

# JONATHAN BRAY



## No more tinkering - we need ambition

Bus funding helps to achieve a multitude of policy objectives for government - but real reform is required, not more of the same

▶ Putting public money into the bus is one of the biggest bargains in transport policy - but despite this the bus has been one of the biggest losers from recent trends in transport spending. Urban Transport Group's new report, *The cross-sector benefits of backing the bus*, shows that supporting bus services aligns with 29 policy goals of 12 departments across Whitehall. And not just the departments you would expect.

Buses tick the boxes for the Department for International Trade because the British bus manufacturing industry has an impressive export track record. The bus meets the goals of the Department for Work and Pensions, such as providing access to opportunity. It ticks the boxes for the Department for Environment, Food and Rural Affairs because buses support rural economies. And the bus helps the Department of Health and Social Care as buses promote physical activity, give older and disabled people independence, and because they could play a greater role in a more efficient approach to non-emergency patient transport.

In short every pound that supports bus services cuts congestion as well as contributes to numerous wider social, economic and environment objectives. Without public support for bus services, labour markets will shrink and more people will be unable to participate in the economy. Skills and apprenticeships will be hit because of reduced access to further education. High street regeneration will be damaged through reduced access to town centres and there

will be increased pressure on congested road networks as some bus users transfer to the car. There will be public health impacts from more isolation and loneliness and less physical activity. The young will be hit hardest. A divided society will become more divided.

Highways England has more money than it can realistically spend on expanding inter-urban road capacity despite this approach failing overall in its own congestion cutting terms, instead creating more sprawl, carbon emissions and poor air quality. Yet, at the same time, all the main sources of national funding for bus have been cut back. The case for more bus funding is strong, but the way in which buses are funded at present is not helping.

Indeed the way buses are funded nationally is as antediluvian as the way many other aspects of the mode are overseen (such as safety and consumer rights). So the six main sources of funding for the bus are: Bus Service Operators Grant (BSOG) from DfT (which will be reviewed as part of the forthcoming spending review); funding for concessionary fares and, indirectly, for supported services, from MHCLG; one off funding grants for things like green buses from DfT; general DfT capital and revenue funding for local transport,

**“Buses are a very good thing funded in not a very good way”**

some of which is used for buses; and DfE funding which supports education transport.

Having three government departments involved (with arguably the MHCLG as important a player on bus funding as the DfT) is complicated enough but an absence of coordination across these funding departments, with little cumulative understanding of the overall implications of their respective decisions, has led to haphazard and inefficient outcomes. That would be bad enough, however some of the individual bus funding streams have been bent out of shape due to a combination of neglect and because other political priorities were seen as far more important.

Take BSOG as an example. There may once have been a logic in basing bus subsidy on fuel use but that was then and this is now. Now we are in an era where cities are scrambling to tackle poor air quality on extremely demanding timescales and when everyone everywhere with any sense is desperately seeking to reduce carbon emissions.

Or take the funding of national statutory concessionary travel schemes. The link between government funding for these schemes has now been severed from the cost to local transport authorities of paying for it. What was a ring-fenced funding stream from government for a scheme that the government decided it wanted, has now been lost within wider local government funding. So we have economists arguing about what it costs operators to provide concessionary travel (right down to wear and tear on tyres) in different areas in one room and different economists in another room arguing about how the costs of providing it should be factored into local government funding formula serving different areas, arguing about something called ‘rurality’. There is no door between these two rooms.

And finally, all of this is compounded by the fact that subsidy streams are seen by operators (most of which are part of wider multi-modal and multi-national corporations) as contributing to overall income, which in turn contributes to their expectations on margins. One of the innumerable downsides of bus deregulation is that making the case for more bus funding is challenging as the Treasury can see that subsidies are disappearing into black box accounts of companies which often make a good return out of local monopolies. So why should they give them any more money

# “Supporting bus services aligns with 29 policy goals of 12 departments across Whitehall”

when we don't know where it's going? The best counter argument is that despite these leakages it's still worthwhile, given the exceptional overall value for money of bus funding and that there are ways of limiting that leakage.

So hopefully so far I have shown that the case for more bus funding is very strong and that the bus has not been getting its fair share of overall transport funding. But at the same time the way buses are funded is too complex, too inefficient and lacks credibility.

This is why as well as making the case for more resources UTG have also made the case for funding reform via a new 'Connectivity Fund' which would provide a simplified, enhanced and ring-fenced revenue stream for buses. We argue that it should be devolved to local transport authorities so it can be best targeted on where it would have most impact locally.

So there is no point providing additional subsidies for real time information if local government has already paid for it (something

which the last set of BSOG reforms did, for example, creating a windfall for some operators in the process). Equally in a rural area it may be more supported services you want rather than electric buses, but vice versa in a polluted urban area. It is hard to make these trade-offs from Whitehall unless you want to create an expensive and bureaucratic system to second guess what would work best locally. Instead, we argue for a bigger pot (one commensurate with the scale of benefits that backing the bus can bring) and one that can be used in ways which work most efficiently and effectively locally.

We will see how comprehensive a review of BSOG we get in the spending review this time around. Given wider Brexit turmoil it's possible that it won't be that comprehensive. However, there's a danger it starts off the same way as the last two BSOG reviews (which largely fizzled out). Firstly, by trying to get more for less (or the same amount of money) which risks operators responding to the de facto reduction in income through service reductions and fares rises. Secondly that a national system based on either payment by passenger or payment by mile is proposed. In the past these options have crashed and burned because of the eventual realisation that either way you get significant winners and losers. Broadly speaking urban areas win on per passenger and rural areas win on per mile. Whoever loses causes a political fuss. Both also have unintended consequences. For example, what are the implications of further encouraging bus operators to carry more concessionary passengers if BSOG becomes a per passenger incentive?

Buses are a very good thing, funded in not a very good way. The mood music in Whitehall has been far better about protecting of bus funding than it was last time BSOG was scrutinised. But with the bus in decline and punch drunk from previous funding cuts, now is the time for something more ambitious than tinkering and holding the line. ■

## The bus contributes to the policy objectives of 12 out of 25 Ministerial Departments...

## 29 policy objectives supported by the bus across Government, delivering for...

Find out more in our March 2019 report 'The Cross-Sector Benefits of the Bus' available from: <http://www.urbantransportgroup.org/>

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