

A guide to the powers, funding and duties of the PTE/As

1. What are the PTA/Es?

The powers to establish Passenger Transport Authorities (PTAs) and Passenger Transport Executives (PTEs) are contained in the 1968 Transport Act and the Local Government Acts of 1972 and 1985.

A Passenger Transport Authority is made up of elected representatives from the area served by the PTA. A Passenger Transport Executive carries out the policies of the PTA.

Since 1968 seven PTA/Es have been created by statutory instrument:

- Greater Manchester (established in 1970);
- Merseyside (established in 1970 and now operating under the name of 'Merseytravel');
- South Yorkshire (established in 1974);
- Strathclyde (established in 1973, became a Regional Transport Partnership in April 2006 - still operating under the name of 'SPT');
- Tyne and Wear (established in 1970 and now operating under the name of 'Nexus');
- West Midlands (established in 1970 and now operating under the name of 'Centro');
- West Yorkshire (established in 1974 and now operating under the name of 'Metro').

Between 1974 and 1986 the PTAs for the English PTEs were the Metropolitan County Councils (Greater Manchester Council, Merseyside and so on). In Scotland the PTA for Strathclyde PTE was Strathclyde Regional Council.

When these Councils were abolished, along with the Greater London Council, Passenger Transport Authorities were reconstituted with representatives from the constituent Metropolitan District Councils (for example, Greater Manchester PTA is made up of representatives of the Districts Councils of Salford, Manchester, Trafford, Bolton, Bury, Oldham, Rochdale, Stockport, Tameside and Wigan). Each Council nominates Councillors as PTA members, with the balance between districts allocated according to population, and the nominees within each District being selected according to the political balance within that authority. The PTA elects a chairman each year who acts as leader of the Authority.

The 1968 Transport Act gave PTA/Es wide-ranging powers to secure the provision of public transport services in their areas. Although some of these powers have been amended, and in some cases diminished, by subsequent legislation PTEs' overall remit remains substantial, with a high-level duty to:

'Secure the provision of such public transport services as the PTA for the area consider it appropriate for the Executive to secure for meeting any public transport requirements within the area which in the Authority's view would not be met apart from any action taken by the Executive for that purpose.'

During the period up to 1986, PTEs were substantially larger organisations as they operated the municipal bus undertakings that had been inherited from their predecessor authorities. In 1986, these operations were transferred to arms-length companies wholly owned by the PTAs. PTAs were initially encouraged, and then required, to transfer these companies into the private sector, often by management/employee buyouts. These companies were subsequently sold on and now form part of the five largest bus and train operators in the UK.



PTEs: wide-ranging powers to improve public transport

2. Overall planning role

PTEs are the public transport planning bodies for the areas they serve.

The documents in which PTE strategies are set out include:

- An **annual report** from the PTA (a legal requirement under the 1968 Act);
- English PTEs produce a joint **Local Transport Plan** with their constituent District Councils. This is a statutory requirement of the PTA under the Transport Act 2000. LTPs set out local authorities' plans for all forms of surface transport for a five year period. It includes a costed programme of measures to improve local transport over the period 2001-02 to 2005-06 through: integrated transport schemes (e.g. measures to improve local transport and reduce congestion, promote cycling, walking and road safety); local road maintenance and bridge strengthening schemes; and major public transport and road schemes costing over £5 million (e.g. integrated town centre improvements, new bus corridors, smaller light rail and local road schemes). PTEs are also permitted to apply for funding of projects with more than local significance through Section 56 of the Transport Act 1968. This allows government to grant fund appropriate schemes. Major light rail developments are generally funded in this way;
- An **Annual Progress Report (APR)** shows how the LTP is being implemented, and in particular the progress being made to the achievement of targets within the Plan. The Government bases its annual local transport settlement (allocation of capital funding) on its assessment of the LTPs and APRs;
- Under the provisions of the Transport Act 2000, PTEs are required to produce a **Bus Strategy** which sits alongside the LTP as the key implementation statement for developing local bus services. The Bus Strategy has a specific role in the context of any application to implement Bus Quality Contracts;
- PTEs also produce a range of non-statutory strategy documents – which can include long-term proposals, vision statements and transport strategies. Each PTE decides what is required for its own area in this respect.

English PTAs are Best Value authorities and are required to produce an annual **Best Value Plan** under the Local Government Act 1999. PTEs carry out a rolling review of the services they and the PTAs provide, and co-operate in sharing information for benchmarking purposes. Where appropriate they



PTEs must draw up bus strategies for their areas

carry out joint reviews and generally work closely to share good practice. Best Value Reviews are inspected by the Audit Commission and assessed against quality of service and future prospects for improvement. PTAs are not currently part of the system for **Corporate Performance Assessment** nor can they enter into **local PSA arrangements**. PTEs may, however, apply for **Beacon Status** for specific service areas.

All PTEs are treated as local authorities for the purposes of external audit and therefore have auditors appointed by the Audit Commission. These can be private accounting firms (as with local government) although most PTEs are audited via the Audit Commission itself.

2.1 SPT

In August 2005 the Transport (Scotland) Act became law, creating a national transport agency for Scotland and allowing the Scottish Executive to establish a network of regional transport partnerships covering the whole of Scotland. Strathclyde PTE became Strathclyde Partnership for Transport and is responsible for the Strathclyde Regional Transport Strategy. The Act also saw SPT's local rail franchise powers transferred to the Scottish Executive.

3. Funding

PTE core revenue funding comes from its PTA which negotiates an **annual levy** with its constituent District Councils on an annual basis. The PTAs total levy requirement is allocated to each District on a per capita basis (so individual Districts cannot purchase different levels of service) and then collected from the public as part of each District's Council Tax demand. Until 1990 PTAs were **precepting** bodies (like Police and Fire authorities). Precepts are shown separately on Council Tax bills and the cost to District Councils are covered by Central Government through the Revenue Support Grant system. PTEs would like to return to precepting as under the levy a 'lowest common denominator' effect can operate where the Districts with the least favourable annual settlement have often dictated a low level of PTA levy increase, thus jeopardising the delivery of agreed policy objectives.

In addition PTEs currently receive a **special grant** from Government that approximately covers the full costs of subsidising local rail networks in their areas. PTEs are also eligible for a wide variety of additional grant funding from central government, government agencies and the EU for specific projects and programmes.



PTEs have invested heavily in new and refurbished bus stations

The overall revenue budget for the seven PTEs is £838.3 million during 2004/05. Over the same year PTEs expect to invest between them a further £327 million through capital improvements to their local systems.

Under the **Prudential Borrowing powers** which came into force on 1 April 2004 PTAs have additional powers to borrow to fund capital schemes. PTAs could already borrow to fund Government approved capital schemes where the Government provided revenue funding to support debt charges. Under Prudential Borrowing PTAs could borrow without Government approval where the debt charges are affordable, in the context of PTA's overall revenue budgets and levy requirement.

The degree to which this new power will be helpful to PTEs is likely to be limited given the relatively high levels of capital spending being encouraged and low levels of revenue spending possible under the levying regime.

4. Buses

In 1986 bus services outside London were deregulated making bus provision a free market. PTEs can only fill gaps in networks where there is no commercial service. PTEs do this on a route-by-route basis with the services operated by private companies on the basis of competitive tendering. The majority of bus services (90%) in PTE areas are operated by five large companies (Arriva, National Express, First, Go-ahead and Stagecoach) who rarely compete against each other.

The 2000 Transport Act allows PTEs to introduce **Quality Bus Partnerships** (QBPs). QBPs allow PTEs to set minimum standards for the quality of vehicles allowed to operate on corridors where the PTE has invested in bus priority and other complementary measures (such as real time information and high quality bus shelters).

The Act also allows PTEs to promote **Quality Contracts** (QCs), which for a defined area would eliminate on-street competition in favour of franchise(s) operated to a specification set by the PTE. However, the QC process set out in the Act is convoluted and stacked against any QC proposal. PTEs want to see the legislation amended to make the QC approval process proportionate, fair and straightforward.

As well as subsidising non-commercial services PTEs currently also:

- **Own and operate most local bus stations,** although some continue to be owned by the local bus company. This is mainly a result of historical factors with stations in ex-municipal areas tending to remain in public ownership, whereas most ex-National Bus Company stations were sold as part of the company. Some sites have been acquired by PTEs to construct new bus stations or have been secured as part of town and city centre or rail station developments;
- **Own and maintain the majority of bus stops and shelters,** through a range of partnership models with District Highway Authorities. Most PTEs also have commercial arrangements with street furniture and advertising companies for shelters to be erected where the advertising revenue from a site makes this a commercial proposition. Major improvements have been made in recent years to the quality of waiting facilities and the provision of bus station and stop information. This has included the widespread use of electronic information and, increasingly, the incorporation of real-time updates, to information displays;
- **Provide comprehensive and impartial information about bus services;**
- **Promote and fund bus priority schemes** - PTEs have no highway powers but work in partnership with the Districts and with operators to promote and implement bus priority schemes;
- **Promote and fund innovative new forms of bus services.** Drawing on a range of funding sources (including central government rural and urban bus grants) PTEs are pioneering a broad range of innovative new formats for bus services. This includes demand responsive services operating either as a 'door-to-door' service or as semi-fixed routes. Often these services are targeted at tackling social exclusion in either a rural or a urban context. One PTE – Metro - is also the largest promoter of operational guided bus schemes in the country.

5. Schools transport

PTEs have a duty to liaise with local education authorities (LEAs) to provide for the needs of children travelling to school. LEAs continue to hold the responsibility for providing transport to and from school for children who live beyond the statutory distance (two miles for children aged up to 11 years,



PTEs have pioneered innovative new forms of schools transport - like dedicated 'Yellow Bus' services

three miles for older children aged up to 16 years). PTEs and LEAs work closely to co-ordinate transport arrangements with many PTEs having agency arrangements to provide for the needs of both 'statutory and non-statutory' children, and in managing the transport requirements of children with special educational needs.

Several PTEs have introduced innovative proposals to improve the quality of transport used mainly by school children. This includes two Yellow Bus pilot projects.

6. Rail

Before privatisation

PTEs procured services under Section 20 of the 1968 Transport Act. They purchased these services on the basis of the marginal costs of their provision, with revenue risk fully carried by PTEs. Changes would be negotiated with the appropriate sector of the industry according to primacy rules. Government allocated a Standard Spending Assessment (SSA) for PTE railways based largely on the route mileage of the network under PTE support.



PTEs are currently co-signatories to local rail franchises

PTEs made capital grants to British Rail for resources they wished to fund such as new stations. However, they were also able to fund track and signalling infrastructure through capital grants. Major schemes were also funded in this way such as the Airedale/Wharfedale electrification.

At privatisation

The trains, stations and station facilities that PTEs had purchased were handed over to Railtrack and the ROSCOs. The value of those assets is reimbursed to PTEs via an annual 'deed of assumption' payment from central government.

Since privatisation PTEs are party and co-signatories

to franchise agreements. For their local rail networks PTEs produce statements which can specify service levels, quality requirements and fares regulation. The SRA has to include those specifications in the franchise agreement unless it considers that this would compromise its wider national financial and strategic duties. The SRA and/or the operator, also has to consult with the PTEs on any significant proposals for service changes. In case of a dispute between the SRA and the PTEs, either party can seek an adjudication from the Secretary of State.

As part of the first round of franchise agreements the PTEs secured the service levels that existed under BR, and also negotiated a series of improvements, including new rolling stock as well as new routes and stations.

Some PTEs also chose to take the 'revenue risk' ie subject to national fares regulation, PTEs set rail fares in their areas.

PTEs also introduced a Service Quality Improvement Regime (SQUIRE) which, through regular surveys of stations and trains, incentivises operators to properly maintain and clean stations and trains through a system of fines and bonuses.

PTEs still subsidise rail services in their areas although the full costs of doing so are covered by a Special Rail Grant from central Government. The PTE has no ability to vary the subsidy payment to the franchisee. The franchisee also receives subsidy from the SRA. Its chief outgoings are track access charges to Network Rail and train leasing payments to the ROSCOs.

Throughout this complex 'money-go-round' there is limited transparency and poor linkage between payment levels and the level and quality of the service delivered in return.

However, despite these problems PTEs continue to invest directly in additional rail services and facilities. They can do this through investing directly in stations and trains, and through providing additional support for additional services.

Funding for this comes from their core budgets and through other sources, such as grants from the now suspended SRA Rail Passenger Partnership fund.

PTEs retain the power to purchase or lease rolling stock directly.

In 2004 the Government published the Railways Bill. Under the Bill (and associated proposals) PTEs would only retain their existing franchise powers with the Secretary of State's consent. Instead PTEs would be consulted on new franchises. PTEs could enter into

agreements with franchisees to invest in local rail networks – but again, only with the Secretary of State’s consent. Government funding for local rail services will no longer be routed via the PTEs, but the PTEs would be able to apply to the Secretary of State to raise or reduce service levels with the PTEs bearing the costs of any improvements, and benefiting from any savings. PTEs will also be able to propose service closures under a streamlined closure process, and the Government will make it easier for PTEs to replace rail services with bus services.

7. Light Rail and metros

PTEs are responsible for the majority of operational light rail and metro schemes outside London. These are: the Glasgow Subway; the Tyne and Wear Metro; Sheffield Supertram; Manchester Metrolink and Midland Metro. Other light rail schemes and extensions to existing network are at various stages of development.

- The Glasgow Subway (an underground loop line) is owned and operated by Strathclyde PTE;
- The Tyne and Wear Metro combined existing BR suburban lines with new underground lines in central Newcastle to create a new Metro for Tyne and Wear in the 1980s. It is owned and operated by Nexus;
- Manchester Metrolink was opened in 1992 as the first new tram scheme in Britain for decades. This, and subsequent extensions, were promoted by GMPTE but are operated by a private sector consortium under franchise to the PTE;
- Sheffield Supertram was developed by the PTE. It was opened in 1995 and was operated initially by the PTE, before being franchised to Stagecoach in 1997;
- Midland Metro was developed by Centro and opened in 1999. It is operated under franchise to the PTE by a private sector consortium.

Recently PTEs have been obliged to use PFI to procure light rail schemes - usually under a design, build, operate and maintain (DBOM) agreement with a private company (usually a consortium of interests) operating under a long-period concession. The costs of the scheme are met through a variety of sources, which usually includes direct PTA funding and Government grant, but can also include EU grants, developer contributions, regeneration funding and contributions from local authorities served by the scheme. However, one of the key requirements for new schemes is that, unlike bus and rail services, they must operate without the benefit of revenue subsidy. There have been significant delays and cost escalations on LRT schemes – partly down to the DBOM form of PFI which has not resulted in the transfer of risk from public to private sector that was originally envisaged. Government is now allowing different forms of private sector financing to help in improving the value for money from LRT projects, and some PTEs are now considering LRT extension schemes where, for example, the design and build contracts are separate from the operating contract.



PTEs own and operate some public transport services - including the Glasgow Subway



PTE concessionary fares schemes benefit millions

8. Concessionary fares

In April 2006 the Government introduced a free off-peak scheme for bus travel for seniors and disabled people for all English local transport authorities. In 2008 pass-holders will be able to travel free anywhere in England.

This follows the introduction of similar schemes in Wales, Scotland and Northern Ireland.

PTEs administer concessionary fares schemes in their areas. These schemes are often more generous than the legal minimum - and can include free (or discounted) use of PTE light and heavy rail networks.

PTEs have also brought schemes for other groups (not covered in legislation) such as jobseekers, children, students and young people.

PTEs face a number of difficulties in funding the statutory concessionary fares scheme for older and disabled people.

- operators can and do appeal against the level of reimbursement they receive from PTEs for carrying pass-holders
- funding for the statutory concessionary fares scheme for older and disabled people is routed via the Districts who are under no legal obligation to pass the funding onto the PTEs.
- the system used by Government to allocate the funding is not always attuned to local circumstances - so, for example, areas that have higher than average use of buses by older and disabled people are not reimbursed by Government accordingly.
- It's unclear whether the extra funding for the staged expansion of the scheme will keep pace with both rising pensioner numbers and the high take-up of the scheme among pensioners.

9. Ticketing and information

All PTEs provide comprehensive and impartial information about public transport including via:

- printed timetables and leaflets;
- websites;
- telephone inquiry services.

All PTEs provide a range of multi-modal, area-wide tickets. All PTEs are also developing 'Smartcard' schemes.

10. Highways

PTEs have no highway powers – these are the responsibility of the District Councils. This means that bus priority schemes have to be developed in partnership with the District Councils, although the PTE can promote and fund such schemes.

11. Tunnels and ferries

PTAs and PTEs own and operate a number of tunnel and ferry services, including the Mersey and Tyne tunnels, and ferries in Tyne and Wear and Merseyside.