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Bus Patronage, Bus Deregulation and Ten Year Transport Plan Targets in Gateway Cities: the case of Greater Manchester and Merseyside

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Abstract

This paper examines whether the system of deregulated bus services operating in Great Britain outside London is able to deliver the growth in bus usage required by Gateway Cities to underpin their economic development and specified in the Government's Ten Year Transport Plan in 2000.

It examines the deregulated bus market at four geographic levels: national, county, district and bus corridor and finds that market dominance (above 40% market share) and near-monopoly control (above 66.7% market share) by individual bus companies are more prevalent the more local the geographic scale. Analysis of bus markets at bus corridor level in Greater Manchester and Merseyside equates closely with the regular travel patterns of most bus passengers. Evidence is produced to show that at this very local level the deregulated bus system yields little choice and competition and does not generate the conditions for increasing bus usage in Gateway Cities.

Keywords

Bus deregulation; competition; geographic scales; monopoly; Ten Year Transport Plan; Greater Manchester; Merseyside

Introduction

This paper examines whether the system of deregulated buses operating in Great Britain outside London is able to deliver the growth in bus usage required by Gateway Cities to underpin their economic development and specified in the Government's Ten Year Transport Plan in 2000.

The research examines whether there is a relationship between geographic scale and market dominance by individual bus companies. Innovative analysis is undertaken of bus markets at bus corridor level in Greater Manchester and Merseyside as this equates more closely with the regular travel patterns of most bus passengers than analysing bus markets at district, county or regional levels. An assessment will be made to show whether at this very local level the deregulated bus system yields choice and competition and generates the conditions needed to increase bus usage in Gateway Cities.

Gateway Cities and City Regions

City Regions are back on the Government's political agenda after a gap of 35 years in response to the 80% to 20% rejection of devolved Regional Government in England by the voters of North East England. This renewed interest in City Regions coincides with the recent economic regeneration and population growth in the centre of many of their core Gateway Cities. This is most pronounced in Manchester where regeneration since the early 1990s has created a vibrant city centre with a greatly enhanced retailing and leisure sector, a 50% growth to 120,000 in the city centre job market and a resident city centre population of about 20,000, growing at a rate of about 2,000 per year. This compares with a city centre population of just 500 in the 1980s. However only five of the UK's city regions are in the top 50 European cities for GDP per capita (London 23rd; Edinburgh 25th; Glasgow 29th; Bristol 34th; Leeds 43rd) and there is growing disparity in regional Gross Value Added (GVA) between London/South East/East of England and the rest of Great

Britain (pteg, 2006a). In North West England, Greater Manchester is the economic core area and contributes 40% of its GVA. Greater Manchester South experienced the greatest growth outside London in 2000/01. Liverpool's GVA grew below the national although above the regional average between 1995 and 2003, but in 2003 it outstripped the national average (pteg 2006b).

Transport investment

The transport infrastructure and services to underpin the growth of City Regions outside London have suffered from decades of under investment. The Commission for Integrated Transport showed that UK cities have the lowest levels of investment in public transport in Europe (CfIT, 2001). Manchester (£32 per capita) and Glasgow (£23) compare unfavourably with European competitors such as Copenhagen and Milan (€63), Stockholm (€83), Munich (€221) and Vienna (€464). Per capita transport spending in London is higher and is increasing much faster than in the provincial conurbations in Northern England and the West Midlands (pteg, 2006). Apart from in central London, local buses remain as the main mode of local public transport. Buses need to be able to deliver increased usage to underpin City Region economic growth as well as providing opportunities for increased personal mobility for those without access to cars.

Local Bus Deregulation and Trends in Bus Usage

Since 1997, the Labour Government, despite adopting an Integrated Transport Strategy, has continued with the previous Conservative Government's system of deregulated local bus services outside London. This type of local bus deregulation, where routes, frequencies and fares are decided by the private bus company, has not been copied in any other country (Appendix 1). Local bus deregulation represents an extreme example of the 'hollowing out' of the state that formed part of the free market, neoliberal political agenda that dominated Government thinking in the 1980s and 1990s in the United Kingdom and USA and sought to minimise the role of the state (Jessop, 2004; Shaw *et al*, 2008).

Labour's Integrated Transport Strategy was designed to reverse the steep fall in bus usage outside London since deregulation in 1986. The main tools to achieve the Ten Year Transport Plan target in 2000 of a 10% growth in national bus usage from 2000/01 to 2010/11 were Bus Quality Partnerships between local authorities, prioritising road space for buses, and private bus operators investing in better buses. This was an easy target as London's bus services had never

been deregulated and their use was growing fast enough to comfortably offset the decline in bus usage elsewhere. The target was changed in 2002 to a combined, but still unchallenging, figure of 12% national growth in bus and light rail usage.

Although the Transport Act 2000 offered local authorities the option of regulated Bus Quality Contracts as a last resort, none had been applied for by 2007 because the pre-requisites proved too difficult to overcome (Davison and Knowles, 2006). The draft Local Transport Bill 2007 intends to make it slightly easier to apply for Bus Quality Contracts to regulate bus routes and frequencies and impose maximum fares. However local authorities will have to first agree to introduce congestion charging in exchange for obtaining control over their local bus network through bus regulation. Private bus companies have threatened to challenge any Quality Contract proposals in the courts. This is because the size of their profits is at risk as deregulated bus monopolies and market dominance are more profitable than regulated franchises. Bus operators' profits averaged 14.9% in the deregulated market in Passenger Transport Executive (PTE) areas in 2001 and 2002 whilst in the regulated market in London, where private bus companies competitively bid for franchises, operating profits only averaged 8.7%. Also within the deregulated bus market, competition 'on the road' lowers profits; for example, in the year 2002/03 Stagecoach made 8.0% operating profits in Greater Manchester in a partly competitive market whilst First made near-monopoly operating profits of 23.9% as they had greater control over their bus markets and were able to charge higher fares (TAS, 2004).

After four years of the 10 Year Transport Plan, in 2004/05 the only English region experiencing growth in bus usage was London, where its franchised, regulated bus system had already delivered a 32% increase, sufficient to deliver an overall national growth of 7%. All the other regions, which have deregulated bus services, had declining bus usage ranging from -2% in the North West and South West to -13% in North East (Table 1). Although a tiny number of untypical, historic and free standing towns such as Brighton, Cambridge, Oxford and York have recorded highly publicised growth in bus usage, most urban and rural areas have fewer bus users now than in the year 2000. Bus use on Merseyside had declined by 3.4% from 170 million passengers in 2000/01 to 164.3 million in 2004/05 and in Greater Manchester by 0.8% from 220.7 million passengers to 219.0 million despite substantial investment in Bus Quality Corridors (GMPTA, 2006; Merseytravel, 2006).

Table 1: Change in bus use by region, 2000/1 - 2004/5

Region	%
North East	-13
North West	-2
Yorkshire & The Humber	-9
East Midlands	-7
West Midlands	-10
East of England	-9
South East	-3
South West	-2
England outside London	-7
London	+32
England Total	+7

Source: DfT (2005a)

Whereas London's regulated and franchised bus system experienced a 55% increase in passenger-kilometres between 1985/6 and 2004/5, usage elsewhere continues to decline. In the six English provincial conurbations, bus usage declined by 48% from the start of deregulation in 1986 to 2004/5, by 27% in English shires, 34% in Scotland and 31% in Wales (Shaw *et al* 2008). This continuing decline, especially in the English provincial conurbations, is partly a result of the sharp increase in fares, well above inflation, since local bus deregulation (Table 2). Higher fares are the outcome of dominant bus operators determining their own monopoly fares in the absence of significant on-the-road competition from other bus companies. Higher fares have also reduced the personal mobility of many poorer people without access to cars. This has been compounded by continuing cuts in off-peak bus services at times of low demand, especially in the evenings and on Sundays and in areas of low demand away from radial corridors, in the urban periphery and in rural areas.

Table 2: Changes in bus fares since Local Bus Deregulation in 1986

Fares	English PTEs ¹ (%)	London (%)	Shires (%)
1986 - 2004	+86	+36	+37
1994 - 2004	+24	+2	+24
1999 - 2004	+9	-4	+13

¹ The six English provincial conurbations of Greater Manchester, Merseyside, South Yorkshire, Tyne & Wear, West Midlands and West Yorkshire

Sources: DETR (1999); DfT (2005b)

A March 2005 survey showed that three-quarters of local authorities in England were still targeting a growth in bus passenger numbers in the Ten Year Transport Plan period to 2010/11 (National Audit Office and Audit Commission, 2005). This has been assisted by the introduction of Government funded free off-peak local bus fares for the over 60s in April 2006. Nevertheless, based on 2004 Annual Performance Reports, the Department for Transport estimated a continuing decline in bus usage outside London of up to 0.5% per year from 2004/05-2010/11 on top of the 1.7% decline per year since 2000/01. Greater Manchester's 2006 target of 230 million bus users by 2010/11, a growth of 4.2% since 2000/01, if achieved would be against the trend outside London (GMPTA, 2006). Merseyside's 2006 target of 166.0 million bus users by 2010/11, would represent a growth of 1% since 2004/5 but a decline of 2.4% since 2000/01 (Merseytravel, 2006).

Market dominance and near-monopolies in the deregulated local bus market

Bus market dominance is defined by the Government's Office of Fair Trading (OFT) as one company operating over 40% of a particular market (Appendix 2) (OFT, 2003). Previous analysis has examined bus market dominance at three levels:

- 1. National:** where no bus company has a dominant market share of over 40%. However the big five private companies (First, Stagecoach, Arriva, Go-Ahead and National Express) together provide two thirds of local bus services (Table 3).
- 2. County:** where market dominance by one of the big five bus companies is normal. As bus passenger and passenger-kilometre data are not published by company below national level, bus kilometres are used here as a surrogate when measuring market share. In 2004, all seven British provincial conurbations had one bus company with over 40% market share of

Table 3: Market shares amongst local bus operators in England, 2004

Bus operator/group	Market share (%)
First Group	21.6
Stagecoach	15.8
Arriva	14.4
Go-Ahead	9.0
National Express	6.9
Total	66.8

Source: National Audit Office and Audit Commission (2005)

bus-kilometres: First with 65% of the market in South Yorkshire and West Yorkshire and 43% of the market in Greater Manchester and Strathclyde; Arriva with 57% of the market in Merseyside; and Stagecoach and Go-Ahead both with 45% of the market in Tyne and Wear. In the West Midlands, National Express had a near-monopoly control with 83% of bus-kilometres (Table 4)

3. **District:** where market dominance by one company is normal. In 2004, 46 out of 47 metropolitan districts in Britain's seven provincial conurbations had one

bus company with over 40% market share including all 15 districts in Greater Manchester and Merseyside (Tables 4 & 5). More than half the districts (27 out of 47) had one bus operator with a near monopoly of more than two-thirds of bus-kilometres, including four districts in Greater Manchester and two districts in Merseyside (Tables 4 & 5). Fifteen districts had one bus operator with a market share of more than 80% of bus-kilometres including First in Oldham and Stagecoach in Stockport in Greater Manchester, and First in St Helens in Merseyside.

Table 4: 2004 Bus Market Shares in Provincial Conurbations (PTE areas) (bus kilometres)

Conurbation	First	Stagecoach	Arriva	Go-Ahead	Nat Ex	Others	Districts with 1 company	
							>40%	>66.7%
Greater Manchester	43%	26%	6% ¹	0%	0%	25% ¹	10/10	4/10
Merseytravel	6%	1% ²	57%	0%	0%	36% ²	5/5	2/5
South Yorkshire	65%	3% ³	2%	0%	0%	30% ³	4/4	4/4
Strathclyde	43%	21%	12%	0%	0%	24%	10/11	4/11
Tyne & Wear	0%	45%	9%	45%	0%	1%	5/5	2/5
West Midlands	1%	1%	1%	0%	83%	14%	7/7	7/7
West Yorkshire	65%	0%	24%	0%	0%	11%	5/5	4/5
TOTAL							46/47	27/47

¹ Arriva has since bought Blue Bus with 21% of Bolton's bus market

² Stagecoach has since bought Glenvale with 49% of Knowsley's and 33% of Liverpool's bus market

³ Stagecoach has since bought Yorkshire Traction with 90% of Barnsley's bus market

Source of data: pteg (2004)

Table 5: 2004 Bus Market Shares by District in Greater Manchester and Merseyside (bus kilometres)

District	Conurbation	Company	Market Share (%)
Oldham	Greater Manchester	First	84
St Helens	Merseyside	Arriva	81
Stockport	Greater Manchester	Stagecoach	81
Salford	Greater Manchester	First	78
Sefton	Merseyside	Arriva	78
Bury	Greater Manchester	First	69
Bolton	Greater Manchester	First	65
Rochdale	Greater Manchester	First	65
Liverpool	Merseyside	Arriva	62
Wirral	Merseyside	Arriva	55
Wigan	Greater Manchester	First	50
Knowsley	Merseyside	Glenvale ¹	49
Tameside	Greater Manchester	Stagecoach	48
Manchester	Greater Manchester	Stagecoach	43
Trafford	Greater Manchester	Arriva	43

¹ Stagecoach has since bought Glenvale

Source of data: pteg (2004)

OFT regards the national market as competitive as no company has a market share of 40% or more. In practice, market dominance by individual bus companies occurs at county and district level and near-monopoly occurs in some counties and most metropolitan and some non-metropolitan districts. OFT largely disregards the overwhelming evidence, at least in provincial conurbations, of market dominance at county or district level despite these geographic scales being more relevant for local markets than national market shares.

Near-monopoly market shares and lower levels of market dominance at county and district levels do not necessarily lead to anti-competitive behaviour by bus companies which would trigger intervention by OFT. However the individual customer is less likely to have a choice of bus operator or fares kept low by the threat of competition where one company dominates the market. This is because the big five bus companies rarely compete against each other in local markets, although cartels have not been proven, and the entry costs are high for smaller companies especially at route network level. The big bus companies, with huge fleets of buses and substantial financial reserves, are able if they wish to react to competition by quickly swamping a local market with frequent services and temporarily lower fares to drive out smaller competitors.

4. Bus Corridor: The research reported in this paper is innovative as it considers market dominance at the level of the radial bus corridor in the two provincial conurbations of Greater Manchester and Merseyside. Bus corridors equate closely with the range of regular journeys undertaken by most passengers. They are therefore the most appropriate level for OFT to consider whether or not its anti-competitive threshold is being breached.

Market Dominance or Competition in Radial Bus Corridors?

Greater Manchester (population 2.5 million) and Merseyside (population 1.4 million) are heavily urbanised provincial conurbations containing 10 and 5 metropolitan districts respectively. Over 80% of bus services are provided commercially by private bus companies, with some of the spatial and temporal gaps in service filled by tendered bus services funded by the two PTEs (GMPTE and Merseytravel) but operated by private companies. After consultation with the two PTEs, five radial corridors were chosen for analysis in Greater Manchester and three in Merseyside, including

competitive and monopoly corridors, to compare service frequencies and fares in summer 2006 in different operating environments.

1. Greater Manchester

Of the 15 major radial corridors into central Manchester (Fig.1), competition between bus operators only existed on three in 2006: Stagecoach is the largest company on both the A6 Manchester/Stockport and A34 Oxford Road/Wilmslow Road corridors, whilst Arriva is the largest company on the Chester Road corridor. Stagecoach is the dominant operator in the Ashton-under-Lyne, Hyde and Marple corridors. First is the near-monopoly or dominant operator on the other eight corridors in the west and north of Greater Manchester.

Since 1997 in Greater Manchester, bus patronage has:

- declined by 7% in the North West quadrant and by 5% in the North East quadrant where First is the near-monopoly or dominant operator,
- increased by 5% in the South West quadrant where Stagecoach or Arriva are the dominant operator,
- increased by 3% in the South East quadrant where Stagecoach is the dominant operator,
- remained constant in central Manchester.

A6 Manchester/Stockport corridor

Highly competitive markets can be fierce and unsafe although usually short-lived, with intense competition rarely lasting more than two years. The A6 Manchester/Stockport and A34 Oxford Road/Wilmslow Road corridors provide good examples. Stagecoach was the previous dominant operator. In 2005 UK North, a new low cost operator using old buses, began low fare and high frequency competition with Stagecoach; Stagecoach responded with fare cuts. This created severe traffic congestion problems particularly in Manchester city centre at Piccadilly Gardens and on Mosley Street, which also severely delayed Metrolink trams. Periodic disruption continued until December 2006 when the Traffic Commissioner suspended the Bus Operators Licences for UK North and its sister company GM Buses, due to accidents and safety issues; both companies have since gone into liquidation. In 2006 Stagecoach, and its low cost subsidiary Magic Bus, provided two thirds of the end to end services between Manchester and Stockport with competition from UK North operating the other third (Table 6). Single fares ranged from £2.30 to £1.75 respectively. Stagecoach provided 90% of the intermediate services operating over a part of this corridor (Table 7).

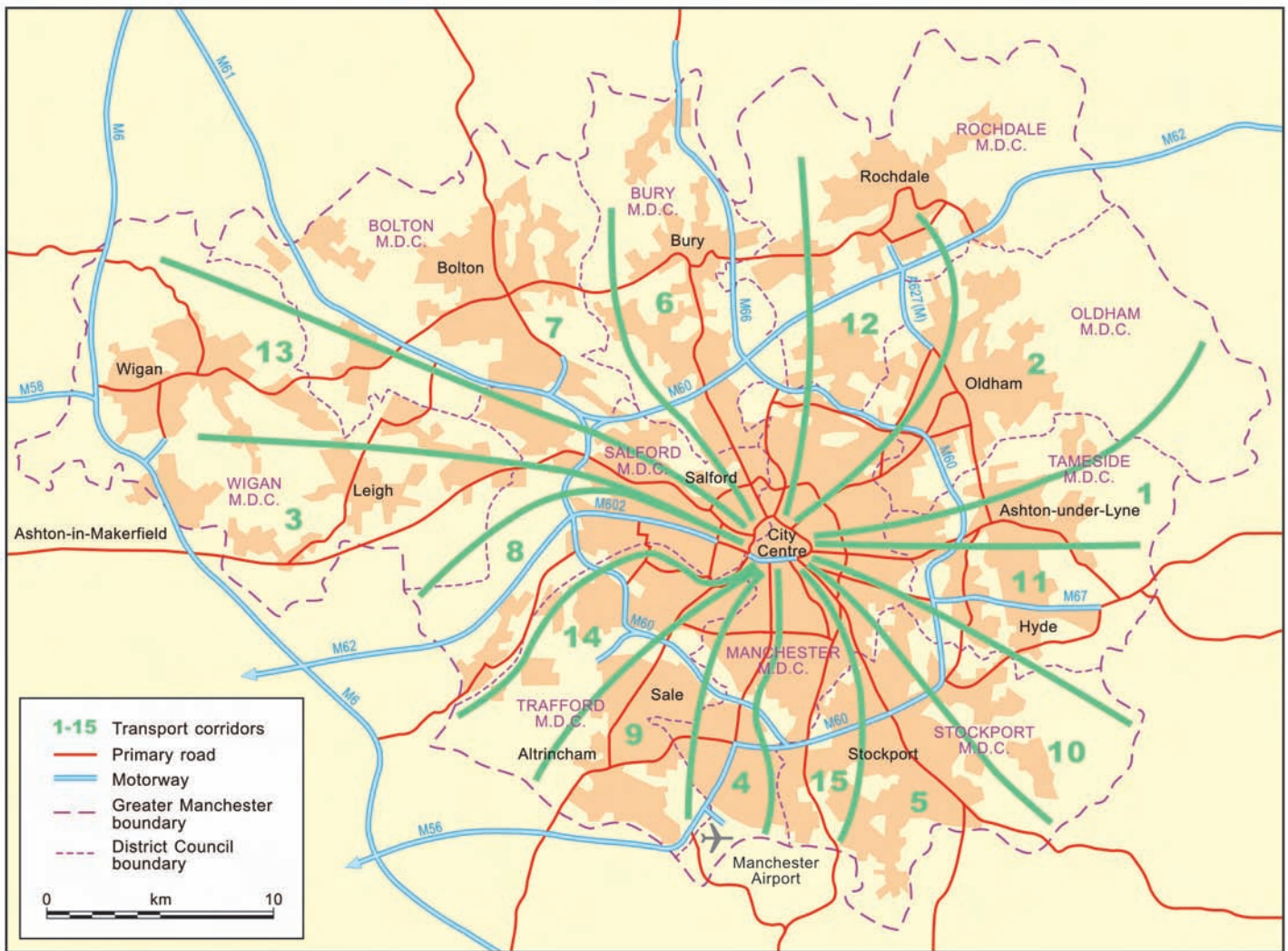


Figure 1: Greater Manchester bus corridors.

Table 6: 2006 Bus Market Dominance along selected Corridors in Greater Manchester and Merseyside Districts (bus kilometre shares above 40%)

Corridor	District(s)	Company	End to End Market Share (%)	Single Fare
A662/A635 Ashton New Road	Manchester & Tameside	Stagecoach/Magic Bus	100	£1.70/£1.30
A56 Chester Road	Manchester & Trafford	Arriva	100	£2.40
A62 Oldham Road	Manchester & Oldham	First	100	£2.60
A561/565 Southport	Liverpool & Sefton	Arriva	100	£1.50
A561 Speke corridor	Liverpool (to Speke)	Arriva	100	£2.00
A59/A506 Kirkby	Liverpool & Knowsley	Stagecoach	81 ¹	£1.50
A6 Stockport Road	Manchester & Stockport	Stagecoach/Magic Bus	66.7 ²	£2.30/£1.90
A34 Wilmslow Road	Manchester	Stagecoach/Magic Bus	41.9 ³	£1.90/£0.90

¹ Arriva 19% deregistered route from 3 September 2006: Stagecoach = 100%

² UK North 33.3% (single fare £1.75) until Traffic Commissioner suspended Operator Licence in December 2006

³ Bullocks 19.4%; Finglands 19.4%; and UK North 19.4% until Traffic Commissioner suspended UK North's Operator Licence in December 2006. Single fares to East Didsbury of £1.35, £1.00 & £1.40 respectively

Sources: MerseyTravel Public Transport Guides April 2006; Greater Manchester Public Transport Maps June 2006; Bus Timetables

Table 7: 2006 Bus Market Shares within selected Corridors in Greater Manchester and Merseyside Districts.

Corridor	District(s)	Company	Intermediate Market Share (%)
A6 Stockport Road	Manchester & Stockport	Stagecoach	89.9
		Bluebird	4.5
		Vale	4.5
		TM Travel	1.1
A59/A506/A580 Kirkby	Liverpool & Knowsley	Arriva	75.0
		Stagecoach	25.0
A62 Oldham Road	Manchester & Oldham	First	68.4
		Stagecoach	21.1 ¹
		Stotts	7.9
		Bluebird	2.6
A34 Wilmslow Road	Manchester	Stagecoach	61.6
		Finglands	20.6
		Bullocks	9.6
		UK North	8.2 ²
A561/A565 Crosby	Liverpool & Sefton	Arriva	75.0
		Stagecoach	25.0
A561 Speke corridor	Liverpool (to Garston)	Arriva	57.8
		Stagecoach	39.1
		MP	3.1
A662/A635 Ashton New Road	Manchester & Tameside	Mayne	50.3
		Stagecoach	40.0
		JPT	6.7
A56 Chester Road	Manchester & Trafford	Arriva	48.1
		Stagecoach	40.4
		Finglands	5.8
		UK North	5.8 ²

¹ Stagecoach deregistered 181/182 route autumn 2006; replaced by First and Bluebird

² Until the Traffic Commissioner suspended UK North's Operator Licence in December 2006

Sources: MerseyTravel Public Transport Guides April 2006; Greater Manchester Public Transport Maps June 2006; Bus Timetables

A62 Oldham/Manchester corridor

First has a monopoly between Oldham and Manchester on limited stop and stopping services but some competition on intermediate services (Tables 6 & 7). Between Broadway and Manchester, there is some price competition with First charging £2.60 and Stagecoach £1.50. Between Hollinwood and Oldham there is substantial price competition from Stotts (a local independent bus company) who charge just 70p compared with £2.60 by First, but Stotts' services are much less frequent.

A662/A635 Ashton under Lyne/Manchester corridor via Ashton New Road

Stagecoach and its low cost subsidiary Magic Bus have a monopoly of end to end services between Ashton under Lyne and Manchester (Table 6). The intermediate market is shared between Maynes of Droylsden (a long established pre-deregulation local independent bus company), Stagecoach and JPT but the actual routes are separate and not directly competitive and there is no evidence of direct price competition.

A34 Manchester/Oxford Road/Wilmslow Road/Stockport Corridor

This bus corridor from the city centre via Manchester University and Rusholme to East Didsbury, with some buses running through to Stockport, has the highest frequencies in Manchester, and reputedly in Europe, with 53 buses an hour and intensely competitive single, daily and weekly fares (Table 6). Stagecoach/ Magic Bus provide 42% of the end to end services with competition from Finglands, Bullocks and UK North. Bullocks and UK North's £3 weekly fare, compared with Stagecoach's £12, demonstrates the dramatic effect that fierce competition can have on lowering fares although it must be doubtful that £3 weekly fares are commercial in the longer run. The intermediate market is less competitive with Stagecoach providing 62% of services (Table 7).

A56 Manchester/Chester Road/Altrincham Corridor

Arriva has a monopoly of end to end services (Table 6). Whilst the intermediate market appears to be competitive, with market shares of 48% and 40% respectively for Arriva and Stagecoach, the actual routes are largely separate and there is no obvious price competition (Table 7).

2. Merseyside

Of the 8 major radial corridors into central Liverpool (Fig. 2), some have Arriva and others Stagecoach as market leader. Within Liverpool, Kirkby, Bootle and Crosby Stagecoach offers a cheaper day ticket (£2.40) than Arriva (£2.80) but only Arriva offers a weekly ticket (£10.00).

A561 Liverpool/Garston/Speke & Airport corridor

Arriva has a monopoly of end to end services (Table 6). Whilst the intermediate market as far as Garston appears to be competitive, with market shares of 58% and 39% respectively for Arriva and Stagecoach, some services follow different routes and there is no price competition on single fares (Table 7).

A59/506 Liverpool/Kirkby Corridor

Stagecoach had 81% of the end to end services until Arriva deregistered its services in September 2006 giving Stagecoach a monopoly (Table 6). In contrast, Arriva has three quarters of the intermediate market but Stagecoach competes with slightly cheaper day tickets (Table 7)



Figure 2: Merseyside bus corridors

A567 Liverpool/Southport Corridor

Arriva has a monopoly of end to end services (Table 6). It also dominates the intermediate market from Liverpool to Crosby with three quarters of services to Stagecoach's quarter although some services follow different routes (Table 7). Stagecoach competes on price with slightly cheaper day tickets.

Analysis of timetables and fares has shown that bus company monopoly is the norm in Greater Manchester and Merseyside on end to end services between the district centres and the regional city centre. The only exceptions are the A6 to Stockport and especially the A34 Wilmslow Road corridors in Manchester where bus services are competitive by company and price between Stagecoach and small local private bus companies. Whilst there are no monopolies on intermediate services serving parts of any of the eight corridors analysed in Greater Manchester and Merseyside, three corridors have one company with near monopoly control above two thirds market share whilst the other five corridors have market dominance for one company above 40% market share. Deeper analysis has shown very little actual direct competition exists on the road by service or price for intermediate journeys within nearly all the radial corridors in both conurbations, although the A34 Wilmslow Road corridor in Manchester is a notable exception.

This lack of competition is perhaps more understandable in Greater Manchester because of its geographical structure, with one dominating city centre linked by radial routes to various district centres, which enabled the government enforced split of the ex-PTE bus company prior to privatization to create two largely exclusive bus markets. Market dominance in bus service provision has increased further since privatization with First dominating in Wigan, Bolton, Salford, Bury, Rochdale, Oldham and North Manchester, Stagecoach dominating in Stockport, South Manchester and Tameside and Arriva dominating in Trafford. There is hardly any competition on any routes anywhere between any of these large national companies. However more competition might have been expected in Merseyside. The Mersey river estuary bisects Wirral from Liverpool and there is an extended corridor of urbanisation northwards to Southport. The government enforced split of the ex-PTE bus company prior to privatization created two partly overlapping markets in Liverpool. However since privatization, the actions of both Arriva and Glenvale/Stagecoach have helped to create largely discrete markets, especially since Stagecoach took over Glenvale in 2005.

Conclusion

This research has found that a deregulated bus system does not usually deliver competitive bus services and price competition which would help increase bus usage and thereby enhance personal mobility in Gateway Cities. Decline in bus usage since deregulation in 1986 has slowed down but has not generally reversed in Gateway Cities since the Government's Ten Year Transport Plan growth targets were introduced in 2000. Full blooded competition 'on the road' is rare. This research has shown that in Greater Manchester and Merseyside most radial corridors are dominated by one company and most bus passengers use services operated by a monopoly provider contrary to the intentions of a deregulated local bus market where competition is intended to drive down fares and increase bus usage. Local bus deregulation in Britain outside London is therefore an example of the failure of the process of 'hollowing out' of the state. The proposal in the draft 2007 Local Transport Bill to simplify the process for applying for Quality Bus Contracts is an example of the reverse process of 'filling in' by introducing new and different state functions to rectify shortcomings in the deregulated transport system (Shaw *et al*, 2008).

The provision of many transport services, including local buses, tends towards natural monopolies. However in a deregulated system there is no control over these monopoly providers in terms of the prices charged, the spatial or temporal range of services, or the frequency of service. The Competition Law is rarely used by OFT to investigate the operation of the deregulated bus market even at district or bus corridor level. This research project's analysis of bus corridors has provided even stronger evidence of monopoly control of bus markets closest to the travel patterns of most bus passengers. In nearly all cases, but with the notable exception of the A34 Wilmslow Road corridor, most people in Greater Manchester and Merseyside depend for bus travel on a single bus company with limited integration with the rest of the public transport network. This local spatial data provides the type of evidence needed to make the case for Bus Quality Contracts where bus routes, frequencies and maximum fares are determined by the local council or passenger transport authority, but provided by private sector bus companies after competitive tender for a fixed period franchise.

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APPENDIX 1: Bus Deregulation and Privatization

The 1979-97 Conservative Government's transport policy of deregulation, privatization and subsidy controls was based on the free market belief that open competition between private companies would lower costs, subsidies and fares, stimulate new innovative services and the use of minibuses and increase the number of bus passengers.

Bus passenger numbers had declined sharply from their mid 1950s peak as car ownership and use grew. Most rural bus services became unprofitable and required subsidies to continue operating. This had also become a common problem in urban areas in the 1970s by which time over 95% of bus services were run by government or council owned companies. Nationally bus subsidies rose from just £10 million in 1972 to £520 million in 1982 (Knowles, 1989).

Local Bus Deregulation

- Bus fares were deregulated by the 1980 Transport Act. Each bus company decides its own fares. Previously from 1930 to 1980 Government appointed Traffic Commissioners had regulated bus fares.
- Local bus services were deregulated in Great Britain apart from Greater London from October 1986 by the 1985 Transport Act. Each bus company decides its own routes and frequencies for commercial services and registers/deregisters them with the Traffic Commissioners with 42 days notice (now 56 days). Local authorities could seek competitive tenders for subsidised services for socially necessary services for areas or times of the day/week where no commercial services were registered.
- In London local bus services are franchised in groups of routes to private companies. They were never deregulated in London for political reasons. The process of competitive tendering provided an incentive for bidders to cut costs to win franchises, thereby reducing the amount of public subsidy required.

Bus Privatization

- Most bus companies have been privatized. The Transport Act, 1985 broke up and privatized the state-owned National Bus Company and Scottish Bus Group whilst Passenger Transport Authorities in the provincial conurbations and most Councils were persuaded, but not required, to privatize their bus companies.
- Five major private bus companies (First, Stagecoach, Arriva, Go-Ahead and National Express) provided over two thirds of local bus services by 1996 through mergers, takeovers and buyouts (Preston, 2003).

APPENDIX 2: Competition Law

The Government's Office of Fair Trading uses the Competition Act 1998 and the Transport Act 2000 (Scotland 2001) to help the free market provide bus competition to benefit passengers (Office of Fair Trading, 2003).

- However, local market dominance or oligopoly (near monopoly) is the norm as competition is rare and usually short lived.
- Cartels (anti-competitive agreements between companies) are illegal but hard to prove
- A dominant market position is defined as 40% or more of the market.