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THE ATTACHED TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

“FILE ON 4”

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#### ACTUALITY OF BUS INSPECTION

MAN: Wash wipes are working, horn. Steering's free and easy ...

WHITEHOUSE: A government vehicle inspector completes a safety check on a bus.

MAN: now you check indicator stalks. They're working. Hazard lights are working ...

WHITEHOUSE: He says on a typical day, three out of ten will fail, a record that raises tough questions about the state of Britain's bus network. The government says it wants buses to be carrying 12% more passengers in ten years time. But right now, commuters are still deserting the bus. Numbers have almost halved over the past twenty years despite a hefty £1.7 billion annual subsidy. File on 4 investigates where that cash is going – and what we're getting in return.

SIGNATURE TUNE

## ACTUALITY AT BUS STATION

WHITEHOUSE: I'm in Stoke on Trent's bus station. It's a nondescript concrete edifice, but an accident on this spot triggered a major investigation by the government's Vehicle Operator Services Agency, which employs the vehicle inspectors. Half the Midlands inspectors were ordered in to Stoke on Trent to carry out an unannounced inspection – the closest the vehicle inspectors come to staging a raid. Their findings were horrifying.

SMITH: We examined in total 107 vehicles during an unannounced check, and unfortunately the results that we found were that we issued twenty immediate prohibitions, thirty-three delayed prohibitions and a total of thirty advisory notices during the course of the fleet check.

WHITEHOUSE: So half the vehicles that you checked were served with prohibition notices, which means they have faults that need fixing immediately or pretty quickly?

SMITH: Yes.

WHITEHOUSE: What sort of faults were you picking up on these buses?

SMITH: Just quickly looking down the lists, quite a lot of defects involving oil leaks, some braking defects, steering defects, suspension defects, but certainly a variety across the spectrum really.

WHITEHOUSE: Including defects which could, theoretically at least, have put passengers in danger?

SMITH: Well, obviously from the issue of immediate prohibitions, then this does allude to that possibility, yes.

WHITEHOUSE: Mike Smith is a senior examiner with the Agency. In this case, he wasn't looking at a fly-by-night company. This was one of Britain's biggest bus operators, whose motto is 'Transforming Travel' - First Group, which own Stoke on Trent's local bus company, First Potteries.

SMITH: We found that certainly the, if you like, the paperwork, the documentary side of the maintenance process was not as good as we would have expected. There was maintenance reports, maintenance checklists that, although they may have been completed, weren't completed fully or weren't properly filed in the vehicle files, etc etc. There was evidence that some vehicles were being inspected, shall we say, at four week intervals, and some were considerably larger than that, in excess of twenty weeks sometimes in between inspections. According to the records.

WHITEHOUSE: So according to the records you've got buses going five months or so without a proper inspection?

SMITH: Certainly the inspection records hadn't been completed on some vehicles in that sort of time period. I can't say for sure, obviously, that inspections hadn't been carried out in that time and the paperwork not done.

WHITEHOUSE: Have you come across that frequently in your career?

SMITH: Not frequently. Yes, we do come across this. I can't say that we don't. It's not what you'd call the norm, no.

WHITEHOUSE: The bus industry policeman, the Traffic Commissioner, said First Potteries had 'failed dismally' in management and safety procedures that should have safeguarded its passengers. He ordered a public inquiry and told the company to take 164 buses off the road, because its maintenance record was so bad. But his disciplinary measures caused new problems. First Potteries now couldn't run all their peak time services. They were twenty buses short. So, at only three weeks notice, they chopped the school services they ran for Stoke on Trent council, leaving hundreds of children stranded and the council with the job of finding someone else to take over.

WHITEHOUSE cont: Brian Edwards of the council's transport department says providing alternative buses has left them hundreds of thousands of pounds out of pocket – money that'll come from other council services.

EDWARDS: We had three weeks to put alternative transport arrangements into place, so we tried to maximise efficiency by using double-decker vehicles. The trouble is, trying to find an operator locally who's got access, within three weeks, to high capacity double-decker buses. However, we did find an operator who could source the vehicles that we required, but obviously that was at a premium price.

WHITEHOUSE: So what's it done to the council's finances then?

EDWARDS: Quick mathematical calculation: nearly £400,000 in terms of additional cost of paying operators to provide vehicles, and we've saved about £140,000 in First passes, so a net increase in costs of approximately a £250,000.

WHITEHOUSE: And that's a £250,000 year on year on year?

EDWARDS: The initial cost was enhanced because of the emergency nature of procuring the alternative transport, that increased the price. So a net difference of about £175,000 year on year. I really don't know whether they considered the social aspects at all. Certainly we made them aware of them when we had our meetings prior to the final decision being made. But I think ultimately the decision would have been a commercial one, and they probably felt that they were the service that they could most afford to lose.

WHITEHOUSE: First Potteries is a subsidiary of First Group's bus division, and the division's managing director is Nicola Shaw. In Stoke-on-Trent you took what the city council see as a very hard-headed commercial decision. That doesn't seem to have been either a socially responsible or a fair thing to do.

SHAW: I think once we had the Traffic Commissioner's decision, what we needed to do was focus on how we provide for the majority of our customers, and in this case that meant we had to remove some of the services we provided to make sure that we could meet the requirements of the Traffic Commissioner. We targeted that where we thought it would have the least impact on the most passengers.

WHITEHOUSE: The impression we get from the Traffic Commissioner's comments is that the entire maintenance regime appeared to have collapsed there. He speaks about you having failed dismally. That's surely indefensible.

SHAW: I'd like to be clear. Safety is our number one priority. What we're talking about in Potteries was something that happened in 2002/2003. We've now got a great team operating in there. They've gone right back to basics. They're into the systems and the processes. They've vastly improved the quality of their vehicles, and they have applied recently for an up lift in their operating licence, which shows the level to which we're confident that we've turned that business around. It's a business of quality now.

WHITEHOUSE: But poor maintenance is a problem that's not gone away. Only two weeks ago, First Bristol was told by the Traffic Commissioner that yet more buses would have to be mothballed because the company did not have the staff and the skills to maintain them properly. Similar problems surfaced in West Yorkshire, where the Traffic Commissioner ordered two public inquiries in the space of a year. The second heard details of how two children had to be treated in hospital for carbon monoxide poisoning after riding on a bus where panels sealing the engine from the passenger compartment hadn't been properly fitted. A vehicle examiner estimated that up to fifty of First West Yorkshire's buses could be running with defective brakes. And in Manchester, another First-owned company was also in trouble. Long-running problems with poor maintenance led to First Manchester being taken to two public inquiries in little more than three years. Five buses had wheels fall off while they were out on the road carrying passengers. Another senior vehicle examiner, John Moss, was called in to investigate. He found that a safe system for replacing wheels after maintenance and repair work wasn't being followed – even though the maintenance records claimed otherwise.

MOSS: On the investigation side of the wheel loss, what we were able to determine was that the wheel losses occurred after each vehicle had had a wheel removed for either routine maintenance or a repair surrounding that sort of wheel fitment. There are specific guidelines that need to be followed, and First are well documented in their set procedures. Their staff and their contractors are made to sign the document to say they understand what the refitment should be and the retorque sequence after that. Unfortunately, in the wheel loss incidents, on some instances the vehicle's record was being documented as having been checked when clearly it hadn't been.

WHITEHOUSE: This all sounds a bit like what happened at First Potteries, where there was a, in theory, a maintenance system in place and a proper audit trail, proper controls, but it collapsed, it wasn't being followed. You get the sense that something similar was happening in Manchester.

MOSS: They did have systems in place, and for whatever reason, the human element wasn't being followed. Checks were said to have been done and they weren't actually done.

WHITEHOUSE: Other First Manchester buses ran without valid MOT certificates, because the filing system collapsed and testing dates were missed. One of these buses was involved in a fatal accident. At the time, Steve Edwards was secretary of the Transport and General Workers' Union national liaison committee with First Group. Dealing with the whole First Group, he says it was obvious that cost-cutting was being used to drive profits.

EDWARDS: My dealings with the local trade union and the employees there was staff morale decreasing year on year, shortages of staff, shortages of engineering staff, a management that was preoccupied with maintaining a profit margin that was difficult to maintain and could only be met through cost reduction. And when you get instances where there are two public inquiries with a Traffic Commissioner, the first one where there's a formal warning given that gives them a chance to put things correctly and yet following that formal warning that you still get immediate prohibitions when vehicles are checked by the Vehicle Inspectorate, shows that there must have been some kind of breakdown in providing a safe and reliable service.

WHITEHOUSE: But all companies can go through rough patches. Was this just a rough patch or something deeper, more significant?

EDWARDS: How long would you say a rough patch would be suitable? To have four or five years, to have several opportunities to improve, and yet to still have, in 2004, wheels becoming detached from vehicles because they're not properly checked. It's something more than just a rough patch. Something is being ignored in the management process.

WHITEHOUSE: First Group's Nicola Shaw admits it's a poor record, but insists a line has now been drawn. How do you view your track record in Manchester? Not a proud one, surely?

SHAW: We've been operating buses in Manchester for a very long time as part of the group, and there have been, like in all operations, some good times and bad times. I think at the moment we're in a good time. We're investing about £34 million in three hundred new buses at the moment, and we've got a team who are really focused on delivering for the people of Manchester.

WHITEHOUSE: But over the past few years there have been no fewer than five incidents where wheels have come off buses in motion that were carrying passengers. There have been instances of buses running without MOT certificates. One of those buses was involved in a fatal accident. It's not the sort of conduct that you'd expect from a market-leading large company like First.

SHAW: I agree, and it's not the sort of conduct we expect at all. It's not the conduct we have now and we really are looking for the future and the best quality of operation we can. As I said, we're making substantial investment in Manchester.

WHITEHOUSE: Is the issue here that the managers were simply placed under too much pressure to deliver profits back to shareholders rather than delivering a quality service to the people of Manchester?

SHAW: In Manchester we have a substantial fleet and we have a big business in the sense we provide services for a large number of people. What we're trying to do is to make sure that we invest in those practices and procedures that will deliver for them high quality and that the concerns you've expressed about the past won't be seen again.

WHITEHOUSE: But it's not about the past, is it? In Bristol, the Traffic Commissioner delivered yet another adjudication about your maintenance failures. You're saying this is all in the past and everything is now going to be fine. The evidence doesn't seem to support your view.

SHAW: The Traffic Commissioner there agreed with us. He said that you have got in place the right processes and you are investing in your people. What he's going to do is to look again in November to ensure that what I've described to you is what's happening, and I think he's saying the same thing – you are doing the right things, your business is going in the right way.

WHITEHOUSE: And, right across the industry, if the quality of the buses themselves is cause for concern, then so is the quality of the network they operate. When buses were privatised twenty years ago, the idea was that many small companies would offer a range of services. But it hasn't worked out like that. A big shake-out saw the small operators taken over – or run off the road – by the more aggressive, bigger companies. Today there are five main transport groups, which have a stranglehold in every major town and city. The way they're running the networks – and the money they're making for doing it – is causing more and more concern.

#### ACTUALITY AT DONCASTER MARKET

WHITEHOUSE: Doncaster market. It's at the heart of a town that stands at the heart of South Yorkshire, a county that became famous in the 1980's for its dense bus network and cheap fares. Today there are still forty bus companies - which sounds like a lot of choice. But two or three major companies now dominate the market. They include another First subsidiary, First South Yorkshire, which runs about three-quarters of the network – and passengers say they are fed up with the service they're getting.

WOMAN: The buses are very often dirty, not cleaned properly. Very often in the evenings, rush hour, when people are trying to get home, there's nobody about to explain why the bus hasn't come. All in all I don't think there's a lot of customer care.

MAN: They need to come more regularly, especially late at night, when you want to go out and stuff, because they get less and less regular when I'm going to be using them more and more.

WOMAN 2: Theoretically with an 82 every ten minutes and the others about every quarter of an hour, but you try getting one after six o'clock. It's a case of turning up and wait and see what happens, and even in the rush hour you might find five or six will turn up and then you're waiting twenty minutes, even though we've actually got a bus lane.

WHITEHOUSE: No matter what facilities you provide, they can't seem to run a proper timetable?

WOMAN 2: At the moment no, because they've actually stopped putting 'It will arrive at this stop at a certain time' – it's now an estimated time. I think what's happening now is it really really has deteriorated and more and more people are just using their cars, which then in turn holds buses up, which causes delays. I think personally they've got worse in the last five year.

WHITEHOUSE: Those are typical voices. Over the past twenty years, South Yorkshire has seen two-thirds of its passengers melt away. David Brown is passenger services director at South Yorkshire Passenger Transport Authority.

BROWN: Our work says that people actually want the bus to turn up, they want it to turn up on time and they want it to be smart and clean. There's a significant issue that people raise with us about the quality of staff and about driver standards, not only the way that they drive the vehicles, but also the level of customer care that you'd expect to see from a member of the customer care team on board. They also want to understand that these services are there for a long period of time, so stability of the

BROWN cont: network, not frequent changes. And they also want the fares to be affordable and simple to understand. The lesson's in there somewhere that these things aren't being delivered, therefore people are voting with their feet and are finding other ways of doing their travelling around.

WHITEHOUSE: Five years ago they decided to try to stem the decline with a new deal. They agreed to invest millions in road improvements and upgraded bus stops, and in return the bus operators signed up to provide better buses, a timetable that changed less often, and a guaranteed stability on ticket prices. Have the bus companies delivered on the commitments they've made?

BROWN: I think there are two or three areas where we have been disappointed in the delivery terms. One of those is investment in new vehicles. We are falling behind investment in new vehicles to South Yorkshire, which will enable the operators to complete their obligation for all their vehicles to be DDA compliant – that's the Disability Discrimination Act compliant. And we don't see the level of investment at the moment that's going to get them to that point. A couple of other areas where we've been slightly disappointed is fares. We've had a commitment for a while that fares would be stable, but we've had three fares increases over the last three to four months in South Yorkshire, and that's despite guarantees at one point in March and April that those fares wouldn't go up. So we're disappointed in that because that adds to this air of lack of simplicity and affordability that people are always flagging up for us. I think the other area is, four times a year we change the timetables in South Yorkshire. On each of those occasions we tend to see more services disappearing.

WHITEHOUSE: So the companies, in your eyes, make promises that they don't keep. What happens when you go back to them and say, 'You've broken these promises.' What do they say to you?

BROWN: They tend to be quite a long convoluted argument. It's about they're disappointed about the time taken to deliver highway improvements, for instance. We tend to get stuck into a bit of a discussion where we're not really addressing the things that customers want, we're more talking about internal process failures, and I'd rather sit and understand that customers want affordable, simple fares, they want a stable network and we all need to work together to deliver that.

## ACTUALITY IN MEXBOROUGH

**WHITEHOUSE:** This is Mexborough, it's a former mining town seven miles from Doncaster, and the bus you can hear is the number 74, which links the two towns. Until January last year it was a profitable service than ran without a subsidy. But that abruptly changed when the two companies that ran it both said – at exactly the same moment – that it was losing money and they intended axing it. That left the transport authority with a dilemma: lose a transport link to an underprivileged community – no more trips to Doncaster market – or pay to keep it running. They chose to pay and put the service out to tender. Today it costs £80,000 a year to keep the 74 running. And that means an £80,000 bill for the county's taxpayers – even though they have no way of knowing whether the old bus service was profitable or not. The bus companies don't have to open their books or offer any proof. David Brown says this is happening more and more.

**BROWN:** I don't know what financial parameters the operators judge those services on, so I can't say whether they're profitable or not.

**WHITEHOUSE:** When you put these services out to tender, what sort of response do you get?

**BROWN:** We find we'd probably get an average of just about two bids per tender, and clearly where you've got dominant operators, if services that they used to operate in the evenings are no longer running, it's not that cost effective for a new operator to come in and run a very small number of services late into the evening. So that tends to restrict the number of tenders that we get. We've seen an increase in the number of deregistrations this year and therefore that has led to us putting more public sector subsidy in for basically the same level of service.

**WHITEHOUSE:** And not just in South Yorkshire. All the metropolitan transport authorities say they're worried by a system that has them paying out subsidies when the rules don't allow them to see the true financial picture. Across the Pennines in Manchester, Councillor Roger Jones is chairman of the Greater Manchester Passenger Transport Authority.

JONES: Nearly five years ago, when I first became chairman of the Passenger Transport Authority, we were putting in subsidies of around £15 million, and over the last five years that's increased to £25 million, and I can see it increasing even more, because wherever there are routes that the operators can't make a decent profit, in the past they would basically say, 'Well we're making good profits on other routes and therefore one will help the other,' but now they seem to be deregistering services, especially on an evening and at weekend. And, of course, when we go out to tender, it would be lovely if we had lots and lots of companies who are bidding. But very often you find that the company who has terminated the service is the only one who is bidding back, and it costs us a lot more money to do. Now I know you're going to say to me that system is ridiculous, but that is the system we operate under.

WHITEHOUSE: Nationally, the bus industry gets a taxpayer subsidy of around £1.7 billion – even though the groups that own the bus companies are highly profitable. Stephen Heard of the trade body, the Confederation of Passenger Transport, says, at a time when the cost of running buses is far outstripping inflation, that represents good value for money. He also believes that disgruntled transport authorities are a minority.

HEARD: As far as local authorities not seeing the kind of services delivered that they had hoped for in return for the measures that they had implemented, all I can do is to point them – and you – to our recent report which shows at least fifty such places where that has not happened. We think it does happen where the right partnership approach is there.

WHITEHOUSE: We're told that, year on year, more and more services are being deregistered. The bus industry is looking for a subsidy to carry on running a greater and greater share of the network. That doesn't sound like a particularly vibrant successful industry.

HEARD: It varies enormously across the piece. Clearly when a bus route becomes unviable to the extent that a bus company has to think about stopping running it, the local authority – as local authorities have always done – will have to think about whether or not it is a socially necessary service and whether it should put the route



READER IN STUDIO: Operators are motivated by profitability with a focus on revenue... maximising fares rather than passenger growth.

WHITEHOUSE: And it goes on to warn:

READER IN STUDIO: Operators can be expected to defend this market vigorously.

WHITEHOUSE: These claims are backed up by an unpublished report seen by File on 4. Produced by the Passenger Transport Executive Group – which works on behalf of the major cities – it reveals that in the financial year ending in 2003, six bus companies achieved a profit margin of 15% or greater. And the trend is for larger profits as fares go up and the bus networks shrink. Tony Grayling of the left-leaning think tank, the Institute of Public Policy Research, says there's only one way of describing the bus industry's enviable earning power.

GRAYLING: Some of the local bus companies are making what might be called super-normal profits. They are exploiting their natural area monopoly - and therefore their passengers and the local community – by effectively running services to maximise profit rather than to maximise public service. A reasonable rate of profit, return on capital would be probably 10% to 12%, and there are many instances of local bus companies, local divisions of national bus companies for that matter, making profits far in excess of that. For example, the classic case is the West Midlands, where the dominant operator there, Travel West Midlands, is making returns on capital which are in excess of 20%. Arguably the public sector isn't getting full value for money.

WHITEHOUSE: These are allegations the industry rejects. Stephen Heard, of the Confederation of Passenger Transport, says the industry does make profits – but that's nothing to be ashamed of. Bus companies are very very profitable animals. How can returns in excess of market norms be justified in an industry which is still, outside London, losing passengers?

HEARD: The profitability of the industry varies enormously across the piece. I can't comment particularly on the profits made by individual companies. But don't forget that they need to be profitable in order to invest in new vehicles. We now have the youngest bus fleet that we've had for a long time. It's now down to just below eight years. It was nine and a half years old ten years ago. They are private sector industries. The fact that they make profits is not something to be ashamed of. It simply means that they make money, much of which can be ploughed back into services.

WHITEHOUSE: But bus company profits are rising at the same time that passenger numbers are falling.

HEARD: It isn't necessarily the case that bus company profits are rising. Across the board they've more or less stabilised. The bus companies have every intention of not managing a declining industry. They want a vibrant industry, one which will be there to carry people who decide to leave their cars at home. But it means putting aside these claims about unfair profitability and concentrating on improving services on the ground. It can be done, it has been done, we think it can be done everywhere.

WHITEHOUSE: And it is true that some bus companies are investing. First Group is preparing for what it says will be a bus revolution.

#### EXTRACT FROM TV NEWS

NEWSREADER: A streetcar to be desired. A tram crossed with a bus about to hit a road near you.

WHITEHOUSE: The launch earlier this year of First Group's Futurebus, also known as FTR.

REPORTER: The streetcar is described as an entirely new form of transport, to cope with an old problem – crowded city streets. It doesn't run on rails ...

WHITEHOUSE: It's a radical rethink that looks more like a continental light rail tram than a conventional bus, and the managing director of First Group's bus division, Nicola Shaw, says that's the idea.

SHAW: What it's about is changing the nature of the bus product. We can do it by providing really good vehicles. I mean these vehicles have the wow factor. You really see people turn heads when they go past them at the bus stop. It's another way of saying to people, the bus isn't what you thought it used to be. It's not dirty, it's not smelly, it's a new thing, and this is a very, very high quality vehicle. In order to make sure that people find that impact when they get on it, we need to make sure that they get on and they get off at the times they expect, and we want to make that work through ensuring that we get a journey time that gets people from A to B in a reliable fashion. Remember, this is fifty years of decline we're trying to address.

WHITEHOUSE: And there are already plans to run FTR buses in cities all over the country. They include Sheffield in South Yorkshire. But the idea's become bogged down in a wrangle over road improvements to give the Futurebus priority over all other traffic. And that's typical of the relationship bus companies and local authorities have with each other. In Birmingham, for example, there's a row going on because the city council's ripping out bus lanes because motorists don't like them.

#### ACTUALITY IN BRISTOL

WHITEHOUSE: And here in Bristol they also have a big traffic congestion problem, which the bus could solve. Bristol is said to be the most congested city outside London. It has only one commuter rail line and no tram system, so the buses ought to be doing well – but they're not. And those in the know lay the blame as much at their local council's door as the bus company's.

The Greater Bristol area is run by four local authorities, and, according to David Redgwell, regional director of the campaign group, Transport 2000, joined-up thinking has been almost completely missing.

REDGEWELL: We had a situation where Bristol City Council put in bus priority measures to Long Ashton and out to Weston Super Mare on the coast in North Somerset, all in Greater Bristol, and North Somerset council came along and took the bus priorities out. And Bath is even worse. In parts of the Wales Way in Bath, on the most important road out to the conurbation, they took out the bus lanes on that route and made them residential parking areas, much to the absolute protests from ourselves and Bus Users UK and the bus companies. So that's the history.

WHITEHOUSE: Even the Traffic Commissioner agrees. When Philip Brown called a public inquiry into bus timekeeping – almost a third of Bristol's buses miss the target – he reduced the penalty fine he imposed, because he said First Bristol had an impossible job.

BROWN: Unless you've got bus priority measures, you'll never get a bus running on time in a city centre, and that's the bottom line.

WHITEHOUSE: You seem to be suggesting, though, that the people who are really at fault here, certainly in Bristol, is the local authority rather than the bus company.

BROWN: Well that's not my decision to make, but the impression that I do get is that the bus company, in at least two public inquiries now, have said to me, 'Well, we've got the money, we've got the buses. We'll invest in the buses if you'll invest local authority in the priority measures.'

WHITEHOUSE: And nothing's happened?

BROWN: Well, we've got one priority measure with a possible half one coming sometime next year or the year after.

WHITEHOUSE: So you get a sense, an impression that Bristol is lagging behind here?

BROWN: It doesn't appear to be in the forefront of innovation as far as public transport is concerned.

WHITEHOUSE: Bristol's city fathers say they've now seen the light. All four councils are signed up to a new transport plan. A deal with First Bristol will speed buses through the peak time jams. But it is all still years away from completion and there are few guarantees about where the money will come from. David Bishop is the city's director of planning and transportation.

BISHOP: Park and ride, and buses generally are at the vanguard of our strategy really for improving transport in Bristol.

WHITEHOUSE: If they're right at the vanguard of your strategy, why is it that you don't have a more effective network of bus lanes and so on?

BISHOP: Well, I can't really comment about the past. All I know is I've only been here a relatively short period of time, and since I've been here I've been impressed by the ambition of the council and its other partner councils within the sub-region, together with the bus companies working to an ambitious local transport plan to deliver a great number of showcase bus corridors within the city area over the next few years. We've already built one.

WHITEHOUSE: This is exactly the point that the Traffic Commissioner is making. He says there is only one effective bus lane in the whole of Bristol and he can't understand why, down the years, you've not been able to provide more bus priority measures to sweep the buses through this peak time congested traffic.

BISHOP: Well, as I said, I can't really comment on what's happened here in the last few years. All I know is that there are bus priority measures being built and there has been work done in the last few years – maybe not as extensive as we would have liked, but we are now focusing our efforts into these showcase corridors.

WHITEHOUSE: Tony Grayling of the Institute of Public Policy Research says we've reached the stage where bus companies don't trust local councils and councils don't trust bus companies, because both have a track record of not delivering on their promises.

GRAYLING : It is a big problem that local authorities feel that if they do invest in improving the infrastructure, introducing bus lanes and giving bus services priorities at traffic lights, for example, then they can't guarantee that improvements to the quality of the services themselves will follow, because that's in the hand of the bus operators who haven't always delivered on their promises to, for example, introduce newer vehicles or low floor vehicles. On the other hand, the bus operators fear that the local authorities' promises on introducing bus priority routes will not be delivered either, because they tend to be politically controversial, particularly with motorists who don't necessarily like the introduction of bus lanes, and that leads to a bit of a stalemate. So neither side of the bargain feels that they will necessarily get the benefits that they could if both sides of the bargain were delivered.

WHITEHOUSE: So the current system is actually stifling innovation and improvement?

GRAYLING: Ironically deregulation, which was supposed to engender innovation, does tend to stifle innovation and leads to situations of gradual decline in the number of people using bus services and gradually will decline in the number and quality of those bus services.

WHITEHOUSE: There's one place where this doesn't happen and that is in London. The familiar red buses here were never deregulated in the way that happened elsewhere. Instead the whole bus system is controlled by the Mayor of London – and it shows. Over the past twenty years, passenger numbers outside London have fallen by 48%, while in London they're grown by 46%. A mirror image and proof, says Tony Grayling, that the government target of getting 12% more people onto the buses is a pipedream rather than a serious policy.

GRAYLING: As the industry is currently configured, I think there is no prospect of the government's target of increasing passenger numbers outside London being reached, and the only way in which the target for England as a whole can be met is if the growth in bus passenger numbers in London significantly outweighs the ongoing decline in passenger use outside London. I think if the government is serious about meeting its targets for regions outside London, then it's going to have to introduce

GRAYLING cont: network regulation outside London along the lines that we see operating successfully in London.

WHITEHOUSE: And this is the debate now overshadowing the bus industry. When buses were privatised twenty years ago, it was done at the high watermark of Thatcherism, amid an unshakeable belief that the markets were always right and would, therefore, provide the best, most efficient service. Only light-touch regulation would be permitted. But twenty years on, even the regulator himself, the Traffic Commissioner Philip Brown, admits that he has doubts that the system can deliver.

BROWN: We're really here to ensure that passengers travel on buses, both which are on time and which are serviceable and are safe for the travelling public. The rest of it is either unregulated or, if it is regulated, it perhaps isn't regulated as well as it might be. And I suppose there may be an argument for saying, well, it really needs a long hard look at where the bus industry should be regulated, whether it should be more regulated and if it should be more regulated, who should regulate it. All I can say is that traffic commissioners do the best of their job to the best of their ability, but sometimes it does feel a little bit like doing the job with one hand tied behind your back.

SIGNATURE TUNE