

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

BUS SERVICES BILL [*LORDS*]

Second Sitting

Tuesday 14 March 2017

(Afternoon)

CONTENTS

CLAUSE 4 agreed to, with amendments.
CLAUSES 5 AND 6 agreed to.
SCHEDULE 2 agreed to, with an amendment.
CLAUSES 7 AND 8 agreed to.
SCHEDULE 3 agreed to.
CLAUSE 9 agreed to, with an amendment.
CLAUSES 10 TO 15 agreed to.
Adjourned till Thursday 16 March at half-past Eleven o'clock.
Written evidence reported to the House.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 18 March 2017

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The Committee consisted of the following Members:

Chairs: †ALBERT OWEN, MR DAVID NUTTALL

- | | |
|---|--|
| † Ansell, Caroline (<i>Eastbourne</i>) (Con) | † Phillipson, Bridget (<i>Houghton and Sunderland South</i>) (Lab) |
| † Dakin, Nic (<i>Scunthorpe</i>) (Lab) | † Robinson, Mary (<i>Cheadle</i>) (Con) |
| † De Piero, Gloria (<i>Ashfield</i>) (Lab) | † Spencer, Mark (<i>Sherwood</i>) (Con) |
| † Freer, Mike (<i>Finchley and Golders Green</i>) (Con) | † Stringer, Graham (<i>Blackley and Broughton</i>) (Lab) |
| † Green, Chris (<i>Bolton West</i>) (Con) | † Tracey, Craig (<i>North Warwickshire</i>) (Con) |
| † Greenwood, Lilian (<i>Nottingham South</i>) (Lab) | † Zeichner, Daniel (<i>Cambridge</i>) (Lab) |
| † Jones, Andrew (<i>Parliamentary Under-Secretary of State for Transport</i>) | |
| † Knight, Julian (<i>Solihull</i>) (Con) | Kenneth Fox, Juliet Levy, <i>Committee Clerks</i> |
| † Mann, Scott (<i>North Cornwall</i>) (Con) | |
| † Merriman, Huw (<i>Bexhill and Battle</i>) (Con) | † attended the Committee |

Public Bill Committee

Tuesday 14 March 2017

(Afternoon)

[ALBERT OWEN *in the Chair*]

Bus Services Bill [Lords]

Clause 4

FRANCHISING SCHEMES

Amendment proposed (this day): 5, in clause 4, page 15, line 11, at end insert—

“But each of paragraphs (b) to (f) has effect only if the Secretary of State by regulations so provides.”
—(*Andrew Jones.*)

This amendment enables the Secretary of State to control the bodies, other than mayoral combined authorities, that may introduce franchising schemes. The Secretary of State must make provision by regulations before county councils and other authorities in England referred to in paragraphs (b) to (f) may be franchising authorities.

2 pm

Question again proposed, That the amendment be made.

The Chair: I remind the Committee that with this we are discussing Government amendments 7, 17 and 18. I call the Minister to pick up where he left off in his reply to this morning's debate.

The Parliamentary Under-Secretary of State for Transport (Andrew Jones): If we had been paying more attention, at 24 minutes past 11 I would have said that we were done, that we had had a good debate on the issue and should now proceed to a vote. I think I have said all I need or wish to say on the issue. I hope I have answered colleagues' questions about the principles of franchising and access to franchising, which will be a feature of our bus market. We have built in to the Bill safeguards of accountability and preparedness of local authorities, as well as protection for small and medium-sized companies.

Lilian Greenwood (Nottingham South) (Lab): Will the Minister give way?

Andrew Jones: Yes, go on then.

Lilian Greenwood: The Minister is characteristically generous. During the break, I reflected on the points made by my hon. Friend the Member for Houghton and Sunderland South. The Minister has been clear that franchising should be one of the options available, particularly to mayoral authorities, in trying to deliver for passengers. He put passengers at the heart of the matter. Will he take this opportunity to condemn the language used by one of the major operators, who described local authority leaders who were trying to improve passenger services as “a bunch of unreconstructed Stalinists”? Does the Minister agree that that is unhelpful language when referring to local authorities that are seeking to do the best for their constituents?

Andrew Jones: I do not know who said it, the context or to whom they said it. As a general principle, I suggest that constructive engagement and partnership is part of the way forward. People need to find their appropriate personal language that will help that to be achieved.

Nic Dakin (Scunthorpe) (Lab): The Minister has been most generous in taking interventions. It is great to serve under your chairmanship, Mr Owen. Before he took the intervention from my hon. Friend, the Minister said that there is protection for small and medium-sized companies in the Bill. Will that cover companies such as Hornsby Travel, which has celebrated 100 years as a small family business doing excellent work in my constituency and the north Lincolnshire area, and is concerned about the impact of franchising on its capital, stock and drivers?

Andrew Jones: That protection would certainly encompass companies such as the hon. Gentleman describes. In many parts of the country there are excellent family-owned businesses that have been serving their communities for a long time with high-quality product and are much liked by their customers. I see them as having a significant role in the bus industry, whichever regulatory model is chosen by local authorities on a local basis. I most certainly do see that as part of the picture. That concludes everything I have to say on Government amendment 5.

Question put, That the amendment be made.

The Committee divided: Ayes 10, Noes 6.

Division No. 2]

AYES

Ansell, Caroline	Mann, Scott
Freer, Mike	Merriman, Huw
Green, Chris	Robinson, Mary
Jones, Andrew	Spencer, Mark
Knight, Julian	Tracey, Craig

NOES

Dakin, Nic	Phillipson, Bridget
De Piero, Gloria	Stringer, Graham
Greenwood, Lilian	Zeichner, Daniel

Question accordingly agreed to.

Amendment 5 agreed to.

Daniel Zeichner (Cambridge) (Lab): I beg to move amendment 19, in clause 4, page 15, line 24, at end insert—

“(6A) The terms as to standard of service that may be specified include terms about bus punctuality and bus journey speeds.”

This amendment specifies that a local service contract may require bus operators to meet standards of service including terms about bus punctuality and bus journey speeds.

The Chair: With this it will be convenient to discuss amendment 20, in clause 4, page 15, line 45, at end insert—

“(12) A local service contract may require that new vehicles delivering local services are equipped with Wi-Fi if the vehicle comes into service after 1st April 2019 and that existing vehicles are equipped by 1st April 2022.”

This amendment specifies that a local service contract may require new vehicles delivering local bus services to be equipped with Wi-Fi after a specified period.

Daniel Zeichner: It is a pleasure to serve under your chairmanship, Mr Owen. I have already referred to the fact that although the Bill is welcome, there are many issues that affect our bus services that it does not address. Our amendment 19 specifies that the standards of service that a local service contract may require bus operators to meet should include certain levels of punctuality and journey speeds.

As we all know, the resources available to traffic commissioners, who are currently responsible for enforcing punctuality, are woefully inadequate. Despite their honest endeavours, it would be hard to argue that the current system works. One of the highlights of my relatively short time as a Member of Parliament was visiting my local traffic commissioner. I am not sure whether other hon. Members have made the same journey, but meeting a traffic commissioner is an extraordinary thing, because they are relatively invisible to the wider public. They do a difficult job with very limited resources. Although, obviously, my traffic commissioner believes the system works perfectly, I think many independent observers would say that it does not do all that it is expected to do. It is not just those observers who think that; the industry clearly believes that congestion is a major problem and a key challenge.

There is compelling evidence, some of it compiled by Professor David Begg and Greener Journeys, that congestion is actually getting worse and journey times are increasing. That of course leads to greater cost, because more buses are needed on the road to maintain service frequency. What is worse, because journey times are longer, passengers quite rightly get increasingly frustrated—we even see that in London, I am afraid—and as frustration rises, people vote with their feet and turn to other modes of transport. All that of course leads to higher costs, which in turn lead to higher fares, which potentially lead to a spiral of decline.

There is absolutely no doubt that journey times and punctuality are really important. We believe that the Government should address that serious issue, but we are not convinced that the Bill does so effectively. Greener Journeys suggests that the Bill should set guidance encouraging local authorities and bus operators to set targets for average bus speeds by making them a requirement of schemes. Reducing journey times would have the twin benefits of reducing congestion on our roads and improving bus reliability, with positive knock-on effects for both our environment and bus patronage. If buses run more quickly and are more punctual, more people want to use them. It is a virtuous circle—the opposite of the spiral of decline that I just alluded to. It is that simple. We believe it is important that that goal is specified in the Bill.

Although the draft regulations recommend that authorities consider trends in journey speeds when assessing their business case for a franchising scheme, there is no mention in the Bill of journey speeds or punctuality. The Bill does specify that

“a reduction or limitation of traffic congestion”

should be a likely outcome of both advanced quality partnership schemes and enhanced partnership schemes, but strangely that aspiration is not included in clause 4 for franchising schemes. We assume that is an oversight.

We are pleased that the Government amended the Bill to specify that the standards of service that may be specified in all schemes—advanced quality partnership

schemes, franchising schemes and enhanced partnership schemes—include requirements about emissions or types of fuel or power, but we do not believe that that goes far enough to tackle declining bus journey speeds in this country.

Amendment 20 deals with free wi-fi access. The Department for Culture, Media and Sport recently—in fact, on the very day that the Bill received its Second Reading—released its digital strategy. Regrettably, that document is rather short on ambition for our digital infrastructure, and it is revealing about the lack of a connected approach across Government that the strategy lacks creativity about how that infrastructure can be delivered and how we can drive change. That lack of a connected vision was criticised as recently as December by Lord Adonis, who chairs the National Infrastructure Commission. That is why we have tabled the amendment, which I hope will improve passenger experiences and provide a step change in public access to free wi-fi. The benefits of public internet access are abundantly clear—indeed, they have been clearly stated by the Government in their digital strategy, which said:

“The UK’s digital infrastructure must be able to support this rapid increase in traffic, providing coverage with sufficient capacity to ensure data can flow at the volume, speed and reliability required to meet the demands of modern life.”

Pioneering cities such as Newcastle and Sheffield are offering free public wi-fi, the uptake of which is proving the old maxim that, if you build it, they will come. We need not look far to see other examples of success on our bus network. Award-winning Nottingham City Transport buses already offer free wi-fi, helping people to stay connected and definitively proving that, with a vision and a strategy, it can be done. It is not only the provision of free wi-fi that is so encouraging to see but the capacity that has been provided for users. It makes available 50 to 100 megabytes per device, which is far above the Department for Transport’s stipulated requirements for the rail network.

Those forward-looking councils have realised that ubiquitous connectivity will become an essential requirement of modern infrastructure in years to come, and are helping to build that infrastructure in creative ways and provide it free of charge to citizens, recognising that the net benefits outweigh the initial outlay.

Lilian Greenwood: My hon. Friend mentioned the free wi-fi on Nottingham City Transport buses. It may be useful to say, if he did not already know, that free wi-fi is installed on 100% of its fleet. Does he agree that, as the Government have made it a condition of rail franchises that wi-fi should be provided on future franchises, it would be even-handed were a similar requirement to be placed on bus operators? Rather than it just being something enjoyed by rail passengers, it should also be something that bus passengers have the opportunity to use.

Daniel Zeichner: As ever, my hon. Friend is both wise and prescient, because that was just about the next point I was going to make. She is absolutely right. In fact, we do not need only to look at councils to see arguments in support of the amendment; the arguments have effectively been inadvertently made by the Government themselves. They argued in the digital strategy that commuters expect good connectivity; of course, they were referring to the rail network, but the same surely

[Daniel Zeichner]

applies to buses. We know that more journeys are taken by bus each day than by train. It seems odd to exclude those commuters who travel by bus from the roll-out of free wi-fi that is taking place as rail franchises come up for renewal. The roll-out is slow and has been rightly criticised for not matching the data requirements that all rail commuters need, but it is welcome that it is taking place at all.

Buses reach a different demographic from trains—particularly the young and those in education, who happen to be the demographics that use data most of all. Recent Ofcom research found that young people spend 24 hours a week online—it may seem like 24 hours a day, but it is per week. They consume data and take on information at a phenomenal rate, so there can be little doubt that the amendment will serve a purpose. In an answer to a question from my hon. Friend the Member for Sheffield, Heeley (Louise Haigh), the Government admitted that they do not yet collect data on free wi-fi available on buses. However, it is clear that provision is patchy at best, in spite of the clear public benefits.

I anticipate a number of the arguments the Minister may make in defence of the status quo. The first may be that the increasing speed and access to 4G is rendering the need for public wi-fi less important. However, that argument falls down on two key fronts. First, ubiquitous access to 4G is far from a reality for many millions of consumers in urban and rural areas alike. Secondly, patterns of data usage prove that consumers overwhelmingly prefer to use fixed wi-fi to access and consume their data requirements. Yes, mobile data has seen a 600% increase since 4G technology came into public use, but interestingly, the “Connected Future” report by the independent National Infrastructure Commission found that 80% of data usage is still consumed over wi-fi.

On the go, we access data for our emails, to conduct video conferencing via emergent apps and to stream TV, radio and Netflix—in short, to go about our daily business on what has become the fourth utility: internet connectivity. That means that by the end of the month many of us have to top up our data and spend yet more money on what should be considered an essential. However, in many areas even that ready access to data remains a luxury, as 4G coverage in Britain remains in the international slow lane, behind countries such as Albania and Latvia. Lord Adonis said that coverage needs to be meaningful, and by coverage he meant access in the home, at work and on the go. The current binding commitments will not deliver that ubiquitous level of data coverage for quite some time.

2.15 pm

Seamless high-speed connectivity has to be the goal and free wi-fi on buses will help to deliver that. That is why I urge the Government to include in franchising agreements as they come up for renewal a commitment by the operators to deliver free wi-fi on buses. Councils have shown that it can be done; the Government have said that it should be done. I urge the Government to get on with it.

Graham Stringer (Blackley and Broughton) (Lab): It is a pleasure to serve under your chairmanship, Mr Owen, for what I think is the first time.

I will speak briefly to amendment 19. Punctuality and reliability are extremely important, as my hon. Friend said, in persuading people to continue to use buses and attracting people back on to them. The problem is that on many occasions it is difficult to know why the bus does not turn up or is late. Bus companies blame congestion—which is, no doubt, part of the problem—for affecting their reliability and punctuality, and they ask for more privileged use of public sector road space via bus lanes. I do not completely accept that, because the last time I looked at hard statistics—I would be interested if the Minister had up-to-date statistics—I found that about a third of reliability problems were to do with bus companies not maintaining their vehicles properly, resulting in mechanical breakdowns, and another third were due to drivers not turning up and there being no reserve pool to deal with that. It is obviously in the commercial interests of bus companies, and perhaps, on many occasions, of bus passengers, to have bus lanes, and each case should be considered separately against agreed criteria, but we really need to know why things are going wrong.

This is a slightly historical case, but some years ago the FirstGroup buses in Rochdale were in such poor condition that the wheels fell off while they were going along. The traffic commissioner wrote a report about it and the company was fined. FirstGroup does not therefore have a great record. It is also the case, not just anecdotally—there is some evidence, and even more anecdotal evidence—that when buses are delayed for whichever of those three major reasons, they do not complete the route. They take shortcuts. It would be in the interests of public service if each bus had to carry a GPS, so that under the deregulated system, and more so under a franchised or an enhanced quality partnership, the taxpayers and the local transport authority could know where the buses were at any particular time. I would be interested in hearing whether the Minister thinks that all buses being required to carry GPS, and have its information made public, would help our understanding of what is happening to bus services.

Andrew Jones: Amendments 19 and 20, tabled by the hon. Members for Cambridge, for Nottingham South and for Scunthorpe, propose that the Bill explicitly state that bus punctuality, journey speeds and the provision of wi-fi are standards that an authority could specify as part of a franchise contract. Any authority that chooses to implement franchising will be free to determine which services run in an area and the standards of services, including those important matters. Authorities will have to consider as part of their assessment of the proposed franchising scheme whether the proposals represent value for money and are affordable, taking into account the costs of requiring those standards.

I think we all agree that the provision of wi-fi on buses is an extremely attractive prospect for customers. I entirely agree that where an authority wants to require the provision of wi-fi on services, it should be able to do so, and the Bill allows for that. In terms of bus punctuality and journey speeds, there is nothing in the Bill to prevent an authority from specifying the standards it expects from operators running services under franchise contracts.

I was asked about journey time guidance. We said to the Transport Committee that we would produce guidance on setting journey time targets. We intend to do that, though I recognise, as the hon. Member for Cambridge rightly said, that the guidance is not yet drafted.

The provision of customer information was at the heart of the contribution from the hon. Member for Blackley and Broughton. He is right; customers do not always have access to the level of information that is desirable to let them plan their journeys or be communicated with should there be a problem. The Bill includes clauses on open data, and making information available will hopefully create fantastic new products through which customers can receive that information. The open data powers in clause 18 are sufficiently broad to require real-time information for all buses to be provided. That requires GPS on the buses.

I would like customers outside London to have access to the information that is available to bus customers within London, but the amendments would make provision for something that is already provided for. This is about local decision making, rather than making things mandatory. I assure the hon. Member for Cambridge that the Bill already gives franchising authorities powers to set the standards he seeks, and I hope he will therefore withdraw the amendment.

Daniel Zeichner: I suspect we will rehearse some of our previous arguments about whether decisions should be made at the centre or locally. Earlier, we heard about the incredibly prescriptive approach that the Government are taking to allowing local authorities to franchise; now we are told that on this issue, the Government are quite happy to leave it to local authorities to make up their own minds. I suggest there are some inconsistencies here, exactly as we discussed in relation to driving up environmental standards.

The amendment is about ensuring we get the kind of connectivity, and particularly wi-fi connectivity, that we all agree the country needs. That is not just something we would like to have. Sadly, in the modern world, although we are enjoying ourselves as well, we are often working while we travel around. For Britain to prosper in the 21st century, we need connectivity. If we leave it down to local negotiations, the operators will almost inevitably say, “This is going to raise the cost by a little bit,” which will make it harder for the franchising authority to insist upon it. We can stop that happening by specifying the key things we believe are needed. Wi-fi is an essential part of people’s daily lives. The answer is not to leave this down to local negotiations but to insist upon it in the Bill. We will pursue this, not just because it is important for bus infrastructure but because it is part of creating the kind of digital Britain that we will need if we are to prosper in the years to come.

On the points made by my hon. Friend the Member for Blackley and Broughton, I am sure that he has been involved over many years in discussions with bus operators about where the burden of responsibility lies for punctuality. Of course, if we could solve that, we would probably have solved the entire problem with the Bill. It will always be a complex debate. The partnership arrangements are partly about trying to ensure that bus operators can run their services on time. I am in no doubt that bus operators want to do so. Whenever I meet the manager of my local bus company, he is absolutely clear that that is what he wants to do. The arguments, particularly in many of our precious historic cities such as my own, are about dedicated road space. Obviously, operators would love to have that, but there are other competing interests.

We think that punctuality and journey times are key. We think that they are so important to the future of the bus industry that specifying them, not just as an accidental by-product or consequence of schemes but as part of the agreement, is far more likely to concentrate minds locally on ensuring that they are achieved. Punctuality and reliability are key qualities that bus passengers look for. We all know from our own experience that if people cannot rely on the bus to get them somewhere, they will always turn back to their cars. The only way to have modern local transport systems that people use is if they are sure that the transport is reliable enough to get them there and that they will make their connection, so they are not late for work, school or college. Punctuality and journey times are not an added extra; they must be central to the process, which is why I will not withdraw my amendments.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 3]

AYES

Dakin, Nic	Phillipson, Bridget
De Piero, Gloria	Stringer, Graham
Greenwood, Lillian	Zeichner, Daniel

NOES

Ansell, Caroline	Mann, Scott
Freer, Mike	Merriman, Huw
Green, Chris	Robinson, Mary
Jones, Andrew	Spencer, Mark
Knight, Julian	Tracey, Craig

Question accordingly negated.

Amendment made: 6, in clause 4, page 15, leave out lines 41 to 45.—(Andrew Jones.)

This amendment removes a requirement that, under a franchising scheme, new buses providing local services must meet eligibility requirements contained in the “Low Emission Bus Scheme” (a programme of grants to support the use of low and ultra-low emission vehicles), where the vehicle comes into service after 1 April 2019.

Graham Stringer: I beg to move amendment 34, in clause 4, page 16, line 9, at end insert “, reflecting local conditions.”

This amendment would clarify the scope of comparing a scheme during the assessment of a proposed franchising scheme.

The Chair: With this it will be convenient to discuss the following: amendment 35, in clause 4, page 16, leave out lines 32 to 36.

This amendment would remove the requirement on the Secretary of State to issue guidance on the preparation of an assessment of a proposed scheme.

Amendment 36, in clause 4, page 16, line 35, at end insert—

‘(5A) In preparing guidance, the Secretary of State must ensure that it is not over-burdensome on the authority.

(5B) The guidance shall specify that the authority may decline to assess a potential scheme if the bus operators have previously proved unwilling or unable to implement similar schemes.

(5C) The guidance shall specify that the ultimate decision to go ahead with any scheme will rest with the authority.’

This amendment would prescribe some of the content of the guidance on preparation of an assessment of a proposed scheme.

2.30 pm

Graham Stringer: The amendments cover two general areas. One is the principle that has reared its head in nearly every debate: centralism versus localism, devolution versus keeping things at the centre. The second is what controls and criteria are at the centre. To put it another way, it is about whether the hurdle in the Transport Act 2000—it said that franchising could be introduced only if it was

“the only practical way of delivering better bus services”—

was an impossibly high hurdle to pass. The hurdle is not quite as high as that in some of the guidance, but I am concerned that high hurdles are being introduced that will make it more difficult to set up a franchising scheme.

I will speak first to amendment 35 and then to amendments 34 and 36—it is easier to take them that way. At the end of the debate, I should like to press amendment 36 to a vote, unless the Minister, having heard such persuasive arguments, is willing to accept it. That would be a pleasant surprise, but in the absence of that happening, I will press it to a vote.

Amendment 35 would remove the Secretary of State’s right to issue guidance on the preparation of an assessment of a proposed scheme. Local authorities have to act within the law. They have to act in a reasonable way. They cannot act in an unreasonable way, otherwise council tax payers and interested companies can judicially review them. There is a lot of history where local authorities have been unreasonable in their behaviour and have lost.

Why do we need a centralised set of rules from the Secretary of State? I do not want to repeat the debate that we had earlier, but I mentioned that there are good officials at a local level and good officials at a central level; and good elected councillors at a local level and good Ministers and Members of Parliament at a national level. There are also poor ones. The question why this should be centralised was not answered.

The Department for Transport and its officials will draw up the guidance. In another franchising area—railways—the Department completely messed up the west coast main line. The Minister is looking puzzled, but I will take him back to the summer of 2012, from memory, when the whole of the franchising operation had to be abandoned because the Department got it wrong.

The Bill says that the same Department should have precedence over local officials and be able to set guidelines. Not only is the competence of the centre not proved, there is also duplication. If I stray back into railways, with your indulgence, Mr Owen, Transport for the North was meant to be devolved. What happens in the Department? A whole team of people is set up to mark and check on what is happening in the devolved authorities. The cost of officials doubled. In the previous debate when I asked the Minister whether there would be more or fewer officials at the centre at the end of this, there was no reply.

The Minister has not made the case that, in allowing franchising in those areas, there should be all those rules, regulations and guidelines. I know I am not allowed to use props, but I have before me the consultation on draft regulations and guidance, which is a mere 150 pages long. That is just the consultation. One hesitates to think how big the eventual document will be when all the i’s have been dotted and the t’s crossed.

We are bedevilled in this country with centralisation, and with people in the Department for Transport who set criteria for pelican or puffin crossings and all sorts of detailed strategies, all of which would be better left to local decision making. I would like the Bill to be about devolution and not to say, “Well, you can take the decisions as long as we agree with them.” I did not take an exact quote when the Minister was answering questions about local control, but he said that was, “All right as long as there was some control from the centre.” That is not devolution. Mistakes will be made locally, as they are nationally. Why would one set up the inefficient system of a national scheme marking local schemes to make it doubly expensive and probably more likely that mistakes happen?

I guess the Minister will not accept the logic of leaving local authorities on the spot to take decisions in the way in which they normally do. Some of those local authorities are huge in terms of resources. Why does the Secretary of State know better? I have no idea whether Kent County Council wants to franchise buses because it is the other side of the country from where I represent, but it is a huge authority that has had good leadership over the years—not from the Labour party—and it might want to take those powers. Why should it or its districts, or Lancashire or its districts, not take the powers? Those are well run councils that take decisions in a legal way.

Amendments 34 and 35 assume that the Minister will not accept amendment 36. Amendment 34 would change proposed new section 123B(2)(b), which says:

“The assessment must...compare making the proposed scheme to one or more other courses of action”,

by adding “reflecting local conditions” at the end. Why would an assessment not be about reflecting local conditions? I was teasing when I said that he would accept amendment 35, but I cannot see how amendment 34 would not improve the Bill by making it clear that any scheme drawn up should reflect local conditions. The purpose behind that is to ensure that any guidance and regulations are not over-burdensome on a local authority.

Assuming that guidance, regulations and process is to be determined from the centre, amendment 36 says three specific things, which would limit that guidance so that it is not over-burdensome. The first subsection of this amendment, says:

“(5A) In preparing guidance, the Secretary of State must ensure that it is not over-burdensome on the authority”.

What could be wrong with that? There is always a tendency, under any political party, for the centre to put bureaucratic costs on to local government. Actually stating explicitly in the Bill that this is a bad thing should be accepted. The Minister surely cannot think that any regulations should be over-burdensome, to use the opposite argument. I hope, even if he does not accept it now that he will consider it when the guidance is being drafted. I quote the draft consultation in support of this—I realise that this is a draft consultation. If I quote paragraphs 19 and 20 of “Annex N: Franchising Guidance – Assessment of proposed franchising scheme (“Business Case” guidance)”, you will see, Mr Owen, that it is already beginning to get burdensome:

“Identifying realistic options should not be a desk exercise however, and authorities should engage with bus operators in the area and explore whether, for example, there is a realistic partnership proposition or ticketing solution that should be considered and assessed alongside the franchising proposition”.

I could go on forever. I have tried to ameliorate that and I hope that the Minister, when he is looking at this guidance, will take that into account.

The amendment goes on:

“(5B) The guidance shall specify that the authority may decline to assess a potential scheme if the bus operators have previously proved unwilling or unable to implement similar schemes”.

Again, what could be wrong with that? My hon. Friend the Member for Nottingham South quoted Brian Souter, who I think is typical of some in bus companies who, because they have been in a non-competitive, almost monopoly situation on many of the routes, hate this. They have resisted ticketing schemes, in some cases, and other schemes that would have improved bus services, so why should a local authority which has had reluctant and recalcitrant bus companies that have resisted it, have to consider something that has already failed when it has a franchising scheme to improve bus services for residents?

Finally, we come back to our old friend, the question of who takes decisions, the Secretary of State or local people, having gone through whichever process it is—the guidance or whatever. I think it should be stated in the Bill that the ultimate decision to go ahead with a scheme should lie with the franchising authority. I hope that the Minister will accept Amendment 34 because it is relatively straightforward and common-sensical. I hope that on Amendment 36, when the Minister is looking at the guidance and the process for franchising, he will take my comments into account, even if he is not prepared to accept it before. Amendment 35 just rehearses the substantial argument about having real decentralisation and devolution.

2.45 pm

Daniel Zeichner: We are consistently arguing the same points here about the relationship between the centre and the localities. My hon. Friend the Member for Blackley and Broughton makes a very strong point about the lengthy nature of the guidance. You need to be a pretty dedicated person to work your way through it—of course, some of those present have done exactly that, I commend them for it and I can say that it is good reading if you can get through it. However, the level of detail that will be required is such that it makes it very hard to imagine, in some cases, that local authorities will want to take on the opportunities that the Minister earlier extolled as being the way forward. That seems to be a curiosity to me.

Despite what I said earlier about the need to centrally lay out some key points, that seems to be the nub of the argument here: set out what it is that the Government want centrally—in our case, it was things like wi-fi, low-emission zones and punctuality—but do not get into these lengthy, endless, detailed, tortuous discussions that try to second-guess every single issue at a local level. I have considerable sympathy with my hon. Friend’s attempt to improve the legislation at this point. Even if the Government are not amenable to agreeing to the amendment today, I rather hope that, as they go away and work on the guidance, they realise that many more volumes of that kind will only make the process slower.

I also reiterate my hon. Friend’s query about the number of officials who will end up administering this process from the centre at the end of it. What does the Minister actually envisage?

Andrew Jones: We are discussing a group of amendments that relate to the assessment or the business case that authorities must prepare before they can implement franchising. The Government’s aim is to ensure that authorities fully consider the benefits, impacts and potential risks of franchising before taking the decision on whether to go forward and implement it in practice.

The Bill requires authorities to conduct an assessment of their proposed franchising scheme, which should include comparing it with one or more other courses of action. Amendment 34 aims to ensure that the different courses of action that should be considered as part of that assessment should reflect local conditions. I entirely agree that authorities should compare their franchising proposal against other realistic courses of action—that just seems good practice—and that those realistic courses of action will be different in each case. The Bill does not set out what other courses of action franchising should be compared against; it will be for local authorities to decide what is appropriate. The draft guidance that we are currently consulting on highlights that further by explaining that the authority should consider which courses of action are likely to meet their objectives. I hope, and I assure the hon. Member for Blackley and Broughton, that amendment 34 is not necessary; he may consider withdrawing it.

Amendment 35 proposes removing the requirement of the Secretary of State to issue guidance for authorities to assist with the preparation of their assessments, while amendment 36 proposes adding new requirements to the contents of such guidance. Our intention has always been to assist authorities in preparing robust assessments by providing guidance. The draft business case guidance is 10 pages long, which is much shorter than that for many other schemes or projects. It has actually been developed in discussion with authorities that may use it in future. It is about seeking to help authorities, particularly by reducing their risk of being challenged for not considering other realistic options, which could save time later on—particularly in any kind of legal matters.

I recognise the point about rail franchising, but I think that actually highlights the scale of the decision to go down a franchising route and how these things have to be considered and planned for carefully. On whether local government or national Government are infallible, the hon. Gentleman and I both know that neither is and can throw up a litany of records to demonstrate that. However, this is about having safeguards in place for decision-making criteria; it is not about national control. He highlighted Rail North, but Rail North is a partnership between the Department for Transport and Transport for the North to manage the north’s two rail franchises—Northern and TransPennine. Rail North was involved in designing the programmes and judging the tenders, and is now involved in managing the franchises; it is actually the first time we have moved to a more devolved management of our railways. The team, which is a joint team of the DFT and Rail North, is based in Leeds and will ultimately become part of Transport for the North. That is quite the opposite of the national control that the hon. Member for Blackley and Broughton highlighted—it is about devolution in rail for the first time. When we look at what has happened with rail in the north—the franchises will offer quite a transformation to services

[Andrew Jones]

and be much more tuned in to their customers—we see the progress that is made by having more local decision making.

The guidance is intended to help authorities through the process and give them some national guidelines with criteria for consideration; we have no intention of making it onerous. This is more about sharing best practice and stopping reinvention when it comes to routes that are new to authorities. Our intention is to assist authorities in making robust assessments, and we are keen to receive views through the consultation about how the guidance can be further improved. I am pleased to be able to reassure hon. Members that our draft guidance recognises that it is for the Mayor or the authority to decide whether to proceed with franchising—it is not a national decision, and central Government should have no further involvement. I can also confirm that it is not our intention to place any unnecessary burdens on a franchising authority through the guidance.

Our approach is based on the standard approach to decision making in government set out in the Treasury's Green Book. We actually drew the phrase “compelling case for change” from the Green Book. The assessment that a franchising authority is required to develop is based on the principles of the “five case” model for public sector business cases. The draft guidance on the development of that assessment therefore draws on the associated Treasury guidance material on using the five case model, which states:

“The business case in support of a new policy, new strategy, new programme or new project must evidence: That the intervention is supported by a compelling case for change”.

This is not a question of the Government seeking to impose burdens; we are seeking to assist and streamline decision making while keeping it local. That model is an established mechanism that any authority that has ever brought forward plans for a significant transport project should be well used to, and it seems entirely appropriate to follow a similar proven approach for fundamental change to the delivery of bus services, which of course will affect many thousands of passengers every day.

The hon. Member for Blackley and Broughton asked about the number of officials. I can tell him that there are absolutely no plans to increase the number of officials currently working on this area, except in one section: there will be a small increase in the open data team, because significant work is needed to deliver that project. To put that in context, the headcount of the Department overall has fallen by 17% since the 2010 spending review. I hope that, in the light of my comments, the hon. Gentleman feels able to withdraw his amendments, although I recognise that he may wish to press one of them to a vote.

Graham Stringer: I thank the Minister for his reply. I will withdraw amendments 34 and 35. I take what he says about amendment 34, although I think it really would enhance the Bill.

I will press amendment 36 to a vote. It would not add to the guidance but prescribe that “the Secretary of State should not go here”. The context of this debate is that bus companies are hostile to these proposals. It is likely that bus companies will end up in court—Nexus has recent experience of that under existing legislation—and

it would be helpful to say that the guidance should not be over-burdensome. It would also be helpful—the Minister did not really reply to this point—to say that where schemes have been tried and failed, or bus companies have refused to try them, they will not be reconsidered in some future scheme. I take the Minister's reassurance that the final decision will be made by the Mayor or the authority. In the light of that, I will press amendment 36, but I beg to ask leave to withdraw amendment 34.

Amendment, by leave, withdrawn.

Daniel Zeichner: I beg to move amendment 21, in clause 4, page 16, line 30, at end insert—

“(3A) An award of any new franchise or contract shall not be made on the basis of labour costs estimated by the potential franchisee or contractor assuming labour costs for new employees at less than the labour cost of workers who are covered by TUPE protections in accordance with section 123X transferring to the new franchisee or contractor.”

This amendment would ensure that any new franchise or contract will not be awarded on the basis of estimated labour costs being lower for new employees than the labour cost of workers covered by TUPE protections.

The Chair: With this it will be convenient to discuss the following:

Amendment 25, in clause 4, page 32, line 47, at end insert—

“123Y Employees not covered by TUPE protections

Employees of local bus service providers who are not covered by TUPE protections may not be employed on terms and conditions less favourable than those provided by TUPE.”

This amendment would ensure that employees working under local service contracts not covered by TUPE protections may not be employed on terms and conditions less favourable than those provided by TUPE.

Amendment 26, in clause 4, page 32, line 47, at end insert—

“123Z Effect on employees of introduction of local service contract

(1) Where, either before or after the introduction of a local service contract following an assessment under section 123B, any employee of an operator in the area to which the scheme relates is dismissed, that employee is to be treated for the purposes of Part 10 of the Employment Rights Act 1996 as unfairly dismissed if the sole or principal reason for the dismissal is the introduction of the relevant local service contract.

(2) Subsection (1) applies whether or not the employee in question was part of an organised grouping of employees principally connected with the provision of local services, under section 123X(4).

(3) Where section 123X(4) applies, a new operator may not engage employees or workers on terms and conditions less favourable than those of the employees whose employment transferred from the former operator.”

This amendment would make dismissal of an employee for the sole or principal reason of the introduction of a franchising scheme automatically unfair dismissal.

Amendment 29, in clause 9, page 60, line 16, at end insert—

“138T Employees not covered by TUPE protections

Employees of local bus service providers who are not covered by TUPE protections may not be employed on terms and conditions less favourable than those provided by TUPE.”

This amendment would ensure that employees working under enhanced partnership schemes not covered by TUPE protections may not be employed on terms and conditions less favourable than those provided by TUPE.

Daniel Zeichner: The amendments all relate to employment protection, the first three to franchising and the fourth to enhanced partnerships. We believe this group of amendments would strengthen the employment protections in the Bill.

We are pleased to see that the parts that apply TUPE to franchising largely reflect the concessions that were won in the Local Transport Act 2008 in respect of quality contracts schemes, and are broadly similar regulations to those set out in the Quality Contracts Schemes (Application of TUPE) Regulations 2009. However, we believe changes could be made to ensure that those parts are stronger still. It should be noted that no TUPE transfer ever took place under the terms of the 2008 Act because no quality contracts were ever successfully formed; so this approach is untested and could be subject to further examination.

It has been suggested that operators under the regulated system in London have in the past won contracts by reducing their employees' terms and conditions. The trade union Unite believes there needs to be a commitment to a minimum rate for bus workers across a franchise and enhanced partnership if members' pay is to be protected.

That development of what is called a two-tier workforce is something that I hope the Government will consider and address. I believe my amendment will stop the development of that two-tier workforce, as well as the related management and industrial relations problems that that can bring.

The amendment would mandate that the award of a franchise should not be made to a company on the grounds that it intends to pay its future workforce less than the current workforce. We believe it is important to set that out clearly on a statutory basis. By the Department's own admission, the application of TUPE to either a franchising or enhanced partnership scenario is likely to be complex but I believe these amendments can be simply understood.

The amendments apply to after a franchise contract has been awarded to a bus operator by a local authority. They would ensure that new employees of local bus service providers, who were not covered by TUPE protections, may not be employed on terms and conditions less favourable than those provided by TUPE. That aims to avoid the development of a two-tier workforce: the situation where workers doing identical jobs for the same employer are on different terms and conditions, solely as a consequence of when they started employment.

The amendments would also ensure that any employee dismissed for the sole or principal reason being the introduction of the relevant local service contract will be treated as unfairly dismissed.

I note that recently the Mayor of London, Sadiq Khan, introduced a minimum pay rate for London's 25,000 bus drivers, with a £23,000 per annum minimum salary. I would welcome the Minister's comments on the potential of a similar policy being rolled out nationally. At the very least, a minimum salary rate should be a condition of a franchise and enhanced partnership to prevent the undercutting of wages and the risk of a race to the bottom.

I was slightly concerned by the Government's arguments against similar amendments that were introduced in the other place. They argued that the Bill is devolutionary and gives

"considerable flexibility regarding the nature of the contracts to be awarded by those authorities taking forward franchising and, potentially, enhanced partnership schemes".

The Minister also said:

"Any authority contracting for services will need to consider a number of factors when assessing bids for contracts, and the Bill will require it to consult and engage with employee representatives at an early stage."—[*Official Report, House of Lords, 24 October 2016; Vol. 776, c. 16.*]

Considering a number of factors will not be enough to prevent the race to the bottom that could occur following the initial application of TUPE when employees are transferring. It would not necessarily prevent the two-tier workforce we are warning against but the amendments would, which is why we have brought them forward today.

3 pm

Andrew Jones: Amendments 21, 25 and 29, tabled by the hon. Members for Cambridge, for Nottingham South and for Scunthorpe, propose to specify the terms and conditions for employees that an authority should include as part of the franchise contracts it enters into with bus operators. It would not be consistent with the rest of the Bill to mandate the basis upon which contracts are procured by local transport authorities or the content of those contracts, as the amendments propose.

The amendments would require local authorities to set out in their contracts that employees hired by the bus operator outside of the TUPE transfer of staff would receive terms and conditions no less favourable than those provided to staff transferred under TUPE. I fully understand the intent behind the amendments. The power to achieve the outcome sought already rests, however, with the franchising authority letting the contracts

The amendments also pose some real practical difficulties. First, employees transferring under TUPE will not all have the same terms and conditions. Some may have been in post for a short period, and others may have been in post longer. There may be different terms and conditions for newer staff. It is not entirely clear which set of terms and conditions the amendments refer to, and I therefore see some difficulties in implementation. In addition, the amendments could place a financial burden on operators and, through them, the local transport authority by requiring them to employ people at something other than the market rate. That could prevent authorities from pursuing franchising schemes.

It is worth noting that the employee protection rights in the Bill replicate those in the Transport Act 2000 for quality contract schemes, introduced by the Labour party. There has been no intention at any point to water down TUPE arrangements. In fact, those were one of the first things we considered when preparing the Bill, and we were committed to ensuring that they were in place right away. I am committed to ensuring that staff affected by franchising are protected. However, I am not sure that it is the job of the Bill to set out the terms and conditions of employment offered to new staff who may join the industry at some point in the future.

[Andrew Jones]

On amendment 26, which relates to potential dismissals, I have sympathy with the intention behind the first two subsections concerning redundancies that may be made before or after the introduction of a local service contract. However, employment law already deals with the issue of unfair dismissal of employees. It is simply not appropriate for the Bill to be a vehicle to address such issues, and the Labour party did not include that provision when drafting the existing quality contract scheme legislation. The scenario that the amendment addresses is an unlikely one. I find it hard to imagine that an employer will choose to bear the redundancy costs associated with dismissing an employee if it is able to transfer them to a new operator under TUPE instead.

The hon. Member for Cambridge asked for my opinion on a minimum national salary for bus drivers. That is an interesting idea, but it would very intrusive for a Government to intervene and say that a company has to pay its employees a particular rate. We have done that through the national living wage, to protect some of the more vulnerable workers in our society, but it gets very intrusive indeed into the relationship between a company and its employees if the Government start to direct national minimum wages. It is not the Government's belief that we should go down that route. I suggest caution would be required in doing so.

I hope that everything I have said confirms the Government's position and that the hon. Member for Cambridge will feel able to withdraw the amendments.

Daniel Zeichner: I appreciate the Minister's comments about not seeking to water down the previous arrangements, which we accept. Our worry is that these things have never been tested, and we all now expect this situation to occur very quickly in the near future.

Lilian Greenwood: While we have never tested the TUPE protections in the current Transport Acts, we have experience in the provision of other public services where a two-tier workforce ensues. One group of employees protected by TUPE is working alongside another which has probably been employed on lower terms and conditions to derive more profit from the contracting out.

My concern is twofold and I wonder whether my hon. Friend shares it. First, it is bad news for the employees who are being exploited in that way, but more important is the ability to continue to provide a service. When people are employed on lower terms and conditions, the operator is often unable to fulfil the contract or to recruit and retain people and the quality of provision goes down. I have seen that on many occasions in local authorities and the health service. That is why I share the same concerns about this scenario in relation to buses.

Daniel Zeichner: Once again, my hon. Friend is prescient—I was about to make a similar point. The Minister suggested that it might be difficult to do, because people might well be on different terms and conditions. At the time of the transfer, there will be a going rate for that employer and we would want to establish that as the benchmark. The worry throughout, exactly as my hon. Friend has said, is that, in this situation in other public services, we have seen a race to the bottom.

The Government have rightly identified this as one of the key social challenges that we face, hence their long-overdue conversion to the idea of intervening in the labour market, and hence their support for a national living wage—the Opposition would not call it that, but they have rebadged their proposal as a national living wage—and recognition that workers in the market are vulnerable. We are offering an opportunity to strengthen the current position of this workforce, who are relatively low-paid in much of the country. Some areas, of course, have recruitment issues—in some cases, market forces ought to be working to drive wages up, but clearly that is not always everybody's experience. We want to ensure that the workers in those situations are properly protected, and we think there is an opportunity. We will not be pressing the amendments to a vote, but we hope the Minister hears what we are saying, engages with those who represent this vulnerable workforce, and ensures that people are not made more vulnerable by the changes.

We have not talked much about the people who are employed in the industry, but there is concern in parts of the country where there is the prospect of franchising. It creates an element of the unknown. People do not know what might happen in the future. While we are very positively explaining the possible benefits of a franchising system, that is not always the way it will necessarily feel to a workforce that are suddenly confronted with change. We want to take those people with us because we think it can produce better outcomes for passengers, but it must also produce secure outcomes for those employed. I can see that the Minister is listening attentively. I suspect we are not that far apart on this and we may be able to explore it further in future. On that basis, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 36, in clause 4, page 16, line 35, at end insert—

‘(5A) In preparing guidance, the Secretary of State must ensure that it is not over-burdensome on the authority.

(5B) The guidance shall specify that the authority may decline to assess a potential scheme if the bus operators have previously proved unwilling or unable to implement similar schemes.

(5C) The guidance shall specify that the ultimate decision to go ahead with any scheme will rest with the authority.’—
(*Graham Stringer.*)

This amendment would prescribe some of the content of the guidance on preparation of an assessment of a proposed scheme.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 4]

AYES

Dakin, Nic	Phillipson, Bridget
De Piero, Gloria	Stringer, Graham
Greenwood, Lilian	Zeichner, Daniel

NOES

Ansell, Caroline	Mann, Scott
Freer, Mike	Merriman, Huw
Green, Chris	Robinson, Mary
Jones, Andrew	Spencer, Mark
Knight, Julian	Tracey, Craig

Question accordingly negatived.

Amendment made: 7, in clause 4, page 16, line 41, at end insert—

“() A franchising authority or authorities may not prepare an assessment of a proposed franchising scheme under section 123B unless the Secretary of State consents to their doing so.

() The Secretary of State’s consent is not required if the proposed scheme relates only to—

- (a) the area of a mayoral combined authority, or
- (b) the combined area of two or more mayoral combined authorities.

() The Secretary of State must publish a notice of a consent given under this section.”—(*Andrew Jones.*)

This amendment allows the Secretary of State to control the introduction of franchising schemes by bodies other than mayoral combined authorities. The Secretary of State must give consent before such a franchising authority may take the preliminary step of preparing an assessment.

Amendments made: 8, in clause 4, page 18, leave out line 3.

This amendment and amendment 9 remove a requirement to consult representatives of employees of affected bus operators about a proposed franchising scheme. The representatives must be representatives of a trade union recognised by bus operators or, if there are no such representatives, appointed or elected representatives of the employees.

Amendment 9, in clause 4, page 18, leave out lines 12 to 20.—(*Andrew Jones.*)

See the explanatory statement for amendment 8.

Daniel Zeichner: I beg to move amendment 23, in clause 4, page 20, line 11, leave out “six months” and insert “112 days.”

This amendment states that a scheme may not specify a period of less than 112 days for its start date following the notice that the local service contract has been awarded by the franchising authority.

You will be pleased to hear that this is a briefer introductory speech, Mr Owen. Proposed new section 123H(4) of the Transport Act 2000 states that

“A scheme may not specify...a period of less than six months” for its start date following a notice that the local service contract has been awarded by the franchising authority.

The draft regulations—pages 77 and 78 relate to the deregistration of local services by operators—state that franchising authorities will have the ability to set a notice period of up to 112 days for operators wishing to deregister their services following the publication of a franchising scheme. Our concern is about the gap between the two periods. For 68 days of a six-month period, there is the potential for services to be deregistered, which we believe will cause unnecessary disruption and uncertainty for passengers. It is more of a point of clarification for the Minister. Will he consider revising the period as per our amendment, and if not why not? What advice and guidance would he be able to offer to passengers, franchising authorities and operators?

Andrew Jones: Amendment 23 proposes to reduce the time that must elapse between a franchise contract being awarded and it coming into force. This part of the Bill was designed with transition in mind to ensure that operators—those that are incumbent and those that would be incoming, having won the franchise contract—have sufficient time to put any necessary plans into place to deal with either of the two circumstances. Our overall aim is to ensure that all parties are ready to respond in the interests of passengers. I am concerned that reducing the time period to a minimum of 112 days

—less than four months—could lead to a hurried transition, which would not necessarily benefit passengers. I recognise that there may be concerns about the behaviour of operators during that transitional period.

The Bill and any associated secondary legislation on which we are currently consulting sets out a number of ways in which authorities can help protect passengers during transition, and measures in the Bill directly address that, including enabling the authority to vary the deregistration and variation notice period that operators must observe before cancelling or changing services, and allowing services to be registered at short notice when they are replacing a service that has ceased to operate. This is about ensuring continuity of provision of service for customers. I recognise the point made by many colleagues in the Committee that people rely on services. This is about ensuring continuity during a transitional period. The Bill strikes the right balance in achieving that, and I therefore hope that the hon. Member for Cambridge feels able to withdraw his amendment.

3.15 pm

Daniel Zeichner: I thank the Minister for his explanation. I am not sure I am wholly reassured. In some ways, we are moving into uncharted territory, which is why it is important we get this right.

If everybody was working with good intentions—it is almost like I am discussing other things—there would be no problem, but these transitions may not always be entirely as amicable as one might wish. Our concern is that in those circumstances, passengers could be the innocent bystanders stuck at the bus stop and be put at risk, because authorities may not always be able to make this possible if they do not have the resources and access to vehicles, depots and all the rest of it in the meantime.

I hope the Minister and his Department will talk to those who face this very real prospect and ensure that we make it work successfully for everyone involved. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Andrew Jones: I beg to move amendment 10, in clause 4, page 24, line 41, leave out “21” and insert—

“(Bus companies: limitation of powers of authorities in England)”.

This amendment is consequential on amendment NC1.

The Chair: With this it will be convenient to discuss Government new clause 1—*Bus companies: limitation of powers of authorities in England*—

“(1) A relevant authority may not, in exercise of any of its powers, form a company for the purpose of providing a local service.

(2) Subsection (1) applies whether the relevant authority is acting alone or with any other person.

(3) In this section—

“company” has the same meaning as in the Companies Acts (see sections 1(1) and 2(1) of the Companies Act 2006);

“form a company” is to be construed in accordance with section 7 of the Companies Act 2006;

“local service” has the same meaning as in the Transport Act 1985 (see section 2 of that Act);

“Passenger Transport Executive”, in relation to an integrated transport area in England or a combined

authority area, means the body which is the Executive in relation to that area for the purposes of Part 2 of the Transport Act 1968;

“relevant authority” means—

- (a) a county council in England;
- (b) a district council in England;
- (c) a combined authority established under section 103 of the Local Democracy, Economic Development and Construction Act 2009;
- (d) an Integrated Transport Authority for an integrated transport area in England;
- (e) a Passenger Transport Executive for—
 - (i) an integrated transport area in England, or
 - (ii) a combined authority area.’

This amendment prohibits county and district councils in England, combined and integrated authorities in England and passenger transport executives in England from setting up companies to provide local services.

Andrew Jones: New clause 1, which was tabled by the Government, reinstates the original provision of the Bill, which prohibited authorities from establishing companies for the purposes of operating local bus services. Amendments were made in the other place to remove that provision, which forms a key part of our proposals, from the Bill.

The Bill provides a number of new tools for local authorities to improve their local bus services, and it is important that operators and authorities work together to improve services for the benefit of passengers. We want to ensure that passengers benefit from the strengths of both local authority influence over services and the private sector. We have seen great improvements in services across the country due to private sector innovation and investment. It is also true to say that authorities have a lot to offer, with many around the country working collaboratively with their local operators to ensure that communities are well served and that services and ticketing offers are joined up.

The franchising and enhanced partnership tools in the Bill will provide authorities with more influence over bus services than they currently have. Striking the right balance between local authority influence and the role that private sector bus operators can play is important. Our view is that passengers will see the most benefit where the commissioning and provision of bus services are kept separate. That purchaser-provider split is a frequent feature of our public services, and as such we do not think authorities should be able to set up new bus companies.

Graham Stringer: I understand the Minister’s argument, but does he not see the case for transport authorities having the power to set up a bus company as a last resort, where private sector companies withdraw from the area?

Andrew Jones: The franchising provisions in the Bill detail what powers an authority has should a franchise service fail, as a stopgap measure, to ensure the continuity of service provision for passengers. I recognise the hon. Gentleman’s point about continuity of service, but we are addressing that in the Bill.

Graham Stringer: To press the Minister on that, I take the point about continuity of service where, for instance, a bus company goes bankrupt and can no

longer provide a service. However, that was not the question I asked. In circumstances where bus companies withdraw from an area as a point of policy because they are completely hostile to the idea of franchising, should transport authorities not be allowed to set up bus companies?

Andrew Jones: I suggest that the answer is no. If an area has a service withdrawn simply because of some kind of principled objection by a bus company to a regulatory model, those would be very unusual circumstances, with the company turning down business. In that case, others would, I suggest, snap it up.

Lilian Greenwood: If only the situation were as unlikely as the Minister suggests. I invited him earlier to express a view on the remarks made by the chairman of Stagecoach. I will continue his remarks about “unreconstructed Stalinists”. He went on to say:

“The first contract that they put out on my business I’m out of Tyne & Wear completely, and they can buy 500 buses and find four bus depots.”

Is the Minister not saying precisely that Tyne and Wear could not do that? Therefore, it would be subject to the whim of a large private sector operator that knows that it has local authorities over a barrel when it is the large incoming operator.

Andrew Jones: The hon. Lady has been drawing on a very interesting set of quotes. The chairman of Stagecoach was obviously having a very lively day and making some lavish comments. If he wished to withdraw from the marketplace, I am sure there would be plenty of competitors saying, “Thanks very much, Brian, we will snap up that little operation.” I still do not think that changes the position. If people withdraw from a marketplace, I would expect others to pile in. That is what the nature of competition should be about.

Bridget Phillipson (Houghton and Sunderland South) (Lab): I am grateful to my hon. Friend the Member for Nottingham South for raising the outrageous behaviour of Stagecoach over the years in the north-east. Is it not the case in the rail industry that the Government have sometimes had to step in? It has been necessary to ensure that that safeguard is in place. Were an operator to follow through on such threats—who knows whether it was a mere threat or had any intent behind it?—there should be safeguards and protection for the travelling public.

Andrew Jones: That is a very interesting point from the hon. Lady. Yes, we do have the opportunity in the rail sector for directly operated railways but that is for a short, interim period. That is what happened with the East Coast franchise, which serves both of our constituencies. We have such a provision in proposed new section 123O in clause 4, which allows for an interim stopgap measure.

Stagecoach obviously has a lot of experience in the world of franchises. It is engaged in the rail sector and operates in London. If the opportunity arises in the north-east—it may or may not choose to go down that route—let us see what the company says. Stagecoach has plenty of experience of franchising, should it wish to bring it to bear.

We have had some talk about the merits of the innovation and investment from private sector operators. I highlight the fact that many existing municipal bus companies, such as Reading Buses and Nottingham City Transport, deliver a high standard of service, and I would expect them to continue doing so. Their ability to do that is not affected by this provision. I remind the Committee that those operators have prospered in a competitive market in which many other municipal bus companies have struggled. Only last month, Thamesdown Transport in Swindon was sold to the private sector after what I understand was a prolonged period of losses.

I have seen the good work done by municipal bus companies. They regularly do extremely well in customer feedback. Our intention is to leave them well alone, doing the very good job that they do, but to make the balance right between public and private, which I think the Bill achieves.

Huw Merriman (Bexhill and Battle) (Con): I recognise that my point is slightly off kilter with the thrust of the Bill. Brighton & Hove bus company is a superb private operator that has taken over the Swindon municipal service the Minister mentioned, and it intends to invest. In my desire to see private as the first option, would there be scope in the Bill to start with a partnership approach but, if that did not work, to cascade down to franchising? I believe the Cornish model shows that the sword of Damocles makes bus companies see sense. If there is to be an absolute fall-back, municipals could well be that fall-back.

Andrew Jones: I have no doubt that municipal bus companies have been delivering for their customers. If they had not been doing so, they would have gone out of business. We can also see the customer response to them in various surveys and the national bus awards.

My hon. Friend's proposal is interesting, but we have provided for cover in the Bill. We have anticipated the situation in the read-across from the rail sector, where interim services—replacement services—are required. It would be within the powers of the franchising authority to commission services.

Huw Merriman: To clarify, am I correct in saying that the Government or state takeover scenarios are just for franchising and not for partnerships? If so, there is still a gap. If franchising is not applicable because of the type of authority, only partnerships are available, and it cannot go to municipal because there is a prohibition.

Andrew Jones: We have no intention of having authorities setting up bus companies and awarding themselves contracts. The purchaser-provider split is important. Authorities would have the capacity to intervene and directly commission services, but it would be for a short period of time only. They have the capacity to do that already. Our intention is not to have a municipal bus company do that. It would be for a short period of time and authorities would commission from the private sector.

Chris Green (Bolton West) (Con): With people interested in franchising in Greater Manchester, there is an expectation that there will be a number of different providers of bus services. If any one provider failed, other providers

could step in, whether they were already in Manchester or were other ones coming in. There would not be the need for Greater Manchester as an authority to be running the bus services.

Andrew Jones: My hon. Friend makes an interesting point. I anticipate from my conversations with Transport for Greater Manchester that it will be keen to pursue a franchising model. This will be its call, but I would anticipate not a one-size-fits-all model, but different operators providing services in different parts of his area. If one failed, others could come in. I have certainly been contacted by bus companies that see franchising tenders as a way to enter the UK marketplace. It could prove to be a spur to competition. We have powers in the Bill should there be failure, but those should involve private companies under commission, rather than municipal companies.

Amendment 10 relates to new clause 1. It concerns a cross-reference in the Bill and nothing more.

Lilian Greenwood: It is a pleasure to serve under your chairmanship, Mr Owen. I oppose new clause 1, as I am sure the Minister anticipated. I thank him for his recognition of the success of some of the existing municipal operators. Mr Owen, I hope you will indulge me if I explain why this is so important. I represent a constituency with a very successful municipal operator. I do not think the Committee will mind if I remind it that Nottingham City Transport, which is one of the most successful municipal operators in the country, is the only operator to win the UK bus operator of the year title four times. It also won the Route One large operator of the year award in 2016 and the award for customer focus at the European Business Awards in 2015; it had the top national bus driver in 2014 and won the Guide Dogs Award for breaking down barriers in 2014. I could go on, Mr Owen—there are many ways in which it is an exemplary bus operator. As I said on Second Reading, these things are not just being stated by me because I am the local MP—they are backed up by evidence.

When we look at the most recent national bus passenger survey, for 2015, we find that Nottingham City Transport is No. 1 one out of 50 operators for overall satisfaction, with 97% satisfaction. When we look at value for money, it is not No. 1, but it is No. 4 out of 50 operators, with 74% satisfied with its value for money, which is pretty good. On satisfaction with punctuality, again it is No. 1 with 85%, and it is joint second on satisfaction with bus journey times. There is no doubt that it is a really good example of what a good operator should be doing, and not just on those issues that are covered in the passenger survey.

I know we are going to discuss accessibility during the passage of the Bill. The percentage of accessible buses run by Nottingham City Transport's 330 buses—it is quite a large operation—is 100%. In the other place the provision of audio-visual announcements on buses was raised. Many operators have suggested that it is too costly, but 80% of Nottingham City Transport's buses already have audio announcement. As has been acknowledged, 100% have free wi-fi. On many levels, that shows what a bus company can do. I found it quite difficult to understand the Minister's submission, as he acknowledged the value of municipals such as Nottingham City Transport and others—Reading Buses has also

[Lilian Greenwood]

been a recent winner of bus operator of the year—which is okay, but why not allow that possibility in other areas?

3.30 pm

It is not just me saying that; it is part of the reason why the original clause 21 was opposed by peers in the other place, not just those from my own party but, indeed, from the Minister's party. I think it was Lord True who made some very interesting comments about this matter. As the leader of a local authority, he suggested that local authorities should be able to run buses if they can show they can do so economically and effectively. That is precisely the point: no one is suggesting that local authorities should be able to run buses if they cannot do it well, but if they can, why should there be an absolute ban on their doing so?

It is not just Peers and MPs who have expressed concerns; the issue has been raised by members of local authorities up and down the country. The cabinet member for city services at Sunderland City Council has said that he opposes the Government's ban on new municipal bus companies because it flies in the face of Sunderland's localism agenda. He notes:

"The current municipal operators are among the best performing operators in the country and we should be about spreading best practice not protecting profits for a handful of corporations".

That was all that peers sought to do in questioning the ban: if there is good practice out there, why should other local authorities not benefit from it? Donald Davies, an independent councillor on North Somerset Council, said:

"The West of England LEP is investing considerable sums into the development of its MetroBus system to start to address some of the significant issues of congestion, sustainability, air pollution and drags on economic growth that our existing transport network imposes. If the ban on municipal operation comes into force, then it makes the success of that investment totally dependent on the whims of shareholders of private bus operators, rather than the needs of the residents of the West of England".

Clearly, the opportunity to have a municipal can strengthen the arm of local authorities in their negotiations. Other councils wish to have the opportunity to have that ability to set up a municipal operation. I do not expect many local authorities to want to set up a municipal bus operation, but they should have that opportunity if that is what seems best for local needs.

Examples of successful municipal services exist not just in the UK—it is in fact normal across Europe. Municipal companies are the dominant public transport providers in most German and Austrian cities. In France, there is a move away from franchising towards municipal bus operation, not for ideological reasons but to cut costs while maintaining services. That trend has been seen in a range of administrations, and is not based on who controls them. The secretary-general of AGIR said that its choice is guided by a quest for the network's economic and technical performance, as evidenced in the cost savings. That is cited in the "Transport for Quality of Life" report which supports municipal companies. I oppose new clause 1 because I cannot see the reason for it. I do not think the Minister has fully explained the rationale for it. I appreciate that he is not seeking to close municipal bus companies, but given that we have examples of good practice, I do not

understand why a ban should exist for those local authorities that have the means, the ability, the desire and the need to take that step of setting up a municipal operation.

The Minister has failed to explain why that should not be the case. The measure takes power away from local government, and it is against the principle of the Localism Act 2011. It does not seem to be evidence based. Local authority-run bus companies deliver high-quality services, and have consistently increased passenger numbers. They do not have the fall-back option of establishing their own bus company, which would make it more difficult for local authorities to get the best deal in negotiations with bus companies. I also note that in their examination of the Bill, the Transport Committee expressed the view that this was a disproportionate measure. It made some suggestions relating to the way in which the Government could act. They suggested:

"The Government should produce guidance setting out the measures it expects local authorities to put in place to ensure that an arm's length relationship is maintained."

However, it felt that the prohibition on all municipal operators in the Bill is a disproportionate response, and I hope that when the Minister responds he will explain why he does not accept that recommendation.

Graham Stringer: I will be brief, as my hon. Friend the Member for Nottingham South has covered most of the points I wish to make. A reading of proposed sub-sections (1) and (2) shows that new clause 1 is not only disproportionate but authoritarian and ideological. The provision states:

"A relevant authority may not, in exercise of any of its powers, form a company for the purpose of providing a local service."

That is extraordinary. It goes on to state:

"Subsection (1) applies whether the relevant authority is acting alone or with any other person."

The assumption behind the proposal is that, in some way, the private sector market is working perfectly and competition is leading to a provision of services everywhere. That is simply not the case. The measure is tying the hands of local authorities that think that they can make a business case to provide a municipal bus company, either on their own or with a private sector partner. That is simply an ideological act. I can see the case that the Minister made, and I would concede that a franchising authority should not be able to award a contract to a bus company that it owns. However transparent the process, that would look strange to anybody outside. I accept that, but there are parts of the country—the shires, for example, and Hartlepool is often mentioned—where bus services are poor and many remote communities do not get a service. Why should the local authorities not get together and provide a municipal bus company where the private sector is failing?

An argument is often used in these cases. If the system we had in this country—and we hope this is the first step in moving away from it—worked so well and provided services efficiently, effectively and economically to people who needed them, why has nobody copied it? Can the Minister show us anywhere in Europe that has said, "Wow! What a wonderful deregulated system you have. We will immediately copy it and we will get rid of all our publicly owned bus companies and invite the private sector in to have a free-for-all. We think that will be a better way to do it."? I cannot think of anywhere in Europe but perhaps the Minister knows better than I do; that is possible.

There are other arguments in favour, not of telling local authorities they must do it, but of allowing them to do it where there is a need. It would do one other thing: it would provide a benchmark for how bus companies should and could operate, as Directly Operated Railways provided a useful benchmark for the rest of the rail system.

The Minister has praised municipal bus companies. Can he explain why, if something is working so well, we should not replicate it? We probably invent too many different ways of delivering service in this country. When things work, why do we not simply replicate them where there is a need? In debates over the years on franchising, I have argued the case for quality contracts or franchising, and Government Members have said there are excellent bus services in Brighton, Oxford and Norwich, and round the country there are. There are places where the bus service works. There seem to be two factors that make those bus services good while those of us who live in Manchester, Newcastle, Hartlepool and South Yorkshire have seen a dramatic decline in bus services. Those areas are usually historic cities where there has been a restriction on cars, often, but not always, allied with a municipal bus company, so that there has been control and a very good service provided. Will the Government, like any sensible one, allow things that work to happen again?

Daniel Zeichner: It is a pleasure to follow both my hon. Friends, who have made their points very well. The new clause proposal has become the cause célèbre of the Bill, doubtless dropped in to wind up people across the country. To that extent it has been successful. We have had thousands of emails from people who are concerned about it. We have seen many representations from councils. We have had exciting photo opportunities outside the Department for Transport. I am sorry Ministers did not feel about able to join them—they would have been very welcome.

The proposal is a sop to those who cannot abide success in the public sector, to those who cannot get over the fact that, year after year, the municipals demonstrate that they can combine efficiency, good value and top-quality service and regularly walk away with all of the awards. As has been said, the proposal flies in the face of the evidence. It is a mean-spirited proposal that prohibits county and district councils in England, combined and integrated authorities in England, and passenger transport executives in England, from setting up companies to provide local services. In short, it is a ban on new municipal bus companies.

We have made it absolutely clear that we completely disagree with this punitive measure, which also contradicts the Government's supposed commitment to localism. We have already heard from my hon. Friend the Member for Nottingham South about the fantastic reputation and performance of one of those municipals. We could speak about others, but the point has been well made. Sadly, the Government now plan to take this option for local authorities off the table, despite the fact that in a number of areas they have proved that they are successful.

3.45 pm

The Minister has made it clear that the Government's view is that the commissioning and provision of bus services should be kept separate from each other. I am

not personally convinced that the purchase-provider split has proved such an overwhelming success in any part of the public services—it is attributed to a former Chancellor of the Exchequer doodling on the beach many years ago. In retrospect, that Member may well be responsible for a lot.

I am not sure the purchaser-provider split will stand the test of time. That is the argument. With the Bill introducing extra powers and more local authority control of local services, we understand that the Government are nervous, and that they are trying to avoid a situation whereby, in their view, private bus operators might be blocked out of the bus market because a franchising authority could award contracts to its own company. They are trying to protect the investment that private bus operators have made.

That is the case they put forward, but as we examine it, we are not convinced that the evidence bears out those concerns. On the first case, there is no reason to believe that a combined authority introducing a franchise scheme would automatically award the franchise to its own bus company. We have a very good example that bears that out. We have already heard about Nottingham City Transport, in which Nottingham City Council holds an 82% share. It had hoped to play a pivotal role in the Nottingham Express Transit tram network project. Since 2009, Nottingham City Council has been the sole promoter of that tram network, yet Nottingham City Transport was not successful in its bid to develop phase 2 of the Nottingham Express Transit tram network. The bid was instead awarded by Nottingham City Council to Tramlink Nottingham Ltd, a consortium of various private and public entities. Despite the fact that Nottingham City Transport was part of a consortium that had been running the tram network for many years, and that it had named playing a role in phase 2 of the tram network's development as one of its key objectives, the council awarded the contract elsewhere, simply because it thought it would be the better option, which was a perfectly rational thing to do.

It is already illegal under UK law for a local authority to award directly a contract to a company run by itself. The Government are assuming for some reason that franchising authorities would, after going through the process of inviting bids to tender, award the contract to their own municipal bus company.

Lilian Greenwood: My hon. Friend has made the point very clearly in relation to Nottingham City Council and the tram consortium. There is an even more obvious example that I set out on Second Reading. The tendered bus services in Nottingham that provide the Medilink service, the park and ride services and the local link services to some of the district centres are also operated under contract, not with Nottingham City Transport, which was unsuccessful, but with Nottingham Community Transport, which won the contract. That makes it very clear that the council is capable of operating its municipal bus company as an arm's length contract, and that there is real competition in the market to provide those services.

Further, does my hon. Friend agree that, in many instances in public services, we see in-house bids alongside private sector bids? It is possible to ensure that they are considered alongside each other. Sometimes the in-house bids are successful and sometimes they are not.

Daniel Zeichner: My hon. Friend makes the point very powerfully, and I absolutely agree with her last point. I expect the Minister and I were both local councillors a number of years ago. My hon. Friend the Member for Blackley and Broughton made the point that having an in-house competitor keeps the market honest, as was explained to me early on in my council career in housing. That is the role that municipals can play in this case.

The Government should be a little more confident about the ability of local government, exactly as my hon. Friend the Member for Nottingham South has explained, to get the best for their citizens, as anyone rationally would. If a private bus operator offers a local authority a better service, and if the bid from a private bus operator meets passengers' needs better, why would a local authority not award it the contract?

It is fair to say that municipals do not always have to please shareholders and are not driven by profits and shares, and that local authorities are far more likely to pick the operator that can genuinely best serve the needs of the passengers. If a local authority considers bids for a contract and finds that its own arm's length company is the best one to do the job, why should not it award that company the contract?

Contrary to the Conservatives' belief, we are speaking up for municipal companies not for ideological reasons but for the practical reason that it would make things better. We want local authorities to continue to have the choice to form municipal companies should they want to do so. As we have heard, there is no evidence of a massive rush to form municipals, so to some extent a straw bus company has been set up to be knocked down. There is not a great rush, but why make it impossible for such companies to be set up in future? We want local authorities to continue to have the choice to form municipal companies, partly because there are so many good examples of their being successful.

The Conservative party is supposed to be in favour of the free market and to dislike regulation and impediments to fair competition. That is their long-held proud view, so why are they attempting to impose arbitrary barriers on the market to contrive to stop municipal bus companies competing fair and square? In our view, local authorities should be able to form their own bus companies and have them compete with private bus operators in areas introducing franchising schemes as well as areas without them. The attempt to ban local authorities from forming municipal bus companies suggests that Conservative Members are afraid that the municipals might just do better than the private bus companies they so venerate. Surely they are not afraid of a little competition.

Lilian Greenwood: I am reminded of the example given earlier about Directly Operated Railways. My hon. Friend will remember that, when the contract for the east coast line was awarded, the Opposition argued that the incumbent operator, East Coast, should be allowed to bid. It was prevented from doing so. It is interesting that, since that service has been operated in the private sector, passenger satisfaction scores have gone down. Surely there was an argument for allowing it to compete to show that sometimes the public sector can do better.

Daniel Zeichner: Once again my hon. Friend makes the point strongly. It seems that the evidence is entirely stacked up on our side, and I hope the Minister and his

colleagues reflect on it. The question should be about the best interests of passengers and the public, not an ideological obsession with stopping good public services being provided directly, when that can be shown to happen successfully.

The Competition Commission has been mentioned obliquely once or twice in the debate. Its report noted that the fact that municipal operators are not required to deliver commercial rates of return might lead them to take actions that non-municipal operators might not, such as providing services that a non-municipal operator would consider uneconomic. The commission did not see evidence to suggest that that would have any significant distorting effects on competition. In other words, things can be done for the wider public benefit, which of course is also part of the franchising approach.

I suggest that we are moving in a slightly different direction from the ideological experiment with the free market of the past 30 years, and should perhaps move with the times. As my hon. Friends have suggested, perhaps international examples will show us that others have not chosen to follow that experimental path, for good reason.

Bridget Phillipson: To continue with the discussion of differences in approach, in Tyne and Wear the Metro was, until recently, operated by DB Regio. That contract ended—the decision was taken not to extend it. It has now come back under the control of Nexus, which directly operates it. It is working well. It is an option that was available because the contract was not working as well as it could with DB Regio. It seems strange to me that, in the case of the Metro, Nexus can take action to take control where a service is failing, but there is not that backstop with bus franchising.

Daniel Zeichner: Indeed, that point is well made. It has been possible to take back control in that case, and it is working to the benefit of passengers in that area. It seems extraordinary that we should want to close down the options when all the evidence points to the fact that, when transport systems are integrated, it is possible to get a better outcome for everybody.

I am not sure I am allowed to mention European law anymore, but it may be worth noting that, in EU regulation 1370/2007—I am sure Members know it off by heart—article 5.2 allows that:

“any competent local authority, whether or not it is an individual authority or a group of authorities providing integrated public passenger transport services, may decide to provide public passenger transport services itself or to award public service contracts directly to a legally distinct entity over which the competent local authority, or in the case of a group of authorities at least one competent local authority, exercises control similar to that exercised over its own departments.”

In Europe, local authorities are able to award contracts directly to their own company. We simply want new municipals to be able to compete in the process.

As I come to my conclusion I shall quote a further authority. Regarding municipal bus companies, the Institute of Public Policy Research said that

“authorities need to encourage and support the many innovative transport solutions—such as social enterprises and municipal companies—that have emerged over the years.”

It added that:

“the continued strength of some municipally owned transport schemes...demonstrate that conventional commercial operations

are not the only option...Choosing to operate a business without the pressure to deliver profit to shareholders can allow social values to be put at the heart of that business's activities and deliver considerable benefits for communities."

Our final problem with the proposal, as touched on by my hon. Friends, is that it seems as if the Department is working without any evidence. I have asked a number of written questions about the plans, and it has been revealed that

"no analysis has been undertaken by the Department for Transport to understand the potential benefits"

of the municipal model for passengers. I was later told that there are no plans to undertake any analysis of those benefits. I asked what evidential basis there is that the commissioning and provision of bus services should be kept separate, and was told:

"Supporting evidence of direct relevance is not available".

Furthermore, I was told that a ban on municipals was not included in the bus reform workshop discussions because the provisions

"had not yet been drafted when the workshops took place."

I simply do not understand why the Government persist with this divisive and mean measure when they have absolutely no evidence to back it up. In our view, this is a piece of symbolic, ideological dogma that has no place in an otherwise positive, enabling Bill that is broadly underpinned by consensus. We have every intention of revisiting this issue on Report.

Andrew Jones: I covered much of the ground in my earlier comments. I do not view this matter as the cause célèbre of the Bill, because frankly not a single local authority has contacted me to say that it wishes to start a municipal bus company. I do not think that this is at the heart of the Bill at all. Why do we have it? We have it simply because of the points I mentioned earlier—that commissioning and provision separation could easily deter investment from the private sector should this be reversed. What we have sought to do in the Bill is find the right balance and retain the strengths of private bus companies and the involvement from the public sector to find that proper partnership where we most effectively see the industry making progress for customers.

4 pm

Lilian Greenwood: I am mindful of the point my hon. Friend the Member for Cambridge made about evidence. When the Minister says that the existence of municipal bus services or an intention to set up a municipal bus service would prevent investment from the private sector, what evidence is he drawing on? My city has a very successful municipal operator, but that does not prevent investment in the private sector. In fact, we have an extremely effective local private operator and, if anything, the competition with the high-quality municipal has driven up its investment in its services. I therefore ask the Minister to set out what evidence he is drawing on in making those remarks.

Andrew Jones: What I said was that it could deter investment. We are talking about projections into the future, and as the future has not yet happened, of course we do not have any evidence for it. I am just looking at what the risks may be.

What we seek to do in the Bill as a whole is to enable bus companies and authorities to work more constructively together on behalf of passengers to deliver better services.

I think we have struck the right balance. There is no doubt at all that the municipal companies are, indeed, successful, but we have chosen to highlight a couple that have perhaps been at the high end of success—the Nottingham and Reading companies have quite reasonably had a lot of mentions today. The last company that I visited was the bus company in Reading, and I thought it a very successful and impressive operation, but within a few days of that visit we saw the Thamesdown service sold after many years of making a loss. The idea that it is only municipals that are successful and innovative is not true. Success has come from having the right balance, and that is exactly what we are achieving in the Bill.

On international comparators, I am not an expert on the bus markets of different countries, but I am aware that the successful transformation of our rail services, which was mentioned earlier, has led to ours being the fastest-growing railway in Europe.

Amendment 10 agreed to.

Daniel Zeichner: I beg to move amendment 24, in clause 4, page 32, line 47, at end insert—

"123Y Compensation liability

Where a bus operator brings a successful legal challenge for compensation against a relevant franchising authority, central government shall be liable for any financial penalty imposed by the court on the franchising authority."

This amendment specifies that central Government shall bear the financial risk of legal challenges brought against franchising authorities by bus operators.

The amendment would ensure that central Government bear the risk for financial penalties where a bus operator brings a successful legal challenge for compensation against a relevant franchising authority. We want to protect local franchising authorities from legal action by operators and ensure that they are not prevented from bringing forward good schemes for fear of potential risk.

We heard reference in earlier debates to the attempt in the north-east—many of us would say the heroic attempt—to achieve a quality contract and how difficult that proved to be. When Nexus, the North East combined authority's transport arm, attempted to introduce a quality contract scheme for Tyne and Wear under existing legislation, the legal decision made by the quality contract scheme board suggested that local authorities could be liable to compensate bus operators for financial losses they might incur as a result of bus re-regulation. The board concluded:

"Legislation enabling franchising should specifically address the issue of proportionality of financial loss of bus operators. It may be that some form of compensation is considered appropriate."

It went on to suggest that local authorities could have been liable for payments of between £85 million and £226 million if the scheme had gone ahead. At that time, many of us were astonished by that conclusion, but despite the absurdity of it, that was what the board said. It causes real concern for people who may be thinking of bringing forward what I think we all agree could be the kind of schemes that will really improve bus services in our country.

I asked the Minister what assessment his Department had made of the reference in the quality contract scheme board's report to bus operators being compensated by the Government for future losses that might be incurred as a result of franchising. The Minister responded that

[Daniel Zeichner]

the decision related to existing legislation and was unrelated to the Bill. I do not think that that is good enough. It is important that we protect local authorities from that risk. It is not the case that this situation has not been rehearsed—it is out there.

If we believe that franchising will produce better services for passengers, we cannot have a situation in which authorities are worried about bringing schemes forward because they are intimidated by the financial risk. The Government might feel that that is not relevant, in which case they can demonstrate their confidence in the new system by making it clear that the risk does not lie with the local authority.

Some share the view that was expressed by the board in the Nexus case. The Confederation of Passenger Transport has, indeed, said that bus franchising “would unquestionably amount to indirect expropriation”, and that the Bill is “anti-enterprise” and “silent on the issue of compensation.”

I and many others obviously do not agree. As I have said, franchising moves competition from on the road to off the road, with the system of bidding for service contracts.

More than that, any industry that receives almost 50% of its revenue from the public purse cannot be surprised that the public seek a say in how the services they fund are run. The Transport Committee found:

“We accept that the question of whether incumbent operators would suffer a loss from franchising is a complex one. However, franchising does not mean operators already providing bus services in the market cannot compete; it simply means that they must compete for the market rather than for passengers as they do at present. There is no case for compensation for operators in areas where the local transport authority decides to introduce franchising.”

The Opposition need clarity on this issue, because we fear that if the Government do not provide it, good schemes might not be introduced.

Andrew Jones: Amendment 24, which was tabled by the hon. Members for Cambridge, for Nottingham South and for Scunthorpe, proposes that central Government assume liability for compensation payable as a result of a successful claim against an authority that has implemented franchising. The Bill is about devolution. It gives authorities the ability to decide which model of bus service provision works best for local passengers. It makes it clear that the decision to implement franchising lies with the Mayor or the authority in question and not with central Government

Local accountability is at the very heart of the Bill. Any Mayor or authority that is not able to stand by and take responsibility for their decision should not implement franchising in the first place. Looking to central Government to solve local problems would undermine the accountability required to make a success of franchising in the longer term. Frankly, it would be out of step with the rest of the Bill for central Government to step in and assume responsibility for a local decision in which they have played absolutely no part. The proposal is very strange, and would mean a complete break between accountability and responsibility.

Bridget Phillipson: The Minister will recall that during the process that led to the quality contract scheme decision in Tyne and Wear, the issue was, in part, where responsibility would lie were there to be a legal challenge,

not on the grounds of the scheme itself or in respect of whether any compensation would be owed, but concerning where responsibility for the legislation itself would lie. This is Government legislation, so would it not be for the Government to defend, if challenged, its principle and to take on any liabilities that arose from that?

Andrew Jones: In developing the legislation, we have taken into account the views in the quality contract board’s comment on compensation. We are confident that the processes in the Bill are fair and give operators sufficient notice to enable them to plan accordingly. I therefore do not think that what the hon. Lady says will apply, but we have clearly been learning from the problems that the north-east, more than any other area, experienced in the quality contract scheme.

Huw Merriman: The Transport Committee spoke to authorities that might consider franchising about the risks they would have to bear. Surely this is one. If they decide that it is not a risk worth taking, they will not utilise the power. It is not just a question of asking for a central Government bail-out, but a question of asking for a bail-out from my local taxpayers, who will not have the benefits of franchising. I find the proposal outrageous.

Andrew Jones: It is a strange idea to put forward that central Government should be liable for decisions taken in a local council or by an elected Mayor. That break between accountability and responsibility could only lead to bad practice. Any legal challenge by operators against an authority is likely to be based on the way in which the authority has approached the decision-making process. Central Government are not seeking to control that, and we should not be responsible for it. I therefore ask the hon. Member for Cambridge to withdraw the amendment.

Daniel Zeichner: I note that the hon. Member for Bexhill and Battle is outraged by the suggestion, but the crux of the point was made by my hon. Friend the Member for Houghton and Sunderland South and it is an important point. It is clear that some in the industry see the concept as an act of expropriation—that is what the industry body has said. The Government are proposing the legislation and we support them, but the danger, as I have said, is that if local authorities fear that they will be subject to the full force of legal challenge, people might be unable to use this good legislation. We will be back to a situation of spending many years talking about doing absolutely nothing, as the hon. Member for Bexhill and Battle said.

Huw Merriman: Surely the concept of devolving power involves devolving responsibility. It would be an incredibly curious situation to devolve the power and, at the same time, have the local authorities ask for a guarantee all the way back not just from central Government, but from all taxpayers who live in local authorities that do not have the same power.

Daniel Zeichner: Much of the discussion today has been about the balance of responsibility between the centre and the locality. Much has been said about the very prescriptive nature of the rules set out by the Government for allowing franchising authorities to make

proposals, particularly those that do not come through the combined authority and mayoral route. The question in the end is where the risk should lie. Our view is that the risk is a consequence of the legislation. That is why the Government should bear it.

Bridget Phillipson: Further to my hon. Friend's point, there was much talk about what would happen in Tyne and Wear. My hon. Friend the Member for Blackley and Broughton asked whether an infringement of human rights could lead to a challenge under European law if the quality contract board allowed the scheme to proceed. My understanding is that that would have been a matter for the Government to defend, and not a matter for individual local authorities pursuing franchising schemes. There is an important principle here. This is not simply about devolution; it is about the legislation and the Government defending the principles that underpin this important scheme.

Daniel Zeichner: My hon. Friend is absolutely right. That point goes to the crux of whether the legislation will work in practice. We will not press the amendment to a Division, but I hope the Minister takes careful note of what has been said and ensures that, as authorities consider introducing schemes, they feel reassured that they will be able to do so and not face the risks we have described. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 4, as amended, ordered to stand part of the Bill.

Clause 5

POWER TO OBTAIN INFORMATION ABOUT LOCAL SERVICES

Graham Stringer: I beg to move amendment 33, in clause 5, page 33, line 8, at end insert—

“(1A) The franchising authority may require the operator to provide information about services run by the operator under existing franchises or in non-franchised markets outside the franchising authority's area.”

This amendment would ensure that all operator data about operational performance in markets outside the franchising authority's area is available to them for the purpose of developing a franchising scheme.

The Chair: With this it will be convenient to discuss the following:

Amendment 37, in clause 5, page 33, line 31, at end insert—

“(ea) information about the operator's pension scheme(s) and information about the number of persons employed by the operator in any individual pension scheme;”

This amendment would require operators to share information and particulars about their staff's pension scheme with the authority.

Amendment 38, in clause 5, page 33, line 34, at end insert—

“(fa) information about journey speed and reliability for those local bus services;”

This amendment reflects the draft regulations and guidance and includes journey speeds and reliability for authorities to consider when developing a case to franchise services.

Amendment 39, in clause 5, page 34, line 2, at end insert “, which shall be no longer than 56 days.”

This amendment defines reasonable period for the purpose of this subsection as no longer than 56 days.

4.15 pm

Graham Stringer: The purpose of the amendment is to allow the transport authority and franchising authority to ask for and get information from operators about how they operate in adjacent areas, and not just the authority area. The clause amends section 143 of the Transport Act 2000, enabling a franchising authority to request certain information from bus operators of local services in its region in order to inform its business case assessment.

If I may return to annexe N of the Department for Transport's public consultation, from which I read out section 19 previously, paragraphs 29 to 32 state that there is an obligation on local authorities to

“clearly explain the impacts of the options on different groups in society. This should include passengers, the authority, wider society and bus operators, with both the potential impacts on incumbent operators and the potential benefits to new entrants considered.”

What concerns me about is that authorities are being asked to make assumptions about the future private market behaviour of bus operators, exposing those authorities to unnecessary risk. It implies that authorities must make those assumptions as part of their assessments, meaning that the validity of those assessments is in danger of being compromised by an onerous duty to make assumptions on areas lying outside an authority's direct knowledge. In addition, it is unclear how those assumptions will assist or inform a proposition.

In addition, proposed new section 143A(3) of the Transport Act 2000 does not currently give authorities the ability to require information about bus services in neighbouring areas. As the business case guidance specifically requires franchising authorities to consider the impacts of franchising on neighbouring authorities and services and transport in their areas, the omission is material and should be rectified by adding provision for information about local bus services in neighbouring areas, as the amendment suggests.

It is recommended that the new obligations be deleted in the first instance. However, if they are to remain in the statutory guidance, a corresponding amendment to proposed new section 143A(3) of the Transport Act 2000 could be made to enable a franchising authority to request from bus operators information about their services outside the authority's area, including franchising services and non-franchising services elsewhere.

Time and again, we find the Government laying down in a Bill guidance and rules that are burdensome on authorities. I followed the Minister's previous point, and I can see the case that he made: if local authorities take decisions, they should take responsibility and liability for them. But the other side of that coin must be that they are in charge of the rules and regulations within the law as it stands. We will return to this point on Report, but we keep coming back to it: the rules are onerous and burdensome, and will leave any franchising or transport authority open to legal challenge, because they are complicated and derive from elsewhere.

I hope the Minister accepts the amendment, but there is a deeper issue: the guidelines do not protect transport and franchising authorities as well as they could from potential challenge by hostile bus companies that do not want to lose their monopolies.

Daniel Zeichner: I shall speak to amendments 37 to 39. Amendment 37 would allow the franchising authority at an early stage to obtain pensions information from operators so that it can begin to understand the potential scale and impact in relation to historic and future pension liabilities. Currently, proposed new section 143A(3)(e) says:

“Information about persons employed by the operator in the provision of those local services”.

As such, it is not clear whether pensions information would be included. Will the Minister clarify whether the Bill will enable franchising authorities at an early stage to obtain information about pensions and the pension schemes of individuals employed by the operator? Does he agree that the amendment enhances the provisions by ensuring that franchising authorities have access to this relevant information in preparing their assessments?

Amendment 38 would enhance the Bill, better reflecting draft regulations and guidance. The statutory guidance includes a new obligation for authorities to consider journey speeds and reliability when developing an assessment. In order for authorities to be able to satisfy this additional obligation, an amendment to the Bill will be required so that authorities can request the data from incumbent bus operators. A large amount of the information is held only by operators and is not currently available to authorities. Currently, journey speeds and reliability are not provided for in the list of information that authorities may request from bus operators, meaning that authorities are unable to satisfy this additional consideration. Does the Minister agree that including the measure in the Bill will ensure that the Bill and the accompanying guidance are better aligned?

Amendment 39 reflects the fact that “a reasonable period” is not currently defined. Obtaining the information from operators set out at proposed new section 143A is vital to inform the franchising authority’s assessment. Any delay in providing that information will have a significant impact on the timetable for audit, public consultation and the Mayor’s decision. Does the Minister agree that 56 days is a reasonable period? If not, how does he define “a reasonable period” and will he make that definition clear in the accompanying guidance?

Andrew Jones: This group of amendments relates to the information authorities can request from bus operators in connection with their franchising functions. Amendment 33 would require bus operators to provide information to authorities about the services they operate under existing franchises and outside the franchised area. The purpose of clause 5 is to ensure that authorities have the information they need about the services in their area so that they can make an informed decision. I therefore struggle to see the rationale behind requiring them to provide information about services that are unconnected to the scheme they are developing or their area.

Graham Stringer: Business case guidance, as I said, specifically requires the franchising authority to consider the impacts of franchising on neighbouring authorities and services and transport in their areas. Surely that is a reason why the bus companies should hand over information about what they are doing in those areas.

Andrew Jones: The hon. Gentleman is talking about considering developing schemes and the impact on bus provision in neighbouring areas. It does not necessarily

suggest that entirely unconnected areas need to have information about franchises beyond the area directly under consideration. I understand where he is coming from, but the information described in the amendment would not be material to an authority’s assessment. I am not convinced that there is any need for the authority to have access to it. I hope he considers withdrawing the amendment.

Amendments 37 and 38, tabled by the hon. Member for Stalybridge and Hyde (Jonathan Reynolds), propose to add new categories to the list of information that can be requested by an authority—in particular information about an operator’s pension schemes, and about journey speeds and reliability. Clause 5 already allows authorities to request information about people employed by operators. That will include information about their pension arrangements. That is clearly a material consideration and will be included. I am not convinced therefore that amendment 37 is necessary.

I agree that an authority may want to consider information about journey speeds and reliability when conducting its assessment, particularly to understand where there are congestion hotspots. Having said that, I would like to think that any authority with the skills and abilities necessary to implement a franchising model already has a clear view of where congestion problems are in its network. There are other ways that the authority could access that sort of data without placing burdens on operators, such as through existing punctuality and timetable information and roadside monitoring equipment.

We are currently consulting on draft regulations under the clause that set out further categories of information that can be requested by authorities. If a clear case is made through our consultation that journey speed information would be a valuable addition to that secondary legislation, we will certainly be happy to consider it, but I am not convinced today that we should place it on the face of the Bill. I hope I have provided the hon. Member for Cambridge with reassurance that the issue will be addressed and that he will therefore not press amendments 37 and 38 to a vote.

Amendment 39 would require operators to provide the requested information within 56 days rather than at the end of a reasonable period that the authority may specify. We want to ensure that we leave as much flexibility as possible to allow authorities to work with operators on a local level. In some cases, the information requested will be very limited and could be provided in a shorter timescale. We also have to consider the full range of possibilities and give due consideration to smaller operators, which may have more difficulty collating and sharing information when their limited resources are focused on doing the day job and running their existing services.

The Bill will allow authorities to take local circumstances into account and set realistic and appropriate timescales for delivery, without an arbitrary cap. If an operator fails to take all reasonable steps to respond to a request, the Bill requires the franchising authority to report it to the traffic commissioner, who then has the ability to impose sanctions on operators that contravene that requirement, provided that the commissioner agrees with the authority that the operator has not taken all reasonable steps to respond. Given that flexible approach, which I believe will work well in practice, I ask the hon. Member for Cambridge to withdraw amendment 39.

Graham Stringer: I may return to amendment 33 on Report, along with a number of other items. I beg to ask leave to withdraw the amendment.

Daniel Zeichner: I am reassured by the Minister's comments on amendment 37, about pensions. That is helpful and clarifies the situation.

I am less reassured on the other two amendments. It is not my experience that authorities have this information. A lot of this information is held by the operators. They are running their businesses and quite clearly need it to run their day-to-day operations. Potential franchising authorities do not necessarily have that information. As I suggested earlier, my visit to my local traffic commissioner confirmed what I already rather suspected—that the responsibilities of traffic commissioners are not matched by the resources at their disposal. I am certainly led to understand that the old system whereby people used to be sent out to check on reliability and so on are long gone. I will not press the amendments any further, but I am not convinced on that point.

Finally, I think the Minister is being a touch naive to think that all the major operators will necessarily want to co-operate in that way. Having a fixed timeframe is absolutely right, possibly with an exemption for smaller operators. We should not be under any illusions: some of these processes will not be as smooth and amicable as we would all wish.

Amendment, by leave, withdrawn.

Clause 5 ordered to stand part of the Bill.

Clause 6 ordered to stand part of the Bill.

Schedule 2

FURTHER AMENDMENTS: FRANCHISING SCHEMES

4.30 pm

Amendment made: 17, in schedule 2, page 84, line 35, leave out “123A(4)(b) to (f)” and insert “123A(4)”.—*(Andrew Jones.)*

This amendment and amendment 18 correct cross-references to text inserted by clause 4.

Schedule 2, as amended, agreed to.

Clause 7

ADVANCED TICKETING SCHEMES

Question proposed, That the clause stand part of the Bill.

Andrew Jones: The clause introduces new provisions for advanced ticketing schemes in England, which improve the existing ticketing powers in the Transport Act 2000 in a number of ways. First, the clause future-proofs the legislation by ensuring that new or future developments in technology can be accommodated within its framework. Secondly, the clause contains new duties for local authorities to consider linkages and compatibility with other multi-operator ticketing schemes. I must emphasise, however, that this is not about price. There is no ability for ticket schemes to set ticket pricing. An advanced ticketing scheme may only be made by local transport authorities in England. The existing ticketing scheme provisions will continue to apply in Wales and to schemes made by

an English authority in conjunction with a Welsh one. This part of the Bill has been widely welcomed in our discussions and has not proved at all controversial.

Question put and agreed to.

Clause 7 accordingly ordered to stand part of the Bill.

Clause 8 ordered to stand part of the Bill.

Schedule 3 agreed to.

Clause 9

ENHANCED PARTNERSHIP PLANS AND SCHEMES

Amendment made: 11, in clause 9, page 42, leave out lines 15 to 20.—*(Andrew Jones.)*

This amendment removes a requirement that, under an enhanced partnership scheme, new buses providing local services must meet eligibility requirements contained in the “Low Emission Bus Scheme” (a programme of grants to support the use of low and ultra-low emission vehicles), where the vehicle comes into service after 1 April 2019.

Question proposed, That the clause, as amended, stand part of the Bill.

Andrew Jones: The clause will introduce enhanced partnerships in England. They go further than the advanced quality partnership schemes provided for in clause 1, which we discussed this morning. In particular, enhanced partnerships may include a broader range of requirements. They are designed to be easier to apply to a wider geographical area, and provide for the involvement of operators from the outset. They do not require every single objection from operators to be resolved.

The clause provides for enhanced partnership plans and enhanced partnership schemes. The plan provides the context for the partnership and sets out the bus improvement objectives, which are relevant to all parties. Detailed actions to be taken by the authority and bus operators on the ground locally are set out in the associated scheme or schemes. Both the plan and schemes are made by the local transport authority but are developed in partnership with any relevant operators that wish to participate. To ensure that operators remain involved and supportive, the authority can proceed at certain key points only if it has sufficient support for its plans from the relevant operators. The mechanism by which that will be judged will be set out in secondary legislation, on which we are currently consulting.

Under an enhanced partnership, competition remains generally on the road, and services continue to be provided on a commercial basis. All operators in the scheme area, whether a new entrant or an incumbent, must comply with any of the requirements set out by the scheme. Those requirements fall into two broad categories. Operational requirements can include vehicle standards—including emissions standards, as we discussed this morning—branding, payment methods, ticketing structures, the price of multi-operator tickets and information to be provided to passengers. Route requirements address the frequency and timing of particular services.

There is a menu of options so that authorities can work with operators and passenger representatives, among others, to find the best solutions for their area. That is the essence of an enhanced partnership. It is a flexible set of powers that can be adapted to local circumstances. The provisions have been welcomed by passenger groups, bus operators and local transport authorities. I think that these provisions are at the heart of the Bill.

Question put and agreed to.

[Andrew Jones]

Clause 9, as amended, accordingly ordered to stand part of the Bill.

Clauses 10 to 13 ordered to stand part of the Bill.

Clause 14

TRAFFIC COMMISSIONER FUNCTIONS

Daniel Zeichner (Cambridge) (Lab): I beg to move amendment 30, in clause 14, page 69, line 22, at end insert—

“(5) After section 6I insert—

‘6J Community bus routes

(1) Traffic Commissioners must keep a list of bus routes in their area which are of community value.

(2) For the purpose of this section, a bus route of community value is one that has been designated by the traffic commissioner as furthering the social well-being or social interests of the local community.

(3) Bus routes may only be designated by a traffic commissioner as being of community value in response to a community nomination.

(4) A community nomination must be made by a community group which is based in, or has a strong connection with, an area through which the bus route passes, and on which community the bus route has a direct social impact.

(5) A community group may be, for example—

- (a) a local or parish council;
- (b) a voluntary or community body with a local connection;
- (c) a bus user group;
- (d) a group formed for the specific purpose of maintaining the bus route;
- (e) a church or other religious group, or
- (f) a parent teacher group associated with a particular school or schools.

(6) The traffic commissioner must consider the community nomination, and if—

- (a) the nomination is successful, the commissioner must notify the relevant parties of this decision in writing; or
- (b) the nomination is unsuccessful, the commissioner must notify the relevant parties of this decision in writing and give reasons why the decision was made.

(7) An operator of a bus route which is designated as being of community value must give a minimum of six months’ notice of an intention to terminate the service, in order for the community to—

- (a) work with relevant authorities to find an alternative operator;
- (b) set up a community transport group in order to run the service; or
- (c) partner with an existing not-for-profit operator to run the route.

(8) The community may apply to the Secretary of State for financial assistance, training or advice during the notice period in order to achieve any of the aims set out in subsection (7).”

This amendment would give Traffic Commissioners the power to designate bus routes assets of community value.

I apologise, Mr Owen, but this bus is moving rather more quickly than I had anticipated. We are doing very well.

The notion of defining a bus route or a bus service as a community asset may come as something of a surprise to people, as it did when it was first raised with me. However, the more I have thought about it, the more significant it seems it could be. Although much of the

discussion today, with our comments about Nottingham, and on Second Reading has been about urban areas, the problems facing buses in rural areas are dear to many people’s hearts. Many of us would agree that the local bus service is a key aspect of everyday life in many parts of the country.

Without rehearsing the figures, which I suspect are familiar to all of us, bus services are disappearing from many parts of the country for a whole range of reasons. As was explained by my hon. Friend the Member for Ashfield, there is quite often a feeling of powerlessness when there is a sudden change to what may be a lifeline—sometimes that is for relatively few people, but it is crucial to them none the less. Whether from urban or rural areas, I suspect all of us, as Members of Parliament, have found ourselves in the difficult situation of responding to local people who come to us and say, “The bus service is going or changing; what can you do to help?” That has been a part of the discussions we have had throughout the day.

I suspect that a discussion about advanced quality partnerships, franchising, net costs, gross costs, contracts and all the rest of it will not greatly reassure many people. They want to know what can be done about their bus service; that is what matters to them. What we suggest is that those means of communication—those routes—are seen as a community asset and put on the same legislative footing as community assets such as pubs, community buildings and land. That is not to say that something can be preserved forever—that is impossible—but the measure would slow down the process, just as we do with a potential pub closure, to give the community the chance to build the capacity and support to put something else in place. I am not sure that the big society is still with us—

Andrew Jones: It certainly is.

Daniel Zeichner: In which case, this is the big society revisited. I am sure the Minister will be commended for defending it.

The community asset legislation sits comfortably within the Conservative Government’s Localism Act 2011. It rightly recognises that community assets should be protected and given elevated status so that communities can come together and help to save or run things that they judge they cannot do without. The proposition is to establish a new class of assets of community value—bus route assets of community value—based on the route of the bus, as designated and held by the relevant traffic commissioners. It is notable that currently, bus stops can be an asset of community value. Indeed, some have been designated as such, which shows the importance that local communities place on such services.

The amendment would allow communities to come together to apply to the relevant traffic commissioner to designate the service they hold dear as a bus route of community value. The route would then be subject to a six-month moratorium should there be a threat of its being cut, which would allow precious time for the community, as defined by the Localism Act, to work with the relevant authorities to find an alternative operator, set up a community transport group to run the service, or partner with an existing not-for-profit operator. The powers mirror those in the Localism Act, and would change rural passengers’ influence over how bus services are delivered to them.

The nomination would be made by a community based in, or with a strong connection to, an area through which the bus route passes and on which the route has a direct social impact. Community groups could include a local or parish council, a voluntary or community body with a local connection, a bus user group, a group formed for the specific purpose of maintaining the bus route, a church or other religious group, or a parent-teacher group associated with a particular school or schools.

Huw Merriman: Having been involved with pubs in this way, I found the proposal, on the face of it, quite attractive. However, given that the Bill provides more data and therefore a greater ability to see whether it would be worthwhile to take a route on, and the fact that anyone can apply to run a bus service, does the hon. Gentleman not agree that, on balance, the amendment would put operators off starting a route in the first place and could, therefore, be counterproductive?

Daniel Zeichner: There is a risk of that, of course. Equally, if we ask ourselves, “What are we going to do to help protect local communities?”, we have to make a judgment on the balance of the risk. In most areas, our biggest problem is not lots of new services being suppressed by the threat of their being declared an asset of community value. Generally, the threat is the other way around, with services gradually being eroded.

I certainly do not suggest that the proposal is a panacea or an answer. My concern is that, all too often, by the time people have got together and responded to the possibility of a change, it is too late, and once the service has gone people basically give up—we are often dealing with relatively small numbers—and do what people have always had to do, which is turn to an alternative, whether that be buying a motorbike or forking out for a car, even though that might be difficult. That is what, in the spirit of this discussion, we are trying to prevent. The scale is obviously different from that of the problems in our major conurbations, which have rightly occupied much of our discussion today, but the amendment would be a positive contribution that would help people in other parts of the country.

Lilian Greenwood: I listened to the concern voiced by the hon. Member for Bexhill and Battle, but surely, where a new route had been set up, the traffic commissioner would not be minded to allow it to be designated as an asset of community value, because it would not be sufficiently long standing for that to be appropriate. Much as I understand his concerns, I do not think that they are well placed in this context.

4.45 pm

Daniel Zeichner: Yet again, my hon. Friend is absolutely right. This is about trying to find ways of tackling the relentless erosion of services that have been a key part of the fabric of many communities.

Happily, I have been provided with a particularly good example from the constituency of Witney, which I am sure a number of us have had cause to visit in the last year—well, we should have, anyway. I did. I am not sure why, in retrospect—[*Laughter.*] It was because I was a good friend of the unsuccessful Labour candidate. Anyway, in the face of vital service withdrawals, the

local Labour and Co-operative councillors in Witney—I think it was the Labour candidate, in fact—have helped to save local bus services for the community.

The West Oxfordshire Community Transport benefit society was formed, and its people’s bus service has begun to carry passengers. It has managed to maintain timetables, fares and the routes that people in the area rely on, but one thing is different about that new service—it belongs to the community itself and will be run not for profit. As it is a community benefit society, anyone is able to join, which has an additional effect in terms of community development and bringing people together. That is a good example of the types of organisations and communities that would benefit from the amendment.

The amendment would go one step further than the existing Localism Act powers and place a duty on the Secretary of State to provide financial assistance, training and advice to communities working to save routes through the new moratorium period. We think it is an innovative proposal that could be built on by a Government that wished to join the hundreds of communities around the country that will meet today or this week to discuss ways in which they can maintain their area’s bus service.

Andrew Jones: Amendment 30 would reinforce the local importance of certain bus services by enabling them to be designated as routes of community value. I am fully aware of the issues that many people experience with bus services that are under threat or have been reduced, and there is no doubt that many local authorities face funding issues and therefore difficult decisions about the services that they wish to subsidise. However, in several areas of the country we are seeing innovative solutions, from the community transport sector stepping in to the provision of more integrated services and the Total Transport pilot schemes that my Department is supporting. It is encouraging to hear the story from Witney. Interestingly, that is not an area that I have been to for quite a long time. I hope that my hon. Friend the Member for Sherwood is not listening. [*Laughter.*] Well, it was never in doubt, was it?

The amendment would resolve issues relating to the continued provision of services on routes that are deemed to be of community value. I agree that where services are to be cut or their frequency is to be significantly reduced, commercial operators—or, in the case of subsidised services, local authorities—must do all they can to keep people informed, consult them and seek to pass on a service in some form. That is part of the thinking behind clause 19, which provides for greater information to be provided to local authorities when a service is reduced or cancelled.

However, I do not think that it is reasonable or sensible to force operators to continue to operate a service, potentially at significant financial detriment, for six months rather than the 56 days currently required. Doing so could act as a disincentive for operators to trial new services, step in to see whether they can make a service viable or operate services commercially where local authority funding is precarious and can be kept going for only a short time. The unintended consequences could easily outweigh the benefits that the Opposition wish to see. I hope that, in the light of those considerations, the hon. Member for Cambridge feels able to withdraw his amendment.

Daniel Zeichner: I will withdraw the amendment, but I will make one observation. I am not entirely sure why this is different from declaring the last pub in a village an asset of community value. As far as I can see, exactly the same considerations apply. If it is good enough for the pub, why is it not good enough for the bus service?

I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 14 ordered to stand part of the Bill.

Clause 15 ordered to stand part of the Bill.

*Ordered, That further consideration be now adjourned.—
(Mark Spencer.)*

4.51 pm

*Adjourned till Thursday 16 March at half-past
Eleven o'clock.*

Written evidence reported to the House

BSB01 Bus user group for Potters Bar and the city of St Albans
BSB02 Roger Sexton
BSB03 Equality and Human Rights Commission
BSB04 Dr John Disney
BSB05 Gordon Forster
BSB06 Age UK
BSB07 FirstGroup
BSB08 Dr Jon Lamonte, Chief Executive, Transport for Greater Manchester

BSB09 Greater Manchester Local Enterprise Partnership
BSB10 Arriva
BSB11 Chartered Institute of Logistics and Transport
BSB12 Martin Carr
BSB13 Tom Kearney
BSB14 Catherine Casserley and Chris Fry, legal advisers to Mr Paulley (in relation to the amendment for priority wheelchair spaces (NC7))
BSB15 National Express West Midlands
BSB16 Association of Colleges
BSB17 Jeffrey Richard Harvey
BSB18 Campaign for Better Transport

