to cope with unforeseen events is strongly recommended.

### 3.2.3 Case Study – Devon County Council Transport Co-ordination Service

Devon County Council (DCC) was designated by Government as a Centre of Excellence for Integrated Transport Planning in 2001, having demonstrated best practice in transport planning. DCC is one of fourteen authorities that were designated by the Government in 2001. The County Council was particularly recognised by Government in terms of its transport co-ordination, traffic management and control across a large rural county.<sup>17</sup>

DCC is in the south west of England and while it is the third largest county in England, it is also one of the most sparsely populated with around 735,000 people living there (2006).<sup>18</sup> The major centre of population is Exeter (111,000), with other towns, such as Barnstaple (20,800), Newton Abbot (23,600) and Exmouth (32,400) acting as focal points for a large rural hinterland. There are also important small towns, which have developed to serve local communities.<sup>19</sup>



**Figure 2: Map of Devon County Council area**

**Source:** Transport Scotland 2009<sup>20</sup>

Devon has four times more agricultural activity and twice as many tourism businesses than the national average, and is characterised by many small businesses. The public sector is the largest employer in the area.<sup>21</sup>

DCC's transport is managed in-house by the Transport Co-ordination Service (TCS). The TCS is a corporate unit within the County Environment Directorate and acts in a co-ordinating role for transport provision across the County Council.<sup>22</sup> The TCS is responsible for providing the following services:<sup>23</sup>

- Transporting students to and from school;
  - DCC transports 20,000 pupils per day and manages a school transport budget of £20m
  - DCC also manages and coordinates Special Education Needs (SEN) transport for schools and FE colleges
- Transporting clients to and from social care facilities;
- Operates the County fleet and manages maintenance contract;
- Manages 220 external contracts for various travel routes;
- Manages contract held by South West Highways, for maintenance of the County's transport fleet;
- Manages customer contacts centre and ticketing service SWPTI Traveline;
- Network planning;
- Schedules/timetables (6 area timetable books covering all Devon);

17 Devon County Council [online] Transport Planning: Centres of Excellence, available from: <http://nia1.me/111>

18 Devon County Council (2010) State of Devon and Torbay's Transport [online] available from: <http://nia1.me/11m>

19 Audit Commission (2002) Devon County Council: Transport Provision [online] available from: <http://nia1.me/11n>

20 Transport Scotland (2009) Providing transport in partnership [online] available from: <http://nia1.me/111> (Page 50)

21 Devon County Council (2010) State of Devon and Torbay's Transport [online] available from: <http://nia1.me/11m>

22 Audit Commission (2002) Devon County Council: Transport Provision [online] available from: <http://nia1.me/11n>

23 Taken from combination of Sources: Transport Scotland (2009); Audit Commission (2002) and Devon City Council (2010)

- Concessionary fares (130,000 pass holders) & education tickets;
- Monitoring service performance/data analysis;
- Publicity & information; and
- Local Transport Plan implementation.

This integration model is based on joint-commissioning of mainstream public and home-to-school transport by one in-house unit. According to the Audit Commission this approach provides economies of scale in the technical skills necessary to manage transport, allow them allowing them to better integrate home-to-school transport with the wider transport policy and improve the prices obtained when letting contracts.<sup>24</sup> DCC TCS also integrate their SEN transport requirements with special needs vehicles used for health and social services. Special needs transport is often more expensive with many users requiring adapted vehicles and/or specially trained drivers. Therefore, using these vehicles for both school runs and health and social service appointments brings greater efficiencies by maximising the use of both physical and human resource.

The Audit Commission also praised DCC TCS for:

- Generally good satisfaction levels from end user surveys;
- Service agreements and good interaction with principal clients (Education and Social Services);
- A high standard of travel information, easily accessible by service users;
- DCC was recognised as an example of best practice by the Audit Commission in its going places publication for its co-ordinated approach to transport management;
- The positive attitude of TCS staff and their good understanding of the TCS business, service aims and client/customer relationships;
- Positive relationships with transport contractors; and
- Robust performance management systems.

The only negatives for the DCC TCS were the relative high costs of Devon's school transport and community transport schemes although it should be noted that many factors influence the cost of transport services including geographical characteristics, population density and the competitiveness of the local transport service provider market.<sup>25</sup> As noted above Devon is sparsely populated and predominately rural.

## 4 Transport Integration in Scotland

Transport Scotland was established as an executive agency of the then Scottish Executive in January 2005. As of September 2010 Transport Scotland merged with Transport Directorate of core Scottish Government but they continue to be called Transport Scotland albeit with an expanded portfolio of responsibilities, including:

- Rail (management and investment);
- Road (management and investment);
- Transport Strategy;
- Sustainable transport, road safety and accessibility;
- Local roads policy;

24 Audit Commission (2001) *Going Places: Taking people to and from education, social services and healthcare* [online] available from:

25 Audit Commission (2002) *Devon County Council: Transport Provision* [online] available from: <http://nia1.me/11n>

- Aviation, bus, freight and taxi policy;
- ferries, ports and harbours; and
- Concessionary travel and the Blue Badge Scheme (disabled persons' parking permits).

#### 4.1 Regional Transport partnerships

Another one of Transport Scotland's roles is to liaise with and monitor the funding of Scotland's Regional Transport Partnerships (RTP). The Transport (Scotland) Act 2005 required the establishment of Regional Transport Partnerships (RTPs) covering the whole of Scotland. Seven RTPs were established on 1 December 2005 (figure 3):

**Figure 3: Regional Transport Partnerships in Scotland**

- Zetland Transport Partnership (ZetTrans)
- Highlands and Islands Transport Partnership (HITRANS)
- North-East of Scotland Transport Partnership (NESTRANS)
- Tayside and Central Scotland Transport Partnership (TACTRAN)
- South-East of Scotland Transport Partnership (SESTRAN)
- Strathclyde Partnership for Transport (SPT)
- South-West of Scotland Transport Partnership (SWESTRANS)



**Source:** SPT (2012)

RTPs are governed by boards which consist of councillors from each of the constituent local authorities, who have voting rights, and external members appointed by Scottish Ministers, who may only vote in certain circumstances,<sup>26</sup> in this way they are comparable to the English/Welsh Integrated Transport Authorities (formerly PTAs).

PTAs have a responsibility to publish a Regional Transport Strategy (RTS). The RTS influences all of the future plans and activities of the organisation and informs future national and local transport strategies. The Transport (Scotland) Act 2005 sets various requirements for RTS but essentially the must consider the best way to meet local transport requirements while taking account of cost, funding and practicability.<sup>27</sup>

##### 4.1.1 Strathclyde Partnership for Transport

Strathclyde Partnership for Transport (SPT) is the largest of Scotland's seven regional transport partnerships. SPT has a broader suite of powers having replaced and then retained the functions of the former Strathclyde Passenger Transport Executive (like those in England). Unlike the other RTPs, which are funded solely by local authorities, SPT is also funded by Central Government (mostly capital funding) to carry out transport planning, transport co-ordination, capital investment and project development for the 12 member councils in its area. Examples of the services SPT provides include:

- The operation of the Subway;
- The management of socially necessary and demand responsive bus services (MyBus);

<sup>26</sup> Rehfish, A (2011) SPICE Briefing: Transport in Scotland [online] available from: <http://nia1.me/11q>

<sup>27</sup> The Transport (Scotland) Act 2005 [online] available from:

- Capital investment in regional transport projects for all modes;
- The operation of regional bus stations/interchanges;
- The administration of the regional ticketing scheme (ZoneCard);
- The administration of the Strathclyde Concessionary Travel Scheme;
- managing school transport contracts; and
- bus stops and shelter maintenance.<sup>28</sup>
- While there has been criticism levelled at the current RTP in Scotland in terms of variable outcomes, there is recognition that the additional powers held by SPT make it an exemplar of regional integrated transport planning and provision.<sup>29</sup>

## 5 Lessons for Northern Ireland

There are currently two Transport Plans for Northern Ireland:

- The Sub-Regional Transport Plan (SRTP)
- The Belfast Metropolitan Transport Plan (BMTP)

These are high level strategic documents designed to deliver an overall vision of transport for Northern Ireland. However, they fail to consider the unique characteristics of Northern Ireland's diverse communities and landscape and do not deal with the day-to-day issues of delivery like the local (England and Wales) and regional (Scotland) transport strategies discussed in this paper.

As a result of public transport reform the DRD proposed to provide an improved and more efficient customer focused service, built around integrated local transport plans.<sup>30</sup> As part of the reform process a local council based transport authority was considered (Discussed in NIAR 602-12). However, it was considered favourable to retain responsibility for public transport provision within central government alongside complementary business areas such as road planning.<sup>31</sup>

A three tier structure was approved; initially involving the formation of a Public Transport (Executive) Agency. However, there are now plans to combine public transport and roads service into one departmental body. These proposals are still at an early stage and are not expected to come into play before 2013. To date, there has been no (public) discussion of the potential for this body to take on responsibility for coordinating SEN, health and education transport. However, this paper has provided examples of cases where this approach has been beneficial both in terms of improving service and delivering efficiencies.

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28 SPT (2011) Strathclyde Partnership for Transport : Annual Report 2010/2011[online] available from: <http://nia1.me/11v>

29 Peakin, W. (2011) Are Regional Transport Partnerships worthwhile? Hollyrood, April 12th 2010 [online] available from: <http://nia1.me/11w>

30 (DRD) Department for Regional Development (2010) Public transport Reform: Final Report on Public Consultation [online] available from: <http://nia1.me/10d>

31 RaISe (2008) Public Transport Reform: Analysis of Strategic Business Plan Options [online] available from: <http://nia1.me/11p>



Northern Ireland  
Assembly

## Research and Information Service Briefing Paper

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Paper 000/00

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NIAR 344-13

**Des McKibbin**

# Public Transport Contracts: A Literature Review

## 1 Introduction

The organisation and procurement of public transport in the EU has seen significant changes over the last 30 years with some significant trends emerging:<sup>1</sup>

- The growth of competition, either through complete (free market) deregulation or regulated (controlled) competition through tendering or franchising;
- The use of contracts between transport authorities (usually government) and transport operators (usually a private operator) has become commonplace.<sup>2</sup>

Across the EU 'controlled competition' – based on tendered, fixed term contracts, to operate a route, or a network of routes is most common. It is only in Great Britain where free competition is prevalent.<sup>3</sup> Besides awarding mechanisms based upon competition, there are many examples of contracts awarded directly to a public operator; again these are increasingly subject to contracting agreements.<sup>4</sup>

This paper examines the types and content of contracts commonly used in the transport sector within Europe and provides a selection of case-studies demonstrating how these are administered on the ground.

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1 European Commission DG TREN (2008) Contracting in urban public transport [online] available from: <http://nia1.me/1ix>

2 Ibid (see Page 26)

3 Hidson, M. and Müller, M. (2003) Better Public Transport for Europe through Competitive Tendering - A Good Practice Guide [online] available from: <http://nia1.me/1e5>

4 See footnote 1

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## 2 Contracting in Public Transport

Within the transport sector a broad range of contractual arrangements exist, but essentially a contract defines the relationship between the transport authority and the operator and what is expected of both parties. In some cases contracts are very prescriptive in how they detail the activities to be undertaken and the relationship between the parties<sup>5</sup> while others are 'lightweight' and incomplete, failing to clearly express the relationship between parties.<sup>6</sup>

### 2.1 Content of contracts

In spite of the fact that so many types of contract exist, Bray and Mulley (2013<sup>7</sup>) observe a number of items commonly addressed in authority/operator contracts:

- Introduction, such as the parties to the contract, objectives (e.g. increase passenger numbers) and features of the public transport system (bus, tram, multi modal etc.) and the role of the operator within the system (e.g. management only).
- Pre-service activities, including conditions precedent, company systems, staffing, transition planning and transition contingency conditions, and end-of-service activities (these items protect staff e.g. if new management company takes over).
- Services to be provided by the operator, covering the initial services to be provided, service standards, the roles of the authority and operator with regard to on-going service planning and approval and the process for amending the contract in-term.
- Finance and insurance, including the payment structure, payment mechanisms, price escalation, fare policy and revenue, non-fare revenue, taxes and duties, insurance and, if the operator is to finance assets;
- Extension and termination, covering conditions for contract extension, if any, and issues that could result in early termination of the contracts.
- Special events, including force majeure, the power of the authority to act in an event and consequences of special events.
- Assets, to address issues related to assets provided by the authority and the operator and, if the operator is to finance assets, ownership and transfer arrangements.
- Contract management, including partnership arrangements and dispute management and resolution.

### 2.2 Technical Aspects

When consideration is given to all of the factors listed above, Van de Velde, et al. (2008<sup>8</sup>) suggest that the type of contract held between the operator and authority can be reduced down to two defining characteristics; risk allocation and award procedure.

5 Bray, D. and Mulley, C. (2013) Designing contracts/concessions: What has worked and what has not and why. Research in Transportation Economics Vol. 39 (2013)

6 Hensher, D.A. (2010) Incompleteness and clarity in bus contracts: Identifying the nature of the ex-ante and ex-post perceptual divide. Research in Transportation Economics Vol. 29

7 See footnote 5

8 European Commission DG TREN (2008) Contracting in urban public transport [online] available from: <http://nia1.me/1ix>

### 2.2.1 Allocation of risk

The allocation of risk is a significant factor when selecting a contracting regime. Smyth (2005) identifies two types of risks that can be distinguished in the situation where a government agency orders public transport services from a supplier:

- Production risk refers to the risk associated with providing the service (infrastructure, maintenance, rolling stock) regardless of whether it is used; and
- Revenue risk is the risk associated with the sale of transport services.<sup>9</sup>

Tendering of gross-cost contracts is the most common form of competitive tendering in Europe. This means that all fare based revenue goes back to the authorities and that the operators bid for the costs of running the contract.<sup>10</sup> The use of gross-cost contracts reduces the risk to the operator since they receive their agreed fee regardless of passenger numbers (unless incentives/penalties are featured in the contract).

Net cost contracts are similar to gross cost contracts. However, under a net-cost contract the operator provides a specified service for a fixed period and retains all revenue. In this situation the authority pays a subsidy to the operator if the bus services are unprofitable. If the services are profitable, the operator pays the authority a royalty. Under a net-cost contract the operator has to forecast both his costs and his revenues when applying for a tender; as such they assume most of the risk.

### 2.2.2 Award procedure

Although free market entry exists in GB, in most cases the awarding of contracts can be distinguished by whether it is awarded directly or awarded based on a competitive procedure such as tendering or franchising.

Despite a new regulatory framework from Europe aimed at promoting controlled competition, there remain many examples where contracts are awarded directly (without tendering) to an 'in-house', publically owned company. This is facilitated through exemptions in the relevant European law: Regulation (EC) No. 1370/2007. This regulation permits a relevant authority to 'entrust' the provision of passenger transport services to an internal operator without competitive tendering. *Note: an 'Internal operator is defined as a 'legally distinct entity' owned by the state.*

Competitive tendering refers to the awarding of an exclusive right to operate a route, or a network of routes, to an operator following a competitive process. Along with, or instead of an exclusive right, the Authority may also grant subsidises to the successful operator in compensation for the fulfilment of public service requirements.

## 2.3 Benefits of competition

A primary aim of competitive tendering is to reduce costs and the experience in EU Member States suggests that it does indeed support this, although this is not an inevitable outcome. In addition to cost savings, competition can be used as a means of achieving other desirable outcomes such as improved service levels and lower ticket prices. Other performance criteria that feature regularly in tenders include:

- Service reliability;
- Customer satisfaction; Quality of the service as perceived by customers;
- Information provided to the customers;

9 Smyth, A. (2005) Competition and Regulation: The Role of Ownership. 16th International Symposium on Theory and Practice in Transport Economics.

10 Longva, F. Bekken, J.T. and Norheim, B. (2004) Competitive Tendering and Performance Based Subsidies.

- Handling of complaints made by customers;
- Cleanliness of buses; and
- Environmental objectives.

In Helsinki, competition has also enabled a rapid modernisation of bus fleets, due to the inclusion of fleet renewal requirements set in the tender specifications and; this has resulted in an average fleet age reducing from 6.5 to 4.5 years.<sup>11</sup>

## 2.4 Potential drawbacks?

It should be noted, however, that competition does not make success inevitable. Hensher (2008<sup>12</sup>) suggests competitive tendering is by no means the be-all and end-all. He points to the Scandinavian experience, commenting that while 80% of publicly served routes in Sweden and Denmark are open to tender only one third of routes in Norway are. Despite this, “...*there is no indication that public transport operations in Norway are less cost-effective than those in other Scandinavian countries and the level of subsidy is much lower.*”<sup>13</sup>

The bus system in Barcelona is widely regarded as one of the finest in Europe; however, it is based on a direct award contract between ATM (authority) and TMB (operator). In this case the authority is in charge of transport policy, setting objectives such as passenger and environmental targets while it funds the operator to manage and operate the system based on a series of contractual obligations, these include:

- Production (the amount of vehicle-km to be covered each year);
- Investments to be made in terms of rolling stock and infrastructure such as bus stops;
- Quality of service (accessibility, services adapted to people with reduced mobility, reliability, security, customer care, integration, comfort, passenger information)
- Financing and management of the organisation (costs)
- Ticketing
- Increasing demand (passenger numbers)

In Barcelona the operator carries the risk on operational costs (personnel, maintenance) while they are also responsible for investments in rolling stock and other operational assets.

## 2.5 Incentives and Monitoring

Providing incentive instruments, carrying out effective monitoring or preferably combining the two are an effective means of balancing the needs of operators and authorities. Van de Velde et al. suggest that:

*“...instead of just writing down rules and prohibitions into the contract, as these need to be thoroughly monitored by the authority to be effective. They [incentives] might be used to compensate for reduced or difficult monitoring to create self-fulfilling contractual features. They are an instrument to secure the quality level.”<sup>14</sup>*

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11 Hidson, M. and Müller, M. (2003) Better Public Transport for Europe through Competitive Tendering - A Good Practice Guide [online] available from: <http://nia1.me/1e5>

12 Hensher, A. (2008) Bus transport: Economics, policy and planning. Research in Transportation Economics, Volume 18, 2007, Pages,1-507

13 Ibid.

14 European Commission DG TREN (2008) Contracting in urban public transport [online] available from: <http://nia1.me/1ix>

London buses operate under a “Quality Incentive” contract. In practice this means that operators are penalised for poor performance, and rewarded for exceeding threshold targets for on-time performance. The main incentive/monitoring aspects of the contract between Transport for London (TfL) and bus operators are:

- In cases of particularly poor performance, Transport for London (TfL) can take a contract away from an operator as a last resort;
- Customer satisfaction is assessed but is not used as a basis for payment of bonuses or penalties.
- Payments or penalties to operators are dependent on reliability of the bus services. This means
  - for a low frequency service (less than 5 services per hour) that has as its targets to be 80 % on time,
  - an achievement of reliability of 82 % will entitle the operator to an increase of the contract price by 1.5 %, 84 % reliability to 3 % and so on,
  - In case of unreliability, i.e. more than 78% of the services are delayed, a 1 % deduction will be undertaken from the contract price, and an unreliability rate of 76 % will lead to a 2 % reduction and so on.
  - Operators are able to earn +15% of contract price in bonus payments and penalty payments can be 10%.

Please note that the system is far more complicated than described here, but these points present the essentials of the mechanism.<sup>15</sup>

### 3 Keys to contract success

Whether a competitively tendered contract between an authority and an operator proves successful will depend very much on the procurement process. In that sense it is useful that as contracts have increased in popularity, there has been a great deal of research and analysis that points to key success factors and potential pitfalls.

Bray and Mulley (2013<sup>16</sup>) have summarised a recent workshop which took place at the annual Thredbo International Conference Series on Competition and Ownership in Land Passenger Transport. This event attracts a broad range of participants engaged in transport procurement including government officials, public transport operators, consultants and academics. During the 2012 conference, there was a specific session looking at what works and what doesn't work in terms of transport contracts. Participants identified a number of key themes to ensure the success of the contracting process:<sup>17</sup>

1. **Clear understanding by government of objectives and outcomes** - There is often a lack of clarity around which the success of operators can be measured
2. **Clear allocation of risk between parties** - Without risk (and ability to increase profit), i.e. financial or contractual incentives to deliver governments objectives, the operator may have little incentive to focus on delivering the authorities desired objectives.

15 European Commission DG TREN (2008) Contracting in urban public transport [online] available from: <http://nia1.me/1ix>

16 Bray, D. and Mulley, C. (2013) Designing contracts/concessions: What has worked and what has not and why. Research in Transportation Economics Vol. 39 (2013)

17 Summary of proceedings was presented in: Bray, D. and Mulley, C. (2013) Designing contracts/concessions: What has worked and what has not and why. Research in Transportation Economics Vol. 39 (2013)

### 3. **Effective tender assessment**

Contracts may be set for failure before they even start. Effective tender assessment can overcome any potential problems arising from issues such as the use of qualitative factors in tenders, the potential for optimism bias i.e. choosing tenders based purely on price that are not financially sustainable.

### 4. **Ensuring financial viability**

Contracts that do not allow an operator to meet their costs are not sustainable and there is potential for this to affect passengers, particularly if the operator is more focused on containing costs, than customer service. On the other hand, authorities should not need to pay more than is required by an efficient operator.

### 5. **What works and what doesn't**

The workshop participants<sup>18</sup> were asked, from both the transport authority and transport operators, perspective what design features of contracts work and what do not. In considering what works, they identified the following:

- Alignment of expectations and objectives between the parties;
- Reasonable flexibility to respond to the dynamic context of public
- Transport; and
- Understanding of the environment and capabilities of the parties.

The three main factors considered to be most detrimental to effective contracts were:

- A lack of incentives and penalties;
- Contracts that preserve vested interests (to minimise protest) compromise the ability to achieve desired outcomes; and
- Contracts that have unrealistic expectations.

## 4 European Good Practice

The following case studies present how cities in the France, Ireland, and the Netherlands have secured the provision of public transport through various contractual arrangements. The case studies do not give an exhaustive description of each authority's contract but provide a useful overview of how the different types of contractual arrangements have been implemented.

### 4.1 Dijon, France (Tendered Network Management Contract)

The Transport Authority (TA) for the Dijon region of France is the "Communauté de l'Agglomération Dijonnaise" (Le Grand Dijon). The region groups 21 municipalities and 250 000 inhabitants, covering an area of 209 km<sup>2</sup>. The TA contracts the management of the bus network (including school and accessible buses) of the region to the operator, Keolis, operating under the "Divia" brand.

The agreement is based on the operator having the exclusivity to manage and operate bus services in the region. Vehicles, garages and buildings are owned by the authority, which is also responsible for any major maintenance.

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18 Bray, D. and Mulley, C. (2013) Designing contracts/concessions: What has worked and what has not and why. Research in Transportation Economics Vol. 39 (2013)

The main features of the contract are:

- It is awarded based on a competitive tendering process;
- The authority has final say on service supply, network development and fares, after taking into account the proposals made by the operator;
- The operator has some latitude to modify services, within agreed limits;
- The authority manages personnel issues such as transfer of operator (after contract period expires);
- The operator keeps most of the revenues although the amount the operator must pay the authority decreases each year of the contract;
- There are financial incentives (and penalties) linked to service quality and customer satisfaction.

## 4.2 Dublin, Ireland (Tendered route contract with incentives)

The LUAS in Dublin is the Responsibility of the Railway Procurement Agency (RPA) an Independent Statutory Body, established under the Transport (Railway Infrastructure) Act, 2001.

The service is operated under a performance based gross-cost contract with a patronage incentive. This is significant to the authority as they must pay the agreed price to the operator regardless of revenue collected (patronage levels), meaning the RPA carries all the risk; without the incentive there may be little motivation to increase patronage. Infrastructure, rolling stock and other installations are owned by RPA with the operator licenced to use it. Maintenance of rolling stock and facilities is, however, the responsibility of the operator.

## 4.3 Amsterdam, Netherlands (Direct award with competitive threat)

The previous contract (pre 2012) for the provision of public transport in the City Region of Amsterdam was directly awarded to the publically owned operator GVB in the context that Dutch legislation would require the contract to be competitively tendered in 2012. The rationale of this process was to see if the operator could compete under market conditions with the private sector.

The authority conducted a pseudo competitive tendering procedure whereby the GVB had to deliver a bid that would be evaluated against a secret reference point (the benchmark). This bid was to be based upon the existing Schedule of Requirements (transport policy aims). However, real competitive tendering remained an option if this bid proved to be insufficient in comparison to the benchmark.

As GVB's bid proved to be within the requested limits, it was accepted on the proviso that it would provide a better service and would be subjected to a sharper incentive/penalty scheme based on financial penalties. A net-cost contract was agreed, with the following provisions:

- GVB is fully responsible for the operational level of its service and is free to make decisions on the operational level during the contracting period;
- GVB carries the risk on operational costs: personnel, energy, maintenance, etc.;
- GVB is responsible for investments in rolling stock and other operational assets;
- The authority is responsible for all investments in rail infrastructure;
- GVB carries responsibility for passenger revenues. However it has only had a very limited control over the passenger tariffs which are bound to the National Tariff Scheme (Nationale Vervoerbewijzen, NVB).
- Monitoring controls the operation of the agreed number of timetable-hours per route,

- punctuality, service integration, passenger number and satisfaction; and
- A bonus/penalty system is in place.

## 5 Discussion

There has been a noticeable shift away from public monopolies providing public transport across the EU towards a more open and competitive market. GB were the forerunners of this process of reform, however, most people agree that deregulation has brought undesirable results. The model now favoured across Europe is some form of controlled competition with relationships between public transport authorities and (normally) private transport operators defined in a contract.

This approach is not applied universally; there remain a number of examples whereby a publically owned transport operator is entrusted to deliver public transport in their region without competition. The example cited in this paper was Barcelona, chosen as this transport system is particularly well regarded. Northern Ireland's Department for Regional Development is due to enter a similar agreement with Translink in April 2014.

Based on the review of the literature and examination of relevant case studies it is clear that, in instances of direct award and competitive tendering, the contract and what it contains is critical in defining the relationship between both parties. What is perhaps of even greater significance however is how this is monitored, for without effective monitoring the contract is just a piece of paper:

*"Monitoring is an essential and often poorly constructed and resourced input into the delivery of cost-efficient and service-effective services is a monitoring programme. We need to learn from the active experience and have a transparent framework in place to ensure compliance under whatever delivery regime is in place. Monitoring is often neglected. It is not clear in most circumstances who should pay for it, who should do it and how the outputs should be used and maintained for easy access."*<sup>19</sup>

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19 Hensher, A. (2008) Bus transport: Economics, policy and planning. Research in Transportation Economics, Volume 18, 2007, Pages,1-507







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