

A Fresh Start for the Urban Bus

***pteg's initial response
to the Government's bus policy review***

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Background

Our city regions are changing for the better. Their economies are in the process of transformation from heavy industry to new, knowledge-based economies.

The resurgence of the city regions is translating into growing congestion on key routes into revitalised city centres and new regeneration sites. But while the 'crane count' climbs in city centres, elsewhere our city regions are still home to some of the most deprived communities in the country – and the economic performance of wider regional economies continues to drag behind that of European counterparts and an overheating London and South East.

If the economies of our city regions are to grow in a way that is both equitable and sustainable then we need public transport networks that can grow and adapt to meet the needs of those city regions.

Both train and tram have an important role to play – but with 85% of public transport trips in PTE areas by bus, if we don't get bus services right then we won't get public transport right.

The bus systems we need

Our city centres are where jobs are growing fastest. If this growth isn't to be choked off by congestion then on the major corridors into city centres we need frequent, good quality, reliable and rapid services benefiting from extensive bus priority programmes.

However our city centres are not the only economic hotspots. New business parks are springing up on city peripheries or on the reclaimed sites of heavy industry. Retail, healthcare, further education and leisure facilities have also been consolidating and relocating – also often to fringe locations. These are easy to drive to, but not so easy to get to by bus networks that have failed to keep up with changing land-use patterns.

That matters in the battle against social exclusion. With the poorest most dependent on the bus, without safe, reliable and affordable bus services (which provide good access to new job opportunities as well as healthcare, education and other key services) then there is simply no way in which the Government's wider social exclusion objectives will be met.

All of which means we need more orbital services, more flexible demand-responsive services and better integration across networks.

The bus system we've got

At present bus service provision in our city regions, and everywhere else outside London and Northern Ireland, is 'de-regulated' and determined by the market. In essence bus companies can provide what service level they like, at what fare they like, with what vehicle they like.

PTEs are only allowed to fill in gaps in the network where there is no commercial service. In practice this means around 13% of current city region bus networks are supported by PTEs.

After twenty years of deregulation there are some rural areas and smaller, self-contained towns and cities where deregulation has been made to work. Often where there is a single operator and a single local authority working together in territory where the bus has a natural advantage. Typically these are prosperous 'cathedral' cities where car access is restricted by narrow city centre streets, central area parking is very limited and bus Park and Ride is the only alternative. However, in the country as a whole – and in the city regions in particular - bus deregulation has failed to prevent a collapse in bus use.

And patronage is not the only indicator heading in the wrong direction:

- in PTE areas fares have gone up by 86% in real terms since deregulation
- subsidy to the industry has increased from around £1 billion in 99/00 to well over £1.8 billion in 04/05
- around 15% of buses spot-checked by the Government's Vehicle Operator and Safety Agency are issued with prohibition notices

Other than the occasional outbreak of low quality competition on the very busiest corridors, bus provision in the city regions is now generally divided up between the 'big five' bus operators – who monopolise provision of services in their areas of control.

This has proved to be a profitable arrangement for the operators – who can continue to make a healthy return even though the market is contracting year-on-year.

Although PTEs cannot plan or regulate bus networks – they do still have an important role to play on bus. For example, in most cases the PTEs run or own the bus stations, and maintain bus stops and shelters.

Where PTEs have direct responsibilities for aspects of bus provision - they invest.

For example:

- about three quarters of PTE bus stations are either new or extensively modernised. The typical bus station in our areas is now bright, clean, safe and modern
- PTEs and their local authority partners invested £145 million in capital improvements to bus services last year – a level of spend an estimated five times greater than for local authorities in the rest of England

- PTEs spend more than £80 million a year supporting nearly 100 million kilometres of bus services that can't be run commercially. These are mainly 'lifeline' off-peak services or those extending the network to isolated rural communities or council estates.¹

PTEs also work in voluntary partnerships with operators on implementing new bus priority schemes and in providing information for passengers on fares and services.

All PTEs (in partnership with District Highway Authorities and operators) have major bus priority programmes.

These include:

- GMPTE's Quality Bus Corridor (QBC) programme which will deliver a 280 kilometre, 24 corridor, £80 million bus priority network that will improve the reliability and quality of the Greater Manchester bus network.
- West Yorkshire – home to one of Europe's largest operational guided bus initiatives, a high occupancy vehicle (HOV) scheme, and a 'public transport box' in Leeds city centre which has cut journey times on some routes by between 10 and 30%

However, despite the best efforts of the PTEs to make voluntary agreements work the reality is that the current system is giving us little more than 'managed decline'. And there's no reason to believe that this is going to change anytime soon. Car ownership is rising, services are still being cut back, fares are still rising and quality continues to be patchy.

Indeed a recent report by leading economists NERA predicts that in PTE areas over the next ten years – if current policies continue – then fares will rise by a further 20% in real terms, service levels will fall a further 20% and ridership will decline by 20%.

How do we get the bus systems we need?

PTEs believe that better public transport is far too important to the sustainable development of our city regions, and to the battle against social exclusion, to allow a policy of 'managed decline' to continue any longer.

City regions need to be able to ensure that bus networks serve the changing economic and social needs of the city regions. They need to ensure that the bus plays its full part within wider integrated public transport networks. And if we are seriously going to tackle traffic congestion, the quality of the alternatives must be a lot better if demand management is to be deliverable.

The best way of achieving this is to make the PTEs responsible for planning and regulating bus services through the franchising of bus networks. Under franchising the

¹ Figures include all English PTEs and SPT

PTE would set out the bus network it wants provided and the private sector bids for the contract to provide that network.

This is the system that is used to provide bus services in London; it's the system that the Government uses to provide rail services throughout Great Britain; it's the system that city regions across Europe use to provide their public transport networks.

You get what you pay for with franchising. Franchising is a means to an end – not an end in itself. The more money you put in the better the service you can buy.

In 1997/8 franchising gave London a comprehensive, fully integrated bus network, which was attracting more passengers for just £1 million a year. In 2006 London has a 'world leader' bus network, which costs over £500 million a year. The extra subsidy has bought, among other things, a fully accessible fleet of buses, fares reductions, better pay and conditions for staff and new routes.

PTEs are not expecting London's 'world leader' 2006 budget for franchising. However, London 1997/8 showed that you can get a much better bus network than the city regions have now for a fraction of the budget that PTEs currently devote to filling in gaps in the commercial network. One of the reasons for that is if a network is treated as an integrated network then the commercial services can cross-subsidise the unprofitable ones. Instead of all the profits made from the commercial network going to the operators to do with as they wish, some of that profit is used to cross-subsidise a wider network.

This is what the PTEs would use quality contracts to do and it's one reason why PTEs believe that a better bus network could be provided for broadly the same level of public subsidy.

At a minimum these networks would:

- be more stable – with less regular changes to fares, times and frequencies
- be more reliable than they are now because services would be monitored and good performance would be incentivised
- be better integrated: one brand, one network, one ticket, simpler fares. There would also be clear, reliable and comprehensive information at each bus stop, and increasingly on your phone and on your PC
- mean buses would connect rather than compete. Buses would operate as a single network, connecting with each other and with local tram and heavy rail networks
- mean dirty old buses would be sent to the scrapyards: contracts would require bus operators to provide newer, cleaner buses and to maintain them properly

If there were more money – be it from national government or from the city regions themselves - then quality contracts could be used to make a further step change

- more 'state of the art', low or no emission buses could be brought in
- fares could be simplified and be held at current levels – or even reduced
- the network could be made more accessible more quickly by making every bus low floor, with easy to access for wheelchair users
- new services could be added to help link people to vital destinations like jobs and hospitals
- more buses in rush hours to help reduce traffic congestion

All of which would help reduce car dependency, improve air quality and contribute to the quality of the urban environment.

What kind of franchising?

PTEs want franchising to be a genuine partnership between public and private sectors. As strategic transport planning bodies PTEs will want to ensure that:

- the network better meets today's needs. That means serving regeneration areas, and new healthcare, educational and shopping centres.
- buses are clean, safe and reliable
- that off-peak and lifeline services for rural areas and council estates are protected
- the service operates as a planned network – with common branding, attractive fares and tickets, good information and easy interchange between services. This ensures that bus services complement rather than compete with other modes, enabling both public and private investment to be made with greater certainty.

But that doesn't mean that we will necessarily want to specify every service, set every fare or that we have rigid ideas on precisely the network we need.

We have expertise to bring to the table – but so do bus operators. And we will want the operators' ideas on how to provide the best possible network for the best possible price. We want a genuine public private partnership and an operator that we can work with to improve networks and services over time. So that, for example, new services can be developed to help underpin growing economies, increase capacity to meet growing demand, or to ramp up the quality of the network as a whole if extra finance becomes available.

Quality contracts will be dynamic in nature. As patronage grows and new opportunities arise, the system can be developed to suit changing needs. The aim is provide a responsive system, but one in which users and potential users can have confidence and plan ahead.

Not easy but far from impossible

Bus franchising is not easy to introduce in the city regions.

It's hard to provide a level playing field between bidders for any franchise when the incumbent operator owns the garages, buses and employs the staff. But there are ways around this. The market consultation with prospective operators recently carried out by South Yorkshire and Nexus has shown that there are ideas that can be developed to meet these challenges.

The legislation (the 2000 Transport Act) and regulations that enable PTEs to bring in QCs also require some changes to make them fit for purpose.

- the Secretary of State's role in determining franchise applications needs to be removed. The future development of local bus networks is best determined locally. The Secretary of State's legal responsibilities for determining individual bus franchises is also currently restricting the Government's freedom of manoeuvre on bus policy
- franchises can currently run for a maximum five years. This is too short a time period for franchisees to make sensible and value-for-money judgements on investing in new vehicles, maintenance facilities, staff development and so on. Longer periods (7-10 years) would reduce the net cost of franchises and provide an incentive on operators to invest
- franchises can currently only be introduced if they can be demonstrated to be 'the only practicable way' to achieve a local bus strategy. This leaves the way open to operators to introduce improvements (which may prove to be temporary) to demonstrate that a proposed franchise is not the only practicable way to achieve a bus strategy. It also acts as an unnecessary barrier to local authorities who want to introduce 'hard edged' demand management policies, including local road pricing
- new rules to ease the transition between the current deregulated and the new franchised regimes. PTEs need to be able to plan the change with operators and PTEs working together to achieve a successful change, protecting passengers and workforces whilst allowing operators to redeploy resources in an efficient way
- PTEs will also need 'last resort' powers to keep bus services running should the franchise operator default on the contract

Bus franchising is currently opposed by some of the major operators who currently enjoy the benefits of weakly regulated monopolies in the city regions. Indeed there has been threats of legal action to try and prevent QCs, and some of the dominant operators in South Yorkshire and Nexus refused to take part in the recent market consultation process. However, although some of the large incumbent operators oppose QCs, there are many other operators – particularly those used to working within the more regulated environments in Europe and London - who are very interested in competing on merit to win the right to operate services in those parts of the country currently locked up by local monopolies.

In summary then:

- better local bus services are a pre-requisite for the equitable and sustainable regeneration of the city regions. Continuing with a policy of ‘managed decline’ of bus provision in the city regions will frustrate the achievement of both national and regional objectives for social, environmental and economic policies
- Local Transport Authorities are best placed to determine the appropriate transport strategy for their areas. Given that the bus accounts for 85% of public transport trips in the city regions - this must include the local bus network – including how it is organised and what can be afforded
- a franchising system for buses is tough to introduce in the city regions but ultimately offers the best guarantee of giving those city regions the bus networks they need

The Government's review of bus policy

The Government's bus policy review represents the best opportunity in twenty years for a fresh start for the bus in Britain's largest cities outside London.

We want to work with Government on changing the legislation to make it faster and easier for PTEs to introduce franchising of bus services.

We would also like to explore with Government the potential for transferring some of the duties of the Traffic Commissioners to local control. Much of the day-to-day work on monitoring the quality and reliability of local bus services would be more appropriately tackled by PTEs.