



Bus Services Bill - FAQs

Briefing

The Bus Services Bill is expected to cover franchising, partnership arrangements and open data

Q. How are buses provided now?

Bus services outside London were deregulated in 1986. Since then, there have been two systems of bus provision – one for London and one for the rest of Britain.

In London, Transport for London (TfL, which is accountable to the Mayor), specifies in detail what bus services are to be provided. TfL decides the routes, timetables and fares. The services themselves are operated by private companies through a competitive tendering process.

In the rest of the country, it's a free market meaning that anyone (subject to minimum safety and operating standards) can start up a bus service. In this environment, bus operators are free to run whatever services they like as well as decide the fares they will charge and the vehicles they will use. Although in theory, it is a competitive market, in reality, most bus services are provided by five large companies who rarely compete against each other (Arriva, First, Go-Ahead, National Express and Stagecoach).

Under this two-tier system, buses in London have thrived. Since 1986/87, patronage in London has doubled, mileage has increased by 74% and fare increases have been lower than in the city regions.

Q. Why is new legislation being proposed?

The Government has recognised that the existing powers that Local Transport Authorities have over bus services are not fit for purpose. In particular, the process by which Local Transport Authorities can franchise networks of bus services (in the same way that London does) is too convoluted, costly and difficult. As part of devolution deals (with Greater Manchester in the vanguard) many Combined Authorities have asked for new powers to franchise bus services which the Government has agreed to introduce in time for the first wave of elected Mayors to use from May 2017. These powers, and other provisions to improve bus services and transparency, will be available to all Mayoral Combined Authority areas and to other areas if the Secretary of State so decides.

Q. What does the Bus Services Bill propose?

The Bus Services Bill covers three main areas – franchising, partnership arrangements and open data.

- **Franchising:** the bill will replace the current procedure for franchising (known as Quality Contract Schemes in the existing legislation) with a new simpler process which aims to reduce cost, bureaucracy and ambiguity.
- **Partnership arrangements:** for areas where franchising is not being pursued, the bill extends the scope of Quality Partnership Schemes (which enable local authorities and bus operators to voluntarily enter into legally binding agreements) as well as introduces provisions for Enhanced Partnerships which can set out wider arrangements for service standards across a network.
- **Open data:** the bill requires greater transparency on operator data— including fares.



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**Franchising can
unlock a number
of benefits**

Q. What is wrong with the existing legislation on bus franchising?

The existing powers on franchising are within the 2008 Local Transport Act which contains provisions for local transport authorities outside London to introduce the franchising of bus networks ('Quality Contract Schemes') in their areas. The hurdles in the legislation include some ambiguous public interest tests, an independent board that assesses whether those public interest tests have been met, and a Tribunal for appeals. Only one transport authority (the North East Combined Authority - NECA) triggered the formal process. This ultimately led to a Quality Contract Scheme Board, which was of the opinion that NECA's proposal did not meet some of the public interest tests. A verdict that NECA vigorously disputes.

Q. Why do some areas want to introduce franchising?

The decision to franchise or not is best taken locally. However, franchising can unlock a number of benefits, including:

- Single, integrated local transport networks under one brand and one simple, smart Oyster-style ticketing system (which could ultimately cover a wide range of modes from bus to rail and from cycle hire to car clubs).
- The ability to cap and regulate fares and deliver good value concessionary schemes.
- Contractually guaranteed vehicle and service standards (e.g. on fleet age, emission levels, cleanliness and reliability).
- More locally accountability as bus networks are planned via elected representatives and properly consulted on.
- Better consumer rights.
- Better value for money for the taxpayer through more efficient use of subsidy and less leakage into excessive profit taking.

The ability to plan, develop and oversee bus services (the main form of public transport) is also key to wider moves to devolve powers to cities. All the major political parties want to see our major regional cities take on more devolved powers and responsibilities, so that they can coordinate economic, transport and environmental goals in a way that works, is accountable locally and that will deliver more prosperous, sustainable and liveable city regions.



Many public transport providers have experience of working in a franchised environment

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Q. Bus services in London require large subsidies so if the same system is introduced in other cities won't the cost to the taxpayer increase?

There are substantial subsidies already going into the deregulated bus network – including for concessionary fares, fuel and to support uncommercial services. By pooling these subsidies to buy a single integrated outcome, and reducing the leakage into excess profits for operators, better results can be achieved for every pound of taxpayers' support.

Franchising is a way of providing a service. The cost of the current London bus network is down to the outputs that have been specified in the franchise contracts and by local circumstances. These costs are not dictated by the use of franchising per se. No one is expecting, or planning to specify, the current requirements of London franchise contracts even if it were possible to reproduce the unique nature of the capital elsewhere. However it is true to say that bus franchising is a necessary condition for the bus service that London has. To put it at its simplest – without franchising there would not be the simple Oyster ticketing that London enjoys.

Q. What about areas that don't want to introduce franchising?

The Bus Services Bill will contain powers for local transport authorities throughout England to make improvements to bus services through enhanced partnerships with operators within the existing deregulated market.

It should always be for the Local Transport Authority to determine which legislative option is right for them.

Q. Why are bus operators so opposed to bus franchising?

Large incumbent operators can make very high returns out of their poorly regulated monopolies so their opposition to opening up these markets to fair competition through franchising is easily explained.

However, there are many public transport providers who are not part of the 'Big Five' but who have significant experience both in this country and abroad of providing public transport services in a franchised environment and who are positive about the opportunities that the Bus Services Bill could offer on franchising. They include RATP Dev, Abellio, Hackney Community Transport, Keolis and Tower Transit.

A fuller briefing on myths and facts about bus franchising can be found here <http://www.urbantransportgroup.org/resources/types/briefings/bus-regulation-myths-and-facts>

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Urban Transport Group Wellington House 40-50 Wellington Street Leeds LS1 2DE

T 0113 251 7204 E info@urbantransportgroup.org W www.urbantransportgroup.org