

Delivering change

Improving urban bus services

Simon Jeffrey

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Executive summary

Buses are critical urban infrastructure. They not only provide access to jobs for workers without a car, but they offer the mass-transit capacity that make jobs-dense, high-wage city centre economies possible. In so doing they take cars off of the road, and reduce greenhouse gases, nitrogen dioxides and fine particulate matter from tyres and brakes. Bus services link people to friends and family, young people to education, shoppers to high streets and communities to the public services – from GPs’ surgeries to libraries – that they need. And buses allow higher-density housing development to increase the supply of homes in cities without adding to sprawl or congestion, and reduce the amount of land required for car parking.

Buses are in decline in most major cities in the Midlands and North, as they have been since the 1950s. The price and quality of bus services has fallen relative to the car, and more recently rail. The absence of local control and co-ordination of bus services is behind much of this decline.

London stands out for its bus network that has grown rapidly in quality and ridership in recent decades. Other cities have not had institutions such as Transport for London (TfL) with the powers and incentives to intervene in local bus service provision to support local residents, businesses and communities.

Deregulation of local bus services everywhere outside London in 1986 failed to reverse this decline and broke the link between cities and their bus services. This break has hampered the development of long-term pro-bus policies, such as bus priority schemes and funding support in most cities. It changed the focus from providing a city-wide network to focusing only on running a profitable service. Largely unregulated private monopolies took charge of critical urban infrastructure, and made fully-integrated public transport harder to provide.

The Bus Services Act 2017 provides metro mayors with the powers to address these problems. Mayors can now franchise bus services, setting out routes, fares, frequencies and quality standards in a similar way that London's mayors have since 2000. They can also introduce Enhanced Partnership Schemes (EPS) to work with operators more closely to improve bus services.

With a self-declared 'bus fanatic' as Prime Minister,¹ and support across all major parties, mayors have the chance to take advantage of the Bus Services Act. To support the growth in jobs and wages outside London, improve air quality and protect the planet, **government and metro mayors should set the ambition to increase bus journeys in major cities from 1 billion to 2 billion journeys per year.**

To achieve this:

- **Every metro mayor should take up the powers in the Bus Services Act to franchise buses now.**
- **Government should provide a £50 million fund for metro mayors to prepare the assessment for franchising.** This equates to just £4.50 per person in these cities, around the cost of a single day's bus travel in every metro mayor area.
- **All cities should be given the power to franchise bus services, not just metro mayors.**

1 <https://www.telegraph.co.uk/politics/2019/10/01/boris-johnson-brex-it-buses-benn-act/>

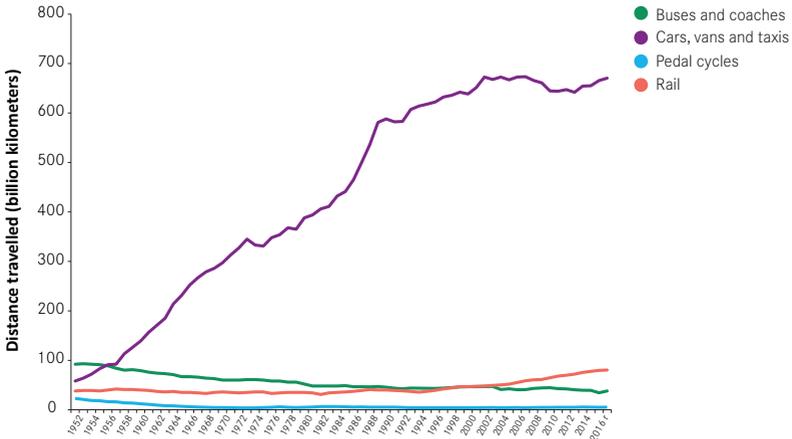
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Introduction

A new era for national and local ambitions for buses

Bus use has been in decline in the UK since the 1950s as car ownership has grown and decades of policy at local and national level has accommodated higher levels of car use, changing the physical fabric of the country and cities in the process (see Figure 1). But the higher levels of car use and declining bus use are taking a toll on growth, the environment, public health and communities in cities.

Figure 1: Distance travelled by transport mode



Source: Department for Transport, TSGB0101

The decline of bus passenger numbers outside London is now a recurring theme of set-piece political speeches, and reversing it is a key policy to support more productive and fairer cities in the UK. The Prime Minister called the connectivity that good bus services provide a ‘basic ingredient of success’ for cities, but one lacking in too many places.²

Boris Johnson pointed the finger of blame for a 34 per cent decline in bus ridership outside of London and the 97 per cent growth in the capital at one thing: the lack of franchising powers to specify the routes, fares and quality of bus services that London has uniquely enjoyed for over three decades.² He made clear that he wanted every part of the country to be able to have London-style bus powers.

In 2017, through the Bus Services Act (BSA) the Government gave newly-created metro mayors in major city regions the power to franchise bus services and a new model for partnership with bus operators through Enhanced Partnership Schemes. Mayors can now fully integrate the bus network into wider economic, social and spatial plans in the same way that the Mayor of London has since the creation of that office. The BSA, in particular the powers to franchise services, was supported in Parliament by all major parties – the Labour Party plans to encourage local leaders to franchise bus services, rewarding any that do so by funding free bus travel for under-25s.³

More recently, the announcement of the National Bus Strategy and up to £220m for improvements to the road network for buses, ticketing, and new vehicles bolsters the argument that the Government is getting serious in its ambitions for increasing bus use.⁴

2 <https://www.gov.uk/government/speeches/pm-speech-at-manchester-science-and-industry-museum>

3 <https://www.libdems.org.uk/conference-autumn-16-f40-transport>

<https://labour.org.uk/press/labour-introduce-free-bus-travel-25s/>

4 <https://www.gov.uk/government/news/government-takes-the-first-steps-in-a-bus-revolution>

This report sets out:

- The benefits that better buses bring to cities
- The size of the potential prize for metro mayors of introducing a London-style system
- The problems that deregulation created in local bus services and policy
- The benefits of franchising over partnership for mayors to deliver a quality bus system

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The benefits of buses for cities

The benefits of getting more people out of cars and onto buses are huge for cities and national government. Better buses enable increases in employment and productivity that will benefit not just city residents and businesses but help drive the national economy. Buses support lower transport emissions to help the planet and clean up toxic air, more dense housebuilding to increase supply in unaffordable cities and avoid sprawl, and ensure that every member of the community has more equal access to public services and support, and to their friends and family.

Major direct and indirect benefits of buses to cities include:

More productive cities. Harnessing the benefits that come with density in cities is vital to improve the wages and jobs available to residents. These benefits mean that despite accounting for just 0.08 per cent of the land in the UK, 14 per cent of jobs are located in city centres, and 25 per cent of all high-skilled jobs that offer the highest wages. This is because city regions offer the widest labour markets that high-skill firms need, and their centres are home to dense concentrations of other high-knowledge businesses that offer ‘knowledge spillovers’ that increase productivity.

Buses support higher density by increasing the passenger capacity of the roads while relieving vehicular congestion, which is a downside of density in cities. Every car kilometre driven in the UK creates on average 17p of societal harm, mostly through congestion.⁵ Up to 90 passengers who might otherwise require over 80 cars to travel can be carried on a single double decker-bus in the road space of fewer than three cars.

5 <https://www.ifs.org.uk/publications/14407>

This congestion challenge is growing as high-skill jobs concentrate in city centres. In Manchester, the number of city-centre jobs grew by 84 per cent between 1998 and 2015, while in Birmingham, Bristol and Leeds the figure was over 30 per cent.⁶ Buses help cities to accommodate this growth without generating congestion. In 2011, on average 23 per cent of workers in major city centres such as Manchester, Birmingham and Leeds commuted by bus.⁷

More equitable growth. Nationally, the bus is the most-used public transport mode. Nearly 9 per cent of all trips by those on lower incomes are by local bus, compared to 3 per cent for those on the highest incomes. The figure for car journeys is 27 per cent and 45 per cent respectively.⁸

Better bus services also ease the congestion that slows down commutes and shrinks labour markets, hurting the poor most. Transport for West Midlands (TfWM) and the Open Data Institute found that between 2008 and 2018, congestion had led to 216,000 fewer people being within a 45-minute commute of Birmingham city centre by bus.⁹ Protecting and promoting buses over driving cars ensures city-centre jobs growth does not in the process exclude existing residents from benefitting.

More housing. In London, sites with the highest public transport accessibility scores support housing development for three to four times as many residents as sites with the lowest accessibility scores.¹⁰ Higher levels of bus use reduce the impact that high-density housing has on congestion. Bus services that enable parking requirements to be lowered reduces development costs. Greater housing density within cities means less land around them is required for housing, reducing sprawl.

Better health. Physical inactivity costs the UK £7.4 billion a year.¹¹ Higher levels of bus use help to reverse the increase in physical inactivity that the

6 <https://www.centreforcities.org/publication/city-centres-past-present-and-future/>

7 ONS Census 2011

8 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/550557/nts0705.xls

9 <https://www.tfwm.org.uk/media/2917/congestion-management-plan.pdf>

10 https://www.london.gov.uk/sites/default/files/project_2_3_lessons_from_higher_density_development.pdf

11 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/523460/Working_Together_to_Promote_Active_Travel_A_briefing_for_local_authorities.pdf

growth in car use has caused. Higher levels of bus use build walking into journeys that car journeys lack.¹²

Social inclusion. Better buses reduce time and cost barriers to seeing friends and family or getting out of the house independently.¹³

Air pollution. Some 40,000 deaths a year are attributable to poor air quality in the UK.¹⁴ In real world conditions, modern diesel cars can produce nearly 1.4g/km of nitrogen dioxide, more than a modern diesel bus full of passengers.¹⁵

Environment. Greenhouse gas emissions are heating the planet. The average newly-registered car emits one kilogram of carbon dioxide every seven kilometres,¹⁶ and nearly two tonnes of carbon dioxide a year on average.

Modal shift from car to bus maintains mobility but quickly cuts the number of vehicle journeys and harmful emissions cars produce. Shifting just 10,000 people from car onto an existing bus service for a 7km commute would remove over 20,000 tonnes of carbon emissions in a year.

12 <https://ajph.aphapublications.org/doi/abs/10.2105/AJPH.2012.300946>

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750909/6.4882_DCMS_Loneliness_Strategy_web_Update.pdf

14 Royal College of Physicians/Royal College of Paediatrics and Child Health (2016), Every breath we take: the lifelong impact of air pollution

15 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836934/vehicle-market-surveillance-unit-programme-results-2018.pdf

16 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800502/vehicle-licensing-statistics-2018.pdf

03

Cities have the potential to increase bus journeys dramatically

In 1999, there were 1.3 billion bus journeys in London. The network's buses travelled 354 million miles. Since 2000, all Mayors of London have used their control of the capital's bus network and the revenues it raises to entrench the most significant pro-bus policies in the country. More funding, more bus lanes and a congestion charge have supported more frequent and reliable buses, a 24-hour service, lower fares and more concessions fares, cleaner vehicles and a new payment system.

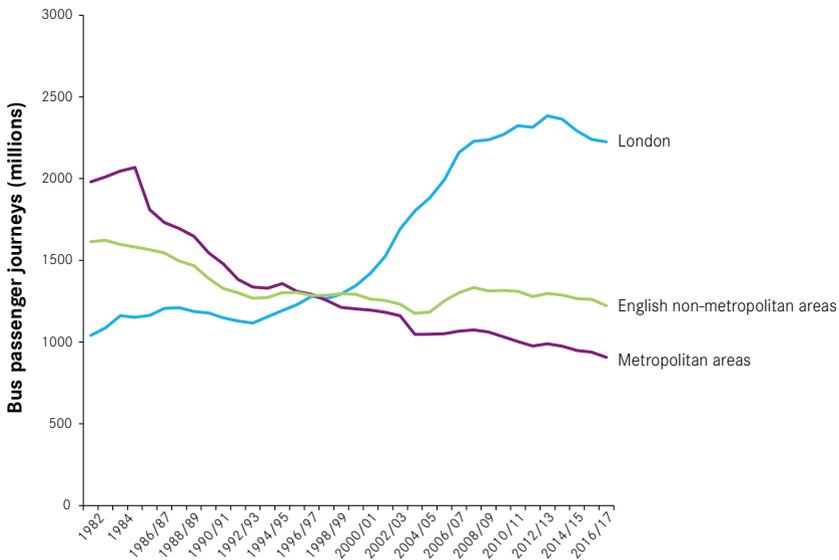
As Figure 2 shows, by 2009, journeys had increased to 2.3 billion a year, and the network had grown to 483 million bus miles. By 2012, more than half of bus journeys in England were made in London.

Every metro mayor can now do for buses in their city what London's mayors have done for buses in the capital. In 2017/18, 782 million bus journeys were made in the seven mayoral combined authorities with franchising powers.¹⁷ Including West Yorkshire and the North East, this figure is above one billion journeys a year (most of these are captured in 'Metropolitan areas' in Figure 2), down from over 2 billion in 1985.

17 DfT BUS0109

North of Tyne does not have franchising powers.

Figure 2: Bus passenger journeys on local bus services (millions)



Source: Department for Transport, BUS0103

London shows that reversing this trend is achievable and cities have announced their ambitions to do this. Leeds is aiming to double bus use within 10 years.¹⁸ Greater Manchester aims to increase walking, cycling and public transport journeys by 1 million per day by 2040.¹⁹

¹⁸ <https://www.leeds.gov.uk/parking-roads-and-travel/connecting-leeds-and-transforming-travel/bus-travel>

<https://tfgm.com/2040/the-transport-strategy-in-context>

¹⁹ <https://news.tfgm.com/resources/gm-prospectus-for-rail>

If metro mayors are as successful as the Mayor of London in improving bus services, this would mean doubling bus ridership in major cities over the next decade to over 2 billion journeys a year.

The prize in terms of the benefits this could bring to jobs, wages, air quality, the environment and communities is huge.

This growth will require a high-quality bus system in every city. Cities are in broad agreement in what this should look like for passengers, mayors and operators:²⁰

- Stable, city-wide, all-day, seven-days-a-week service, as part of an integrated transport system
- Affordable and simple fares across the network with clear information
- Reliable and quick journeys at all times
- Clean and green buses
- A publicly-accountable service that is fully-embedded into wider city policy and budgets
- Open to innovation and investment

Achieving this system will require addressing a series of challenges that have hampered the bus systems in places outside London for the last 33 years. The next section looks at this in more detail.

²⁰ <https://www.tfwm.org.uk/media/38969/final-strategic-vision-for-bus.pdf>
https://issuu.com/greatermcr/docs/greater_manchester_proposed_bus_franchising_scheme
<https://moderngov.merseytravel.gov.uk/documents/g4198/Public%20reports%20pack%2026th-Jul-2019%2013.00%20Liverpool%20City%20Region%20Combined%20Authority.pdf?T=10>

04

Deregulation makes improving bus services harder for mayors

Deregulation in 1986 broke the link between cities and bus operators (see Box 1) and removed the powers and weakened the incentives for cities to support bus services. Cities lost control of the routes, frequencies and quality of the service, the setting and collection of fares, and the ability to use fare revenues and subsidy to fund the wider network. Integration with other municipal public transport modes was weakened.

The net result is that a vital piece of urban infrastructure is not regulated by the cities that rely upon it, and operators are often 'out of the room' when decisions are made that affect them. Only the small number of cities that have retained ownership of municipal bus companies can be fully confident that the vision and incentives of their local bus operators will be aligned with those of the city council.²¹

The next section looks at the long-running problems with local bus markets that the 1985 Transport Act created.

21 Blackpool, Cardiff, Edinburgh, Ipswich, Newport, Nottingham, Reading and Warrington are the last municipal bus companies in the UK.

Box 1: History of bus regulation in the UK

Pre-1985

Under the Road Traffic Act 1930, bus services were licensed by regional commissioners who set the quality standards for vehicles and drivers and regulated routes, frequencies and fares. These licences provided local monopolies to predominantly local and publicly-owned operators in major cities that used cross-subsidy to support an extensive and affordable network. From the 1950s, local authorities increased funding to municipal operators to keep fares low and maintain service levels in the face of rising car ownership and use.²²

Transport Act 1985

Bus services outside London were deregulated in 1986 to open markets up to competition from any private operator meeting minimum safety standards. They had only to register that they would provide a service rather than hold the licence to do so. Local authorities were no longer allowed to subsidise fares. National government privatised its national and local bus operations, and local authorities were able to sell off municipal bus companies. Locally, authorities could only fund concessionary fares and tender for services that private operators did not provide. Around the same time, London was required to move to a locally-run franchising system.

Transport Act 2000

Cities and local bus operators have been able to form voluntary and statutory Quality Partnership Schemes to increase co-ordination to improve local bus services and increase patronage. Improvements to bus station facilities, or bus lanes or marketing are provided by cities in exchange for new buses or higher driver standards delivered by operators. Quality Contract Schemes that enabled franchising were included in the Act but legal barriers for cities to introduce them proved to be too high.

Bus Services Act 2017

Franchising powers are made easier to access for metro mayors in England. Enhanced Partnership Schemes that go further than Quality Partnership schemes are made available to all cities. Other provisions about open data on fares and timetables to improve information for passengers are included.

22 Butcher, L. (2010) Buses: deregulation in the 1980s, House of Commons Library

What's the problem with how bus networks operate?

Deregulation opened up problems in local bus services that were absent before:

Levels of cross-subsidy between profitable and loss-making routes have reduced and weakened bus networks. Cities can no longer use revenues from profitable routes to subsidise unprofitable routes in order to support a comprehensive city-wide bus network. Cities must directly support unprofitable services that private operators stop running, such as those early in the morning or at weekends. Some of the cross-subsidy that would support a more extensive, efficient and equitable bus network leaves the system as dividends to shareholders of private bus companies.

Bus markets are now local private monopolies. In reality, removing the regulatory barrier for operators to enter any local bus market in 1986 has failed to materialise into competition for most passengers in 2019. The market has consolidated into five major operators controlling 70 per cent of the national bus market with little overlap or competition between them. Their 'core territories', covering entire cities as in the West Midlands or Brighton, or large parts of them as in Greater Manchester, are largely 'no-go' areas for other operators.²³ Without market regulation by cities or government, these local monopolies give existing operators the market power to set higher prices for passengers and provide a lower quality bus service for many residents away from profitable routes.

The potential for new operators to compete for passengers outside of London is in practice limited. Challengers know that dominant existing operators will respond to competition by temporarily improving services or reducing fares to drive new entrants out of the market. Fares and service levels return to their original level once competition has been removed, outweighing the brief benefits to passengers. This dynamic of sporadic but fierce competition to protect or win monopolies was common in the years after deregulation in what were sometimes called 'bus wars'.²⁴ These help to explain the short-lived growth in the bus network in that time.²⁵ But these bursts of competition have declined, along with the network mileage

23 Local bus services market investigation final report (2011) Competition Commission <https://webarchive.nationalarchives.gov.uk/20140402200211/http://www.competition-commission.org.uk/our-work/directory-of-all-inquiries/local-bus-services-market-investigation/final-report-and-appendices-glossary>

24 <https://www.lgplus.com/archive/council-negotiates-end-to-darlington-bus-wars-08-02-1995/>

25 Department for Transport, BUS0203a

and the benefits for passengers this brings, as the market has consolidated and operators' core territories and likely response to competition have become clear.²⁶

Operators in London, where there is competition to run routes and the mayor collects the fares, run services on a lower profit margin than they do elsewhere in the country where markets are largely monopolies and operators collect fares (see Case Study 1). The Mayor of London is able to invest the money saved into the network.

Case study 1: Competition, revenue risk and profit margins in London

In London, operators cannot deter competition with a short burst of unsustainable lower fares and higher frequency services for passengers which quickly disappear when the challenger withdraws. Franchising means that operators compete with one another in the boardroom in advance of providing services across the length of a contract with Transport for London (TfL). When each contract ends, competition is reopened to multiple operators. Due to the scale of the market in London and the clear framework for operators to compete, the capital has the widest range of large bus operators of any city in the UK – other cities have more operators, but most are very small. It has attracted investment from around the world (one of the aims of deregulation was to encourage investment by the private sector into buses). Many of these firms are present in London but nowhere else in the country.

More effective competition for every route means that operators generate lower profit margins in London than they do elsewhere in the country. TfL takes on the revenue risk of running bus services by collecting the fares and paying operators a fixed fee. Operators have greater certainty about their returns over the course of the contract and accept a lower margin for lower risk. The introduction of franchising would let mayors elsewhere drive down profit margins to make more efficient use of fare revenues and public subsidy to procure a better bus service.

²⁶ https://webarchive.nationalarchives.gov.uk/20140403001219/http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2010/localbus/pdf/00_sections_1_15.pdf

Duplication has developed on the most profitable routes. In the limited areas where networks overlap and routes have an extremely high density of potential customers, such as Manchester’s Oxford Road, competition can be sustained. Passengers at bus stops value convenience, i.e. the first bus that turns up, so the focus of operators is to run as many services as possible on these routes to be the first bus.²⁷ It also brings down fares. But this can create ‘overbussing’, when the capacity and frequency of services exceeds that needed to satisfy demand so buses run emptier. It creates higher levels of traffic, greenhouse gas emissions and worse air quality. This duplication initially saw bus networks expand after deregulation but they have since declined, while in London the network has continued to grow.

Integrated transport has become more difficult. The main competitor for public transport should be the car because of the damage of congestion. But deregulation has left private bus operators in competition not just with cars but with one another and with other public transport modes. This reduces the efficiency of the public transport system because of duplication, and diminishes the quality of the public transport offer without integrated and co-ordinated marketing, ticketing, pricing, timetables and routes.

Metro mayors are responsible for improving local transport and already control some public transport services, for example local rail in Liverpool City Region, and light rail in the West Midlands and Greater Manchester. Integrating deregulated bus services into these networks when they have different incentives, organisational structures and finances is difficult.

Mayors and private bus operators are in competition for fares on the network, and this will only increase as light rail networks expand as planned and if rail devolution takes place.²⁸ The potential to use revenues from light rail to cross-subsidise buses and adapt bus routes to make greater use of new rail links, as London did at the launch of the Night Tube, is not possible under deregulation.²⁹

27 Competition Commission (2011) Local bus services market investigation

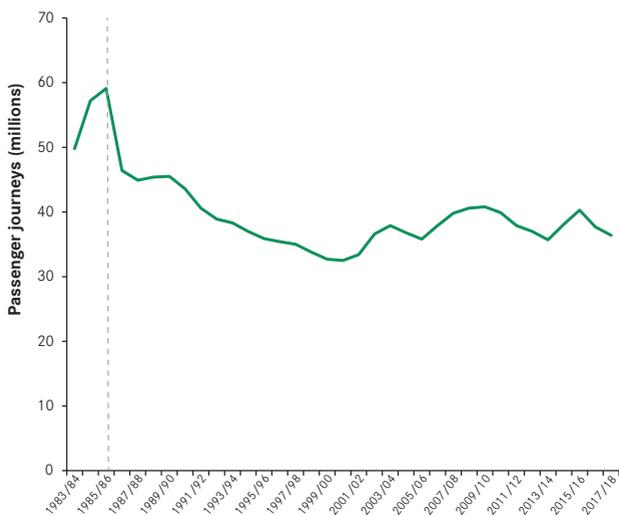
28 <https://news.tfgm.com/resources/gm-prospectus-for-rail>
<https://www.gov.uk/government/collections/the-williams-rail-review>

29 <https://tfl.gov.uk/info-for/media/press-releases/2016/august/tfl-introduces-new-friday-and-saturday-night-bus-services-to-night-tube>

Case study 2: Competition in Tyne and Wear

Ridership on the Tyne and Wear Metro dropped by 13 million – more than 27 per cent – in the first year of bus deregulation when bus operators competed with the light rail system, rather than complemented it. As a result, ever since, Tyne and Wear local authorities and national government have been paying twice – for higher subsidy to support the Metro and for higher levels of Bus Service Operators Grant, a fuel subsidy to support bus operators, to support competing services.

Figure 3: Tyne and Wear Metro ridership 1983-2018



Source: Department for Transport, LRT0101

Why don't cities do more to support local bus operators?

The problems caused by the deregulation of bus services are not limited to how they change the incentives and actions of bus operators. The incentives for cities to fix these problems, especially around increasing the monetary and time cost of car travel relative to bus travel, have also been weakened by deregulation.

Lack of control of bus services has led to less investment in bus priority schemes by cities despite growing congestion. More cars on the road have increased congestion. Every extra kilometre driven by car generates 17p of societal harm because of congestion.³⁰ Bus speeds have slowed by around 1 per cent per year for five decades – a 10 per cent increase in journey time is associated with a 10 per cent drop in passenger numbers.³¹

Because cities do not have control over bus services they have done less to address the problems of growing car-based congestion and falling bus ridership. Cities are only indirectly exposed to the decline in ridership and fare revenues this causes, reducing the incentive to insulate buses from congestion.

Cities have been reluctant to take major action to increase the costs of driving into congested areas – such as a congestion charge – without certainty about how bus services will respond. For example, a congestion charge for cars in Birmingham could significantly improve margins and revenues for bus operators without any requirement to improve services. Once bus priority schemes are introduced, cities have no leverage to encourage operators to invest gains back in the network, making the political case to the public for the initial action more difficult.

In London and Nottingham, local bus routes, fares, frequencies and quality are both set in order to maximise the quality of the overall public transport offer. The Mayor of London does this directly. In Nottingham the bus company that operates most local services is 86 per cent owned by the city but run at arms-length from the council.³² City leaders can be certain about how the operator will respond to policy changes because the board comprises councillors and other civic representatives.

30 <https://www.ifs.org.uk/publications/14407>

31 <https://greenerjourneys.com/publication/the-impact-of-congestion-on-bus-passengers/>

32 <https://www.nctx.co.uk/about-nct>

These are the only two large cities where this is the case, and also the only two cities that have introduced higher charges for cars, explicitly linking the charge to improvements to buses.³³ It is striking that these measures are available to leaders in all other big cities, but they have not been taken up.

Case study 3: How Nottingham has made ambitious policy moves to improve bus services

In Nottingham, if buses become caught in traffic and passengers switch to another mode or stop travelling, this has an immediate financial impact on the municipally-owned bus operator and therefore the local authority. Nottingham has some of the most advanced bus priority measures to maintain speeds and journey time reliability:

Charging car commuters. Nottingham is the only city to have introduced a Workplace Parking Levy – a £415 annual charge for each parking space on businesses (except retail) with more than 10 parking spaces. This encourages car commuters to use alternative means, reducing traffic levels that allow bus services to run more reliably and subsidises extra bus services.

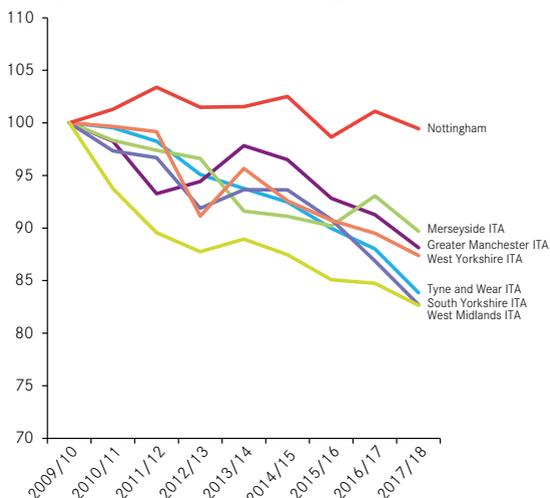
Bus lanes. In Nottingham the main routes into the city which become congested at peak times have bus lanes. On one route at rush hour, buses make up just 5 per cent of the traffic but 48 per cent of the people using the road.³⁴

The city's bus patronage has remained stable even as bus ridership has fallen elsewhere in the country (see Figure 4) and while it has expanded its tram network ridership. In other cities such as Greater Manchester, growth in tram ridership has reduced bus patronage.

33 House of Commons Library (2012) Roads: Workplace Parking Levy (WPL)

34 <https://www.transportnottingham.com/living-life-in-the-bus-lane/>

Figure 4: Change in bus passenger numbers in metropolitan areas and Nottingham



2009/10 = 100

Source: Department for Transport, BUS0109a

Lack of control and public accountability for bus services has led many cities to let funding fall. An efficient bus system that lets residents choose to minimise the use of their cars will require subsidy. Falling funding to local government has left supported bus services exposed to cuts in the face of decisions about whether to fund other vital services such as social care. Funding for supported services by local government outside of London has fallen by 43 per cent over the past decade, funding fewer services.³⁵ Greater Manchester and Liverpool City Region’s franchising proposals both include an increase in funding for services.³⁶

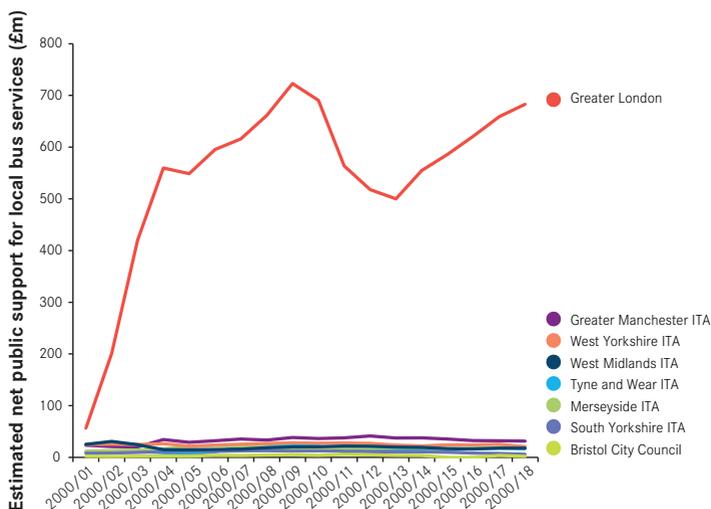
35 The Future of Bus Funding (2018) Campaign for Better Transport

36 https://issuu.com/greatermcr/docs/greater_manchester_proposed_bus_franchising_scheme
<http://moderngov.merseytravel.uk.net/documents/g4198/Public%20reports%20pack%2026th-Jul-2019%2013.00%20Liverpool%20City%20Region%20Combined%20Authority.pdf?T=10>

In London, the introduction of the Mayor of London with control and accountability for the buses in 2000 led to a dramatic increase in funding for the network (see Figure 5) that has supported the network’s growth and delivered the benefits of higher bus ridership. Despite austerity, this subsidy has remained high while it has fallen elsewhere, in part because the Mayor of London has complete control over what the subsidy is used for. This includes direct subsidies to adult fares and more extensive concessionary schemes than elsewhere in the country.

Higher subsidy has been used to support a fares freeze since 2016 of £1.50 for a single ticket (and extra journeys within an hour made free with a new Hopper fare) and £4.50 for a day ticket. A 10 per cent real-terms increase in fares is estimated to lead to an 8 per cent drop in journeys.³⁷ Since 1999, bus fares in the capital have grown by 40 per cent in real terms, fares in metropolitan areas by 71 per cent and in the rest of England by 50 per cent.³⁸

Figure 5: Estimated net public support for local bus services (£m)



Source: Department for Transport, BUS0505a

37 <https://www.gov.uk/government/publications/bus-elasticities-and-diversion-factors>

38 Inflation calculated using CPI. DfT BUS0405a

05

The Bus Services Act 2017

The Government introduced the Bus Services Act 2017 (BSA) in response to years of lobbying from cities about the challenges that deregulated bus services pose to improving bus services. As well as provisions on data and a tweak of Quality Partnerships (see Box 1) into Advanced Quality Partnerships, the BSA offers two new tools for cities to improve bus services:

- **Enhanced Partnership Schemes (EPS).** All cities can develop an EPS – a non-compulsory agreement between willing operators and cities. It extends what Quality Partnerships can cover (e.g. the colour of buses, frequencies on certain routes, multi-operator ticket pricing) and gives more flexibility on what counts as a contribution from cities (e.g. car parking charges and enforcement). If bus operators running 75 per cent of local bus services support an EPS, the scheme is compulsory for other bus operators. Cities also become the traffic commissioner, responsible for the registration of bus services.
- **Franchising.** Franchising gives metro mayors similar powers to the Mayor of London over buses. On-the-road competition is suspended. Mayors specify the bus service in a city – the routes, fares, frequencies and quality of bus services. This is based upon data from operators on ridership and profitability of the existing network. Operators bid to run services in return for a fixed fee paid by the mayor. Fares are set and collected by the mayor. Bus Service Operators Grant is devolved to mayors.

Box 2: Buses and the devolved administrations

- In **Northern Ireland**, the popular bus and train services are regulated and largely run by Translink, the publicly-owned transport company.³⁹
- **Scotland** has just passed the Transport (Scotland) Bill with even stronger powers to regulate bus services that will allow municipal bus companies.⁴⁰
- In **Wales**, the Welsh Government will introduce a Public Transport Bill with similar provisions this parliamentary term.⁴¹

39 <https://www.infrastructure-ni.gov.uk/articles/northern-ireland-transport-holding-company>

40 <https://www.parliament.scot/parliamentarybusiness/Bills/108683.aspx>

41 <https://gov.wales/written-statement-update-public-transport-wales-bill-and-wider-bus-reform-agenda>

How mayors are using the Bus Services Act

In the two years since the BSA was passed, metro mayors have responded to it in different ways.

City	Existing	Current plans
Greater Manchester	–	Consultation for franchising underway
Liverpool City Region	Bus Alliance	Preparing strategic business case for franchising – due to report
Cambridgeshire and Peterborough	–	Outline business case, no action until 2021
West of England	Voluntary partnership	No plans
West Midlands	Bus Alliance	Outline business case commissioned
Tees Valley	–	No plans
Sheffield City Region	Voluntary partnership	Review commissioned – due to report
North of Tyne	–	No franchising powers

The next section sets out at why every mayor should use the franchising powers of the Bus Services Act.

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How franchising enables mayors to deliver a high-quality bus service

Franchising offers the serious potential to address the problems set out in section four. It would increase the efficiency of every pound spent on transport in cities and help to deliver a better bus system for passengers, tax payers, operators and the environment.

Franchising gives metro mayors the powers to specify and regulate the bus network to achieve these outcomes that an EPS cannot:

1. City-wide, all-day, seven-days-a-week services, as part of an integrated transport system

	EPS	Franchising
Mayors can set the routes, frequencies and running hours of a stable bus network	NO	YES
		Franchising lets mayors set the route frequencies and running hours of the bus network to provide a more equitable and efficient network.
		Under an EPS, any incumbent operator running 25 per cent of regular service miles in the city can block a mayor's plans for its bus network or limit them. An EPS can only move 'at the speed of the slowest' large operator in its area.
	Agreements to control frequency to reduce 'overbussing' on busy routes in an EPS cannot stop new operators from adding services. In these circumstances, to control frequencies so that competition does not reduce the efficiency of the wider bus network, the corridor would need to be franchised. Nottingham's attempts to reduce the number of buses in the city centre creating congestion highlighted the limits of any partnership scheme in a deregulated environment. ⁴²	
	Operators can agree to reduce the frequency of timetable changes under an EPS, but decisions about changes to frequencies are still in the hands of operators.	
	EPS	Franchising
Mayors can integrate the bus network with other transport modes	NO	YES
		Under franchising, mayors who also control trams and local train services, such as in Greater Manchester and Liverpool City Region, have the financial incentive to set the network to avoid duplication, maximise efficiency and provide the strongest public transport 'offer'. Costs and revenues across different modes can be treated as one, enabling ticketing, timetables and the network to be designed to provide the most extensive possible network for passengers.
		An EPS allows for multi-modal ticketing, but the incentive to compete between routes rather than complement remains.
Mayors can create a common livery for buses	YES	YES
		But only possible under an EPS if operators agree.

42 <https://www.nottinghamcity.gov.uk/transportstrategies>

2. Affordable and simple fares across the network with clear information

	EPS	Franchising
Mayors can set fares	NO Only franchising lets metro mayors set fares. Under an EPS, operators and mayors can work together to decide how multi-operator tickets are priced. But this is ultimately dependent on operators.	YES
Mayors can subsidise all passenger fares	NO Mayors can use subsidy to reduce the fares of non-concessionary travel under franchising. An EPS does not allow cities to directly subsidise fares for all bus users. It can specify different concession entitlements, such as for apprenticeships.	YES
Mayors can specify the tickets available	NO Franchising puts the entire fare structure and ticketing arrangements under the control of the mayor. There is no 'multi-operator' / 'single operator' variety for passengers, increasing simplicity. Single fares across the city can be uniform so that passengers always know the cost of bus travel. An EPS allows for the creation of common fare zones if agreed to. But prices can only go as low as the fare agreed to by the highest-cost operator. Under an EPS there must always be a single-operator ticket price set independently by operators. The incentive remains for operators to price this relative to multi-operator tickets so that passengers avoid travelling on other operators' services.	YES

	EPS	Franchising
Mayors control the farebox revenue	NO Sixty per cent of total revenue for bus operators comes from commercial fares and the rest from public support. Under franchising mayors collect all of the commercial fares from across the city region, and take on the revenue risk. This integrates funding across the network and improves the incentives to mayors to reduce operating costs – such as by cutting overbussing and reducing congestion for buses – and drive up demand. Under an EPS, bus operators still control fare revenues.	YES
Mayors can use fare income from across the city to fund services elsewhere	NO Only franchising gives mayors control over fare income from across the city and different operator areas. Cross-subsidy can extend from one end of the city region to another.	YES
Mayors can create common payment system	YES But only possible under an EPS if the operators agree.	YES

3. Reliable and quick journeys at all times

	EPS	Franchising
Mayors can invest in bus priority measures	YES All cities today have the same powers to invest in bus priority and other actions to encourage modal shift from car to bus.	YES
Mayors benefit directly from bus priority	NO Because mayors also have control of the bus network, they can be certain about how services will respond to improvements. New bus lanes can be matched to higher-frequency services and lower fares. This sharpens the incentive to invest and derisks doing so.	YES Mayors with a franchised bus network benefit directly from bus priority measures through lower operating costs and higher revenues, increasing their incentive to invest in bus priority. Greater Manchester’s assessment highlights the lower value for money to the city of investing in bus priority outside of franchising. ⁴³ Under an EPS, the direct financial beneficiary of public investment is the incumbent private bus operator, not the city. An EPS provides a means for cities and operators to set out where their interests align and commit to improvements, but the incentives are weaker, less direct and the commitments less certain than under franchising.

43 https://issuu.com/greatermcr/docs/greater_manchester_proposed_bus_franchising_scheme

4. Clean and green bus service

	EPS	Franchising
Mayors can set the standards for bus vehicles, emissions, seating, design	NO	YES
		Franchising gives mayors full control over the standards of buses to run in the city. These can be as stringent as the mayor deems necessary to meet air quality or environmental goals. An EPS requires the agreement of the operators of 75 per cent of service kilometres in the area to set binding standards. If this threshold is met then all operators must adhere to these standards and the city can enforce them by controlling bus operator registrations as the traffic commissioner.
Mayors can hold bus companies to account for service provision	YES	YES
		Under both arrangements operators can be banned from an area if they fail to meet the standards agreed in advance. Emissions standards of buses in London are significantly higher than in other major cities. All double-decker buses in the city centre are now lower-emission hybrid vehicles. ⁴⁴ These standards are set by the mayor, rather than operators.
Mayors can engage with other operators to encourage efficiency and innovation	NO	YES
		Franchising allows cities to tender for the network they want, and multiple operators to bid. Operators can use their particular experiences from elsewhere to set out how they can bring innovation and new technology to improve bus services for mayors, such as running electric bus fleets or hydrogen fuel cell vehicles. London has attracted operators from around the world with different experiences and methods bidding for fixed-fee contracts.

44 <https://www.london.gov.uk/what-we-do/environment/pollution-and-air-quality/cleaner-buses>

What are the risks?

It is clear that these two frameworks are fundamentally different. Within the franchising model, the transfer of powers and revenues from a deregulated market back to a public body is complex and presents risks. The risks will become clearer as more mayors take up these powers. But through learning and exchange these risks should also be reduced.

Legal risks	EPS	Franchising
Are affected operators likely to challenge it?	YES	YES
	<p>Franchising will affect all existing operators, who might be incentivised to challenge proposals. The last time something akin to franchising was attempted in the North East in 2015, the proposal was successfully blocked by operators who faced losing control of the network and revenues.</p> <p>The hurdles that franchising proposals must overcome and the scope for challenge have been reduced in the Bus Services Act 2017. Bus operators must provide information on ridership and income on routes to cities to develop assessments, which are then signed off by an independent auditor. It is then up to the mayor, not the Secretary of State, to give the final go ahead. In the case of Greater Manchester, which has progressed furthest with its proposals, the mayor would have the full support of all the major parties in his ambitions to franchise its bus network.</p> <p>EPSs will also see conditions and quality standards enforced on smaller existing operators. The legislation is intended to protect smaller operators but high standards open cities up to legal challenge, unless they step in to fund improvements, which would increase the up-front cost and financial risk of an EPS. Under an EPS mayors will have legal obligations to deliver major bus priority schemes to improve bus reliability that may be hindered by financial, operational or political limitations.</p>	

Transition risk	EPS	Franchising
Will there be a big change on day one?	<p data-bbox="378 316 412 339">NO</p> <p data-bbox="378 352 865 376">Franchising offers two elements for change on day one.</p> <p data-bbox="378 400 891 517">1. Service changes. Bigger changes to timetables and routes are likely to bring bigger risks from either model. An EPS poses a lower level of transition risk for cities as the existing operators will have co-developed the changes to services.</p> <p data-bbox="378 544 883 616">Mayors may choose to limit these changes to reducing inefficiencies when first moving to a franchised model, as Greater Manchester has proposed in its assessment.</p> <p data-bbox="378 639 917 756">2. Operator changes. Risks will increase if tenders are won by non-incumbent operators. But London’s experience shows that there are bus operators from cities around the world willing and able to handle these transitions for staff, vehicles and depots.</p> <p data-bbox="378 783 878 852">Cities will need to be clear on how they will de-risk entry for new entrants – ensuring sites and planning support is available for new depots, for example, will be critical.</p>	<p data-bbox="658 316 725 339">MAYBE</p>

Political risk	EPS	Franchising
Will the public hold the mayor to account?	YES	YES
	<p>A franchised network and an EPS that includes a city-wide bus network, fare zones, and common livery will be nearly indistinguishable to the public. Voters will understandably have expectations that the mayor is in control of any bus network with the transport authority's name and logo on vehicles.</p> <p>In the West Midlands, under the existing Bus Alliance, all buses will be red with 'Transport for West Midlands' branding, to inspire a similar sense of local pride that London's red buses do in the capital. This change was announced by the mayor last year, as part of an announcement about an integrated transport network.⁴⁵</p>	
Will the mayor be able to intervene directly?	NO	YES
	<p>Only under franchising will the mayor have the full control of the bus network to intervene directly if service levels decline and fares start to increase rapidly.</p>	
Is the arrangement time limited?	YES	NO
	<p>Once the franchise system is introduced, it will continue until mayors choose to break it.</p> <p>An EPS is time limited. Once it ends, operators are not limited by the provisions it contains.</p>	
Financial risk	EPS	Franchising
Will the mayor be directly exposed to fluctuations in bus revenue?	NO	YES
	<p>Franchising opens mayors up to revenue risk – if fares income falls and operating costs rise, then mayors will have to plug the gap.</p> <p>Under an EPS, mayors are not directly exposed to declining finances.</p>	

45 <https://www.tfwm.org.uk/news/a-brand-for-the-west-midlands-tfwm-reveals-new-public-transport-identity/>

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Beyond bus franchising

The franchising process will enable mayors to improve the bus network for passengers through simpler fares, cross-subsidy from profit-making to loss-making routes and more efficient and integrated networks. And franchising the network incentivises mayors much more strongly towards taking the decisions that will improve the network.

To make franchising as successful as possible, mayors should also be clear that this will require:

- **Bus priority measures.** Bus lanes, priority at junctions, higher parking charges and other fees on driving are important in any congested city to improve accessibility for bus users and maximise the benefits buses under any regulatory framework. Greater Manchester highlights the increased ability to invest in bus priority.
- **Extra subsidy.** Bus services require ongoing subsidy in every city including London. All mayors will need to increase funding to improve their bus network and achieve the benefits that a high quality network will produce.
- **Co-ordination with neighbours.** Most bus markets spill over administrative boundaries. Residents of neighbourhoods that sit just outside the urban authority, such as in Reading or Nottingham, must be part of the bus network. And outlying towns

and rural areas rely on the cities they surround for hospitals, schools, employment and shops.⁴⁴ Franchised bus networks should avoid fragmentation along local boundaries that will limit access to opportunities for residents.

While bus operators call for these actions, in particular the first two, to take place without recourse to franchising, the pattern of where these pro-bus measures have been enacted indicates that the institutional and structural effects of deregulation limit their appeal to city leaders and mayors.

⁴⁴ <https://www.centreforcities.org/publication/talk-of-the-town/>

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What needs to change

Every metro mayor should take up bus franchising powers in the Bus Services Act. Franchising offers cities the clearest mechanism to increase modal share by bus and the benefits this brings. It will bring competition into bus markets that deregulation failed to spark, and provide the control and guiding hand that public utilities and natural monopolies require. And metro mayors with ‘skin in the game’, financially and reputationally through franchising, will be more active and interventionist to improve the vital transport, economic and social infrastructure that the bus network provides.

Enhanced Partnerships Schemes may improve bus services. But the appearance on the surface of a branded integrated bus or transport network without the fundamental institutional and financial rewiring of franchising will fail to resolve the issues deregulation caused, while opening city leaders up to expectations of accountability and improvements that it is not in their gift to deliver.

Government should provide £50 million for the short-term, up-front costs that the introduction of franchising will create. The Bus Services Act 2017 is an important piece of legislation that enables mayors more easily to take action to get the benefits that higher levels of bus use provide. But government should provide extra funding to help mayors take on these powers. £50 million for metro mayors is equal to £4.50 per person, the price of an adult all-day bus ticket in most metro mayor cities. This must be matched by continued clear public and institutional support for cities to introduce franchising, as the Prime Minister has done for Greater Manchester so far.

Government should allow all cities to introduce franchising without application to the Secretary of State. Currently, cities without a metro mayor face a complex process and rely on the agreement of the Secretary of State to introduce a bus franchising scheme. The risk of this approach is significantly higher and less achievable than for metro mayors. But all upper tier authorities should also get the automatic right to franchise. Not all may decide to introduce franchising, but the option should be there for those that wish to.

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