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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

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Dear Leon

I thought you and other colleagues who sit on the Economic and Social Policy Group might find it helpful to have the attached notes on the Government's achievements since 1979 and the Transport Bill - Bus Deregulation. I hope you will be able to give them a wide circulation among your group of MPs so that they can make good use of them in presenting the Government's policies. I am also sending a copy of the Transport Bill notes to Nicholas Ridley.

Yours
LMB

The Rt Hon Leon Brittan QC MP

BACKGROUND NOTE

THE GOVERNMENT'S RECORD SINCE 1979

Economy

- Gross domestic product (GDP) is up
- Real personal disposable income has increased about 4% overall
- Inflation has been halved
- Manufacturing productivity has gone up by 18%
- Government borrowing has fallen from 5% to 3% as a proportion of GDP; (highest level was 9¹/₄% in 1975/6)

National Health Service

- NHS resources have grown 8%
- Waiting lists have fallen by 50,000 after rising by 250,000 under Labour
- There are 57,600 more nurses and nearly 9,800 doctors and dentists

Social Security

- Retirement pension increased by 3.6%
- Child benefit up 2.2%
- Supplementary benefit risen by 6.3% for ordinary person and by 5.8% for long-term single person and 6.6% for married person
- Benefits for the sick and disabled for example allowances for severe disability up 3.6%; for attendance by 3.4% and for mobility by 10.5% ...all up in real terms - ie allowing for inflation.

Education

- Expenditure per pupil has risen by 14% in primary and 11% in secondary schools in real terms
- Pupil-teacher ratios have improved from 18.9 in 1979 to 17.9 in 1984
- More children are receiving nursery education
- More 18 year olds are going into higher education - from 180,400 in 1978/79 the number has risen to 204,800 in 1982/3

Law and Order

- The number of police officers has increased by nearly 12,000 and they are better paid and equipped
- The number of prison officers has risen

Housing

- 1,800,000 more people own their own homes
- Dwelling stock has risen by 1 million
- Spending on home improvement has gone up eight-fold

Controls

- Prices, incomes, dividends and exchange controls - eliminated
- Industrial development certificates - abolished
- Office development certificates - abolished

Tax

- Thresholds up 16 per cent in real terms, having fallen under previous Government
- National Insurance Surcharge eliminated
- Standard rate of tax down from 33 to 30 pence
- Income tax cut by £3½ billion; worth £145 a year to an average taxpayer.

BACKGROUND NOTE

THE TRANSPORT BILL - BUS DEREGULATION

The Government has recently introduced the Transport Bill which aims to do for local bus services what deregulation has done for express coach services since 1980. The Bill received a Second Reading on 12 February and starts its Committee Stage on 21 February.

This note gives you the background to the Bill.

1. Protected from competition by existing bus licensing rules, the bus industry has ossified and declined. Restrictive practices have become entrenched and costs have risen. While consumers have become more prosperous and car ownership has steadily risen, the bus industry has failed to respond to change.
2. Since 1955 the number of bus passengers has halved and subsidies have increased from £71 million in 1972 to nearly £1,000 million a year today - up 13-fold in real terms, ie allowing for inflation.
3. The costs of operating buses have risen by 20-30% above inflation over the last 10 years; bus fares have risen on average by more than 30% in real terms and demand has fallen by 30%. Yet overall the demand for travel has increased substantially. Reflecting this, taxi and hire car fares have risen only 10% in real terms, whereas demand has increased significantly.
4. As things stand, the stage carriage bus industry is caught in a vicious downward spiral; the longer people have to wait for a bus and the more they have to pay, the fewer the people who are prepared to wait; the steeper the losses, the higher the fares and the subsidies. But many people still depend on buses - 39% of households have no car.

5. Their plight is not irreversible. Since long-distance coaches were deregulated in 1980, average fares have come down by 40% in real terms and 700 new services have been introduced. The quality of service has increased - videos, toilets, snacks on board.

The introduction of an efficient high-frequency minibus service in Exeter has boosted demand by more than 50% in a year.

The scope for cost savings is considerable. Private operators, freed from the heavy overhead of restrictive practices, can run bus services for 30-40% less than public sector operators. This is borne out by results from deregulated trial areas established under the 1980 Transport Act. In Hereford and Worcester, the County Council is paying 38% less subsidy, but services in Hereford town have increased and fares have gone down. Fares fell in some cases by as much as 40%.

6. In rural areas, far from the prospect of deprivation, there is the greatest scope for commercial enterprise to seek out better and more cost-effective ways of serving consumers. Moreover, that scope covers the wider needs of rural communities - postal services, school transport, health and social security.
7. The preservation of high safety standards is a pre-requisite of the deregulated regime. So too is provision for the needs of the elderly and the local authorities will retain powers to run concessionary fare schemes.
8. If the demand for public transport can be turned into a virtuous upward circle, based on high efficiency and responsiveness to consumer needs, there will be more jobs for those who work in industry - though perhaps with the existing public sector operators.

So what in summary does the Bill provide for?

What the Bill does mean is:

- a more efficient industry competing to serve the PASSENGER;
- buses will go where people want to go not where planners say they ought to go;
- competition will bring lower fares and more frequent services on well used routes. This has already happened in Hereford trial area;
- a greater variety of public transport. The Bill allows taxis to take passengers at separate fares, and also to run registered local services as buses.

What the Bill does not mean:

- no end to subsidy. Local authorities will continue to subsidise services not provided in free market. This can be for whole services, or Sunday or evening services, or whatever. Requirement to go to competitive tender for those services means better value for public money
- no end to rural services. More efficient, flexible industry will benefit rural areas. Local authority revenue support will continue and in addition Government is introducing new measures:
 - a transitional grant - up to £20 million in the first year - to help rural services while benefits of competition work through;

- a £1 million a year grant administered by Development Commission to encourage new solutions to rural transport problems.

- no end to concessionary fares. Local authorities will continue to provide concessionary fares schemes if they wish, but in future all operators will be allowed to participate

- safety not put at risk. Government has given firm commitment to provide necessary resources to enforce safety standards

- not unreliable services. Operators will have to register local services and run them as registered. Bill proposes strong sanctions for unreliable operators - they could lose right to run local services or lose part of their entitlement to Fuel Duty Rebate - a heavy financial penalty.