



**Community  
Transport  
Association**

Response to the  
Department for Transport

# **Local Bus Service Support - Options for Reform (BSOG)**

Closing Date: 5 June 2008

The Community Transport Association

The CTA is a rapidly growing national charity giving voice and providing leadership, learning and enterprise support to member organisations, which are delivering innovative transport solutions to achieve social change. CTA UK promotes excellence through providing training, publications, 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.

The CTA is the UK's largest provider of training, advice and information on accessible, voluntary and community transport provision. The CTA is part - funded by the Department for Transport, the Welsh Assembly Government and the Department for Regional Development (Northern Ireland).

### **CTA's Response to Consultation**

The CTA welcomes the opportunity to contribute to the Department for Transport's consultation process. Our response takes the form of comments on each of the proposals contained in the consultation document.

### **Contact Details**

Any queries regarding this response should be directed to:

Brian Shawdale  
Advice and Training Director  
Community Transport Association  
Highbank  
Halton Street  
Hyde  
Cheshire  
SK14 2NY  
Tel: 0870 774 3586  
Fax: 0870 774 3581  
E-mail: [brian@ctauk.org](mailto:brian@ctauk.org)

## Preferred Options

Text in *italics* is taken from the consultation document. Text in **bold** represents CTA's comments.

### **Proposal 1: BSOG rate capped at a minimum fuel efficiency level**

*46. An initial change to the current BSOG regime would be to cap the amount of BSOG payable at a minimum level of fuel efficiency. This measure of fuel efficiency would be calculated in kilometres per litre (kpl) and could be calculated based upon information already provided to DfT by operators as part of their BSOG claims.*

*47. The amount of BSOG payable would be calculated differently depending upon whether the claim met or did not meet the minimum fuel efficiency level. If the fuel efficiency target was met then BSOG would be paid based upon the actual amount of fuel used. However, if the target was not met, then BSOG would only be paid on the fuel that would have been consumed if the target had been met. This means the rate of BSOG per litre of fuel falls as actual fuel efficiency worsens compared to the target.*

*54. The Department would be interested in views on:*

- the most appropriate fuel efficiency level at which to cap BSOG payments, and how this might evolve over time?*
- whether there should be different rates for urban and rural services? This might allow the different characteristics of operations to be reflected but would be more complex and difficult to administer.*

**The CTA would support the general concept of not rewarding inefficient fuel usage. The way in which the actual cap is set should be calculated by using the DfT's own statistics. BSOG claims already show the fuel efficiency for each claim. At least two different aspects of the calculation need to be taken into account. The size of the vehicle will affect the fuel consumption. Most dial-a-ride services use minibuses with up to 16 seats. However the adaptation of these vehicles to provide access for people with a disability will increase the fuel consumption due to increased weight and increase electrical power required. As suggested by the consultation, urban / rural variations will also introduce unfairness unless an allowance is made for the differences.**

**Once these differences have been quantified, the CTA believes that as the DfT have access to all the statistics the actual level can be set to reduce (say) 10% of the claims due to the fuel usage cap. Using this mechanism, any improvements over a period of time will be automatically taken into account by the formula.**

**Rather than simply stating that money not being paid out will be used by the DfT to improve services, the money saved by capping should be specifically used to encourage fuel efficiency by uplifting the BSOG claim of the top (say) 15% of the most fuel-efficient claims.**

**Proposal 2: New arrangements for Low Carbon Buses (LCBs)**

55. The Department recognises the current policy for paying BSOG to LCBs weakens the incentive for the operators to invest in new technology, particularly low carbon buses, such as electric hybrid buses. The Department proposes to introduce one of two possible reforms to BSOG payments to LCBs:

a) Move to a distance based payment, i.e. a rate per operated kilometre, for LCBs. The payment per kilometre would be calculated to be equivalent to the average BSOG payment when calculated in the normal way.

b) Increase the rate of BSOG payable to LCBs to 100 per cent of fuel duty.

56. The Department would be interested in views on:

- the most appropriate definition of LCBs. A recent definition defined a LCB as a bus which had 30% lower CO<sub>2</sub> emissions than a standard diesel bus of the same seat capacity. Is this still appropriate?
- what reductions in the costs of LCBs could be expected as volumes of production increase?
- how robust are the CO<sub>2</sub> reductions from the current round of LCBs?
- are any further changes needed to allow for alternative fuels, (biodiesel or road fuel gases which already command a rate of 100% fuel duty) and to encourage the use of vehicles with cleaner emissions?

The CTA welcomes the intention of this proposal. The option of paying BSOG at the equivalent rate that would apply were the vehicle to be a standard diesel engine design or greater than this level, as suggested in the CTA's comment on Proposal 1 (above), would provide an equitable arrangement. The definition of low carbon buses should be judged on the design of the vehicle and the relevant testing prior to manufacture. A figure of 30% lower than a 'standard' bus is supported. However, over time the 'standard' bus will become more fuel efficient and there could be deterioration in the CO<sub>2</sub> performance of the low carbon bus with age, wear, etc. The CTA believes that if any mechanism is introduced that re-tests the vehicle during it's life that could result in the vehicle losing its special BSOG status; this will cause less investment in new low carbon vehicles due to this uncertainty.

**Proposal 3: Devolve BSOG payments to areas undertaking Quality Contracts including London**

57. The Department proposes to replace BSOG with a grant paid to the relevant local authority or PTE (either directly or as part of RSG) where a quality contract (QC) is introduced, and to Transport to London (TfL). This would be based initially on current and projected future levels of the amount of BSOG paid to services in the area covered by the tendered network.

63. The Department would be interested in views on:

- Should devolution be accompanied by certain targets or should decisions on targets for achieving value from spending be decided locally?
- How should future levels of support be decided? Should they increase in line with other subsidy payments, patronage or inflation?
- On what timescales would it be possible to achieve devolution?
- How should the starting level of subsidy be determined?

**The CTA does not support any devolution of BSOG payments to local authorities for several important reasons. Firstly, it will undoubtedly increase administration expenses with the current claims processing procedures and staff having to be replicated in each area. The second reason for opposing this proposal is linked to previous experiences of the community transport sector both in England and in another devolved administration where money that had been previously used to support Government policy on transport provision has been used by local authorities and other government agencies for entirely different purposes. Specifically in the case of BSOG, the funding is designed to cause an increase in the use of public transport. This is more likely to be achieved by maintaining a full bus network for multi-modal and interconnecting journeys. This imperative may not be a priority for all administrations.**

**Any local decisions associated with paying BSOG under different criteria are likely to create distortions in the passenger transport market, particularly on cross boundary services and are likely to infringe European 'State Aid' rules.**

#### **Proposal 4: Tiered Rates of BSOG**

64. The Department proposes to link the rate of BSOG payable to criteria on service performance and quality. [ ] the Department's proposed option is to pay a higher rate of BSOG where operational ITSO smartcard ticketing and GPS systems are installed. We are also considering the option of introducing a tiered rate approach linking subsidy to compliance with emissions standards.

76. The Department would be interested in views on:

- Whether there is a case for tiered rates of BSOG to apply also to use of buses which meet particular criteria for emission of air pollutants and green house gases and how this could be effectively designed.
- What level of BSOG rate differential for smartcard ticketing and GPS systems would strike the appropriate balance between providing a strong incentive for these to be rolled out, and avoiding significant disruption to existing services?
- What would the cost be (i) per bus for readers (ii) for the back offices of installing such systems? What minimum level of 'back office' support for smartcard ticketing and GPS should be required?
- How do these costs change if Smartcards and GPS systems were both installed together? And could they use the same 'back office'?
- How could the installation of GPS and smartcard ticketing systems best be verified and audited? Could information from ITSO Co. or other bodies about registration be sufficient for smartcard verification? Could the use of GPS be verified by liaising with the Traffic Commissioner to establish whether high quality punctuality data was available?
- Would universal coverage be necessary or would a high proportion of vehicles being fitted be sufficient?
- Should special arrangements be made for smaller bus operators?
- How quickly could the supplier market respond to a significant increase in demand?
- Would the introduction of GPS into more vehicles provide a catalyst for increased use of real time information systems by both local authorities and operators?
- The case for requiring operators to provide patronage data direct from the smartcard system and potentially GPS data, to an agreed specification, direct to DfT?

**The CTA understands the attraction of a more targeted BSOG grant system. However, as mentioned in the consultation document the investment in assets, staff training and depot facilities falls disproportionately on smaller operators. Most community transport operators could not afford to make such an investment and the linking of BSOG payments to new technology in this way further increases the growing monopoly that larger bus operators have on the transport market and potentially reduces the provision of bus services in rural and isolated communities. Furthermore, it would discourage social enterprise and place a barrier in the way of third sector organisations delivering public services.**

**Proposal 5: Payment of BSOG in Arrears and e-submission of claims**

78. [ ] Departmental auditors have recommended moving to a payment system where all payments are made in arrears. It is intended to implement this change at the same time as any other changes in bus subsidy arrangement to try to minimise the costs imposed on operators.

79. The Department will also want to consider the move to electronic submission of claims, as part of a new subsidy IT system. A simultaneous change would prevent the need for multiple changes in subsidy arrangement in a short period of time.

82. The Department would be interested in views on:

- How should the transition be managed most effectively?
- What level of automation of payments under a new IT system with e-submission of claims would be most appropriate?

**The CTA would not support payment of BSOG in arrears. The cash flow implications for community transport operators could be catastrophic. Those community transport operators that are operating public transport routes by using a trading arm rely on the income from BSOG to provide an income stream for the charity. The introduction of BSOG for Section 19 operators a few years ago should have produced additional uncommitted funds. However, cuts in funding and the ending of other grant schemes have now made BSOG an essential positive element in the delicate balance between continuing to operate (thereby supporting charity work) and ceasing to exist.**

**The CTA would, on balance, support e-submissions of BSOG claims. The introduction of this facility would reduce the effort for most community transport operators that have already invested in IT. Some smaller operators may need to invest in additional IT facilities.**

**Proposal 6: Safe and Fuel Efficient Driving demonstration**

*83. A Safe and Fuel Efficient Driving demonstration programme (SAFED) to encourage fuel efficient driving in the bus and coach sector. The trials of safe and fuel efficient driver training consistently show significant improvements in fuel efficiency (of, on average, 10%) and reductions in accidents.*

**The CTA is very supportive of the SAFED course and holds the view that proportionally greater savings from implementing this training are possible in the area of community transport and other small vehicle operators. This is due to the use of conventional gearboxes being fitted in these vehicles rather than the automatic and semi-automatic gearboxes fitted in larger mainstream buses. Driver training in the use of gears is likely to have greater impact on fuel efficiency than any other aspect. In the view of CTA, at least one of the proposed case studies should be a community transport scheme.**

**The CTA would also be interested in contributing to the network of trainers that could deliver SAFED.**

## Alternative Options

Text in *italics* is taken from the consultation document. Text in **bold** represents CTA's comments.

*85. In reaching its preferred options the Department considered wider alternatives. It also involved industry stakeholders to help form views about the options. This section outlines some of the potential alternative to those preferred.*

### *Continue with the Current Approach*

*86. The simplest option would be to continue to make BSOG payments as occurs under the current programme. The current system offers good value for money and has comparatively low administration costs for both DfT and operators. Continuing under the current mechanism would avoid some of the potential disruption and risks of the other option. However, this would continue to leave a major tension with climate change goals and might not be affordable in the longer term, if fuel efficiency did not improve.*

**The CTA would support limited improvements in the BSOG system to target fuel efficiency, make claims easier to submit and to target vehicles that reduce carbon emissions.**

### *Tiered Rates of BSOG – other criteria*

*87. The use of tiered rates of BSOG forms part of the Department's preferred approach to reforming bus industry support. This type of option is attractive to the DfT and so wider alternatives for criteria were considered, including punctuality and emissions standards.*

**The CTA supports changes in BSOG to reward investment in low carbon buses.**

### *Punctuality*

*88. A punctuality standard potentially offers benefits to passengers as reliability improves. However, a regime where BSOG rates were linked to punctuality could be difficult to implement in reality. It would involve setting an appropriate target, which at least to some extent, would require local knowledge. As such it would be administratively burdensome for both operators and Government.*

**Punctuality targets may be appropriate for mainstream fully timetabled service buses, but the timings on demand responsive and dial-a-ride transport services are less significant in customer service requirements and therefore this would be an inappropriate measure.**

### *Distance Based Payment*

*91. A distance based payment i.e. a rate per operated kilometre would break the link between BSOG payments and fuel consumption. This would encourage the use of more fuel efficient vehicle but the distance element of the payment will favour vehicles operating on longer routes. It should be even simpler to administer than the current BSOG system*

**As the consultation document points out this would have the effect of providing greater benefits to rural bus services. However if such a formula were used throughout, it would have the effect of proportionately reducing BSOG payments for shorter urban routes. Whilst this may not be such an issue for mainstream operators that have large income streams from the fare box on high volume urban routes, passenger numbers are still comparatively low for community transport operators.**

**Nevertheless, a balanced formula that uses the higher of two separate calculations of per passenger BSOG and a mileage based BSOG could resolve the rural / urban dilemma.**

#### *Direct Funding of Traveline*

*95. An alternative type of proposal may be to consider using a proportion of the BSOG pot to directly fund Traveline. The main justification for this type of policy is to minimise administrative costs. Currently Traveline is funded by a combination of authorities and operators.*

*96. Traveline provides information about local bus services to the public and as such provides benefits to transport user.*

**The CTA agrees that there is a need for a national enquiry centre for bus travellers similar to the one operated by network rail and this should include specialist services for people with a disability. However, this should not be at the expense of BSOG payments paid to community transport operators. Providing information on Traveline would not reduce any administration costs for community transport.**

### **Potential Longer-Term Options**

*[the consultation document contains a discussion about longer term options]*

**As an advocate of rights for people with mobility difficulties, the CTA would recommend that, if any conditions need to be attached to BSOG payment, the Government should consider physical accessibility, audio and visual information provision and driver disability awareness training as possible criteria that would support the social change agenda.**

**The CTA strongly supports the view, implied in the consultation document, that a 'per passenger' based payment on its own would have the effect of reducing rural services and seriously decimating community based services provided by CTA member organisations.**

**The consultation document also suggests that BSOG could become linked with concessionary fares. The CTA believes that these funding streams have entirely different strategic purposes and different intended beneficiaries. Public funding for passenger transport under the BSOG scheme benefits all bus passengers and is intended to produce modal shift away from car travel. To achieve this outcome there is few if any alternatives. However, concessionary travel is a social engineering**

**measure linked to providing equality and, in the process, gaining many other cross sector benefits.**

**The CTA believes that the intention of all local and national government intervention in road passenger transport should be prioritised to maintain a full and complete network. Retaining, or building, a complete bus passenger transport system will encourage greater use of the whole network. If this were to become the only target, funding for rural and isolated communities would become a priority. In the longer term the Department should examine which interventions cause the network to be maintained and move more funding to achieving this outcome. On the basis that network completeness is the priority, the devolution of funding to local authorities will be a significantly backward step.**

## **Final Point**

**There is no mention in any of the proposals, or in the Impact Assessment of community transport. The CTA believes that the Government's use of the BSOG scheme to provide funding for community based operators was based on a view that this was necessary because a proportion of the passengers carried were unable to use similarly funded mainstream services.**

**The resulting BSOG scheme for community transport (Section 19) operators is complex to operate, requiring detailed records to be kept of the passengers carried on each particular journey. This level of complexity is tolerated by community transport operators because of the additional income stream that it creates.**

**The CTA understands (Written Parliamentary question DfT Ref: 1975 07/08) that over £17 million has already been paid during the 5 years that BSOG has been available to Section 19 operators and that the annual rate of payment is now almost £5.25 million. The CTA still gets reports of funding bodies reducing grants by the amount of the BSOG claim, and other organisations not claiming BSOG because they do not have the resources to complete the administration tasks involved. There is, nevertheless, evidence that the money that is paid is used to purchase new minibuses, increase services and employ extra staff to increase levels of customer service provided.**

**As can be seen from the rest of this document, any changed BSOG scheme is going to be more complex to operate, require more records to be kept and, probably, include more fraud avoidance measures. The CTA believes that to thrust any administrative or organisational changes on to the voluntary sector, that very often use volunteers to fulfil key roles, will definitely reduce the number of organisations claiming and be a severe detriment to the social change agenda being promoted by both the Government and community transport.**

**Given that:**

- The community transport BSOG scheme is focused on completing the local transport network for those with mobility difficulties.**
- Incorporating passenger numbers as direct criteria for paying BSOG would severely reduce income for community transport operators in both rural and urban areas.**
- The process for community transport operators claiming BSOG is already more complex than mainstream bus operators; and**
- Our experience of losing funding when previously central funds are devolved to local authorities.**

**The CTA believes that there is no need to change the current arrangement for Section 19 operators.**