Consultation Response

Health of the bus market

Transport Select Committee

October 2018

Jonathan Bray

Urban Transport Group
Wellington House
40-50 Wellington Street
Leeds – LS1 2DE
0113 251 7445
info@urbantransportgroup.org

Content

1. Introduction

1.1. The Urban Transport Group (UTG) represents the seven largest city region strategic transport bodies in England, which, between them, serve over twenty million people in Greater Manchester (Transport for Greater Manchester), London (Transport for London), the Liverpool City Region (Merseytravel), Tyne and Wear (Nexus), the Sheffield City Region (South Yorkshire Passenger Transport Executive), the West Midlands (Transport for West Midlands) and West Yorkshire (West Yorkshire Combined Authority).

2. Response

Theme one: The effectiveness and ambition of the Department for Transport's policies on buses

2.1. The bus is the main form of public transport (particularly outside London and the South East) with over 80% of all public transport trips in Metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, the West Midlands and West Yorkshire) made by bus - around one billion journeys annually and around half of all the bus trips made nationally every year outside London. Around 50% of all bus trips are made in London with 2.24 billion trips a year[1].

2.2. Buses deliver multiple and overlapping economic, transport, social and health benefits. In Metropolitan areas alone, bus networks are estimated to generate over £2.5 billion in economic benefits by providing access to opportunities; reducing pollution and thereby improving air quality; reducing accidents; and improving productivity.

2.3. The relatively low cost and flexibility of bus services makes the bus a key weapon in the battle against traffic congestion which costs urban economies at least £11 billion a year. Just one double decker bus can take 75 cars off the road. A new generation of cleaner, greener buses is a further boost to the environmental credentials of the bus.

2.4. Better bus services are central to promoting social inclusion and keeping people connected to opportunity - especially the quarter of all households (and half of those on the lowest incomes) without access to a car.

2.5. The importance of the bus is not however reflected (both now and in recent decades) in the weight the mode has been given in national policy making and in investment decisions (nor in national media coverage) especially when compared with rail.

2.6. Whilst local bus services are best planned and delivered locally (given the very local nature of bus services and the wide diversity of local markets) it is national Government that is responsible for the legislative and funding framework. Overall the attitude of successive Governments could best be characterised by policies which have, in effect, sought to manage decline with the exception of a period of attempted 'shock therapy' when services were entirely deregulated outside of London in 1985. Despite the clear failure of this policy to arrest decline (whilst at the same time concentrating market power in the industry into what has become an oligopoly) it has taken more than thirty years to bring in legislation which would give some transport authorities a more workable route to local reform of the bus market in the form of the 2017 Bus Services Act. Meanwhile decline continues and is

---

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666759/annual-bus-statistics-year-ending-march-2017.pdf

particularly pronounced in the largest city regions outside London where bus patronage has declined by 12.7% since 2008/09[2].

2.7.   In terms of what the ambition of the DfT should be in the future, and what measures would be effective in achieving this, we explore these issues in more detail below. However we believe that the central objective should be to provide a legislative and funding framework whereby local transport authorities can ensure that high quality and affordable bus services play their full part in giving people the opportunity to access work, education, healthcare, social and leisure opportunities - whether they have access to a car or not. The key policies that would support this objective are reform of bus funding and ensuring the legislative framework gives transport authorities the full range of tools they need to plan and deliver bus services in line with local circumstances and aspirations.

2.8.   This is particularly important at a time when many urban areas are obligated to meet demanding air quality standards. Buses can also make a crucial contribution to achieving those targets but only if those bus fleets are low emission. National policies on bus need to provide a framework where local transport authorities can make this happen.

Theme two: Factors affecting bus use, including the reliability of the bus service, congestion and the ways bus companies are dealing with congestion, and the effectiveness of bus priority measures

2.9.   There are a wide range of factors which are contributing to the overall decline in bus use in the largest urban areas outside London of which the reliability of bus services is one.

2.10. With our members we are currently conducting a research programme into these factors however our summary views so far on the key factors are set out below.

2.11. **The availability and pricing of other modes and the pricing of bus services.** The last decade has seen a strengthening in the relative position of alternatives to the bus and a weakening of the bus offer as service levels are reduced and fares rise. As well as growing **car use** and changing patterns of land use and development which are car-based, in recent decades we now have car leasing models and national fiscal policies for motoring which can make car use relatively inexpensive. For example, cars can be financed for as little as £150 a month, often on the basis of 0% finance. This can be exacerbated by the easy availability of free or cheap parking. More recently we have seen the rapid growth in the availability of low cost **private hire vehicles** (PHVs) sometimes charging fares which are less than the cost of providing the service as new entrants seek to establish a monopoly position. For example, in the West Midlands, there has been a 45% increase in PHVs since 2015[3] and, with such low fares, PHVs look cost effective compared to the bus, especially if two or more people are traveling together. The last decade in particular has also been characterised by strong growth in the use of expanding **regional and urban rail services** as well as urban light rail networks which provide rapid access to urban centres in a way in which vehicles (including buses) on parallel roads can't match. As the alternatives to bus use have strengthened the bus offer has weakened. Although there are single operator period tickets which can provide good value for money overall bus fares have been rising faster than inflation and multi-

---

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666759/annual-bus-statistics-year-ending-march-2017.pdf
[3] http://www.urbantransportgroup.org/system/files/general-docs/UTG%20Taxis%20Report_FINALforweb.pdf

operator and single tickets can be relatively expensive. Overall fare structures can also be complex, confusing and off putting. In Metropolitan Areas, fares have increased on average by 80% between 2005 and 2017[4]. At the same time as bus services have become more expensive, service levels have also fallen. Vehicle miles provided by local bus services has fallen by 16% between 2006/07 and 2016/17 in Metropolitan areas[5].

2.12. **Social attitudes and social change**. In general young people are moving away from car use and car ownership as well as towards urban living. However this does not necessarily mean that young people are moving to the bus as active travel (walking and cycling) and the use of PHVs becomes more popular. That the bus is failing to attract young people in these circumstances is particularly concerning and is one reason why despite financial constraints, many of our members support concessionary schemes for young people. A recent simple, consistent and flat fares scheme for young people in Merseyside has proved particularly effective and is a major factor in why Merseyside has recently bucked the wider trend of year-on-year decline. Meanwhile the growing cohort of older people (in particularly older women) are moving towards car ownership and away from the bus (hence a decline in take up of the National Concessionary Travel Scheme in many places). The shift towards sharing and personalised provision of services (reflected in the on-going explosion in PHV use) is also unfavourable to conventional bus services. Although by no means a general rule, in some areas and for some social groups the bus can be seen as a stigmatised mode which is only for the poor, the young and the old. There are also issues around the unique nature of the bus as a social space in terms of interactions with the driver and fellow passengers which can reinforce a dislike of the mode among certain individuals and social groups (for examples those who struggle with anxiety).

2.13. The exception to the rule on the long term decline of the bus in the largest urban areas is London which as the only place that can fund, plan and manage its bus services as an integrated whole and has thus been able to ensure a strong bus offer through simple ticketing and an extensive and high quality network. Cleary there are other factors at play in London (such as the costs and difficulties of travelling by car in central and inner London). It is also the case that in recent years that growth has plateaued in London for various reasons (including disruptions on the highways network and in line with wider softening of demand for public transport in London). However it is still true that London has high levels of bus use per head, has seen strong growth over a long time period and that the cost per trip of supporting bus services in London has been relatively low. It is also clearly the case that regulation of its bus network has been a **necessary condition** of this success.

2.14. The **reliability of bus services** is also important to the attractiveness of bus services especially if that enables the bus to provide journey times and reliability that is attractive relative to other modes (in particular the car). This is why our members have invested heavily in bus priority schemes including in Manchester where as part of a wider £122m package to improve bus priority, motorists are now prohibited from accessing Oxford Road[6] and in Gateshead, £26 million was invested to construct a dedicated busway in the early 2000s[7],

---

[4]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666759/annual-bus-statistics-year-ending-march-2017.pdf
[5] Ibid

[6] https://www.intelligenttransport.com/transport-articles/17689/greater-manchesters-bus-priority-package/

[7] http://news.bbc.co.uk/1/hi/uk/1070419.stm

helping upwards of 1,500 passengers per hour to avoid key congestion hotspots. In addition, as UTG we initiated what became a joint project (with CPT and others) to gather and articulate the evidence base for bus priority in 2014[8].

2.15. However we are concerned that the incumbent bus operators, and organisations they fund, are seeking to establish that congestion, and lack of bus priority, is by far the most important factor in the collective failure of their operations to increase ridership. And there is a consequent danger that focusing too exclusively on bus priority leads to a distorted debate given that, as we have demonstrated, there are many other factors at play. Indeed if congestion is always of such over-riding importance then why is ridership declining in areas where congestion is rarely present? For example in rural areas, many towns and in the off peak in most of the UK.

2.16. There is also the context that overall space for vehicles is being reduced in city centres in order to create more space for people to create attractive environments where people want to visit, live, work and invest in. There is also increasing competition for dedicated space for the remaining road space between different modes (and their attendant lobby groups) including from cyclists and the logistics companies that deliver essential urban goods and services. There is therefore the need for a more rounded debate about how to make best use of available road space including the role that digital technologies can play in allocating that space in more targeted ways as oppose to too narrow a focus on white painted lines on road surfaces (important as that is and can still be).

2.17. Finally, an immediate and practical measure which would assist in improving bus reliability would be to fully implement traffic management legislation which is now fourteen years old. This would remove the burden from the police of enforcing moving traffic offences which at present they are not resourced to undertake in practice and devolve these powers instead to local transport authorities in the way which has already proved so effective in London. The simple act of enforcing yellow box junction offences for example would be a very cost effective way of improving both road safety and the reliability and length of journey times for bus passengers.

2.18. To summarise, in our work so far into the factors behind bus patronage decline, we have identified three factors which appear to be present (either singularly or in multiple) in the areas of the country where bus use is either relatively high and/or where it is increasing.

2.19. These are:

- Where using a car is either expensive, difficult or both;
- Where car ownership is low and there is a culture of bus use; and
- Where a relatively high degree of consistent research and development has been applied to matching the product to the particular local market.

2.20. The third factor perhaps explains why bus services can perform well in areas which would not at first glance appear to be promising. For example in Jersey (where bus patronage has increased by 38% since 2012[9]) or in the relatively wealthy areas on the route 36 corridor from North Yorkshire into Leeds (which boasts customer satisfaction figures of 95%[10]).

---

[8] http://www.urbantransportgroup.org/media-centre/press-releases/case-bus-priority-goes-gear
[9] http://www.urbantransportgroup.org/system/files/general-docs/Presentation%20by%20Jersey.pdf
[10] https://www.busandcoachbuyer.com/transdev-harrogate-redefines-36/

2.21. Unfortunately we believe that the overall levels of research and commercial development capacity in the bus industry are relatively limited so this third factor is not being addressed as frequently as it should be.

Theme three: The provision of services to isolated communities in rural and urban areas, and the reliance of particular communities and groups of people on bus services

2.22. Although we are the Urban Transport Group, the city regions we represent can also contain significant rural elements (indeed South Yorkshire is more rural than urban in terms of square miles). Isolated communities (both urban and rural) are particularly vulnerable to losing their bus services in part or in entirety as commercial bus services are withdrawn by operators and as cuts to revenue funding to local authorities means they are not able to subsidise services in the absence of a commercial service. There is also no statutory requirement on local authorities to support bus services (although there is a requirement to fund the national concessionary travel scheme).

2.23. There is a clear case for funding reform for bus services to help address this which we pick up in our response to theme four.

2.24. There is also the potential for better pooling of transport budgets and vehicle fleets, which are currently separately provided for public transport, non-emergency patient transport services, social services and education transport, through 'Total Transport' initiatives. One of the main obstacles this so far has been a lack of meaningful engagement from the NHS in relation to non-emergency patient transport despite what can be the very poor quality and inefficient service as the current 'Painful Journeys' campaign by Age UK demonstrates. In a joint report with the Community Transport Association which we published in 2017 we made the case that through pooling and coordination across the public sector, a better overall service could be provided and could save the NHS up to £74.5 million a year[11].

Theme four: The viability and long-term sustainability of bus services, including the effectiveness of funding, fare structures and public grants;

2.25. The way in which bus services are currently funded is complex and unfit for purpose. In addition the total funding available both does not reflect the high return on public support that bus services provide, the scale of the crisis in the sector and is also effectively being reduced. Without the reform of bus funding, and the enhancement of the available funding, then there is no reason why current trends in the decline in bus services will not continue. This in turn will result in long term costs to the public sector as more individuals and communities become more isolated. These costs include the provision of specialist and expensive transport services to fill the gaps (such as those for education and healthcare); the costs of treating ill health (both mental and physical) that are associated with isolation (researchers estimate the cost of loneliness to be about £6,000 per person[12]); and the cost of supporting workless households as people are unable to access jobs or the education and training which would help them into work.

---

[11] http://www.urbantransportgroup.org/system/files/general-docs/UTG%20CTA%20Total%20Transport%20Report%20FINAL_0.pdf
[12] https://www.independent.co.uk/life-style/loneliness-uk-cost-6000-per-person-study-lse-elderly-old-age-a7961146.html

2.26. The main forms of public funding for bus services at present are:

- Bus Service Operating Grant (BSOG) which is a rebate on fuel duty and which currently totals £252 million across England in 2016/17;

- Grants to operators from local transport authorities across England to cover the costs of the National Concessionary Travel Scheme which currently totals around £1 billion (although note that in principle this is supposed to pay only for the costs to operators of carrying older and disabled people for free)[13];

- Support for socially necessary services by local transport authorities (which currently totals around £924 million across England[14]); and

- In addition there are various ad hoc competitive grant schemes from government such as for green buses. There is also considerable funding for education and other specialist transport services which often utilises buses but which sits outside the mainstream bus funding framework. It is estimated that up to £1bn was spent by local authorities on home to school transport in 2015/16[15].

2.27. Of these funding flows only BSOG provides a general source of support for bus services. By way of comparison with the support for other transport modes, the total cost to the Treasury of the suspension of the fuel duty escalator between 2011 and today is approximately £46 billion[16]. The total annual support for passenger rail services is around £4 billion and the cost of HS2 is now calculated at £56bn. We back the need for both HS2 and revenue support for rail services however there is still clearly a mismatch between the funding made available to bus and that for other modes. It is also worth highlighting that BSOG is likely to be reviewed as part of the probable 2019 Spending Review and that it took a concerted campaign to preserve the budget for BSOG during the previous Spending Review. Meanwhile support for socially necessary services (i.e. the ones that operators do not want to provide commercially) is also falling, with a 13.8% reduction in funding since 2015/16, as local government revenue funding is reduced by central Government. This in turn is leading to a contraction in networks with 290 bus routes reduced or withdrawn in England during 2017/18, and a 38% reduction in supported bus mileage in Metropolitan areas since 2010/11.Commercial operators have not been replacing this mileage, with commercial mileage reducing 7.5% over the same period.

2.28. In a series of reports in the last five years we have made the case for a new ring-fenced and enhanced 'connectivity fund' which would absorb the current funding streams for bus but be significantly enhanced. It would be devolved to local transport authorities as they are best placed to determine how it can be deployed most effectively (for example in an urban area it might be that ultra low emission vehicles are the priority whereas in rural areas the priority might be more services to isolated communities). At the same time it must be ring-fenced to bus (otherwise it risks being lost into wider local government funding which increasingly has to be spent on statutory duties) as well as being significantly enhanced.

---

[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666759/annual-bus-statistics-year-ending-march-2017.pdf

[14] Ibid

[15] http://adcs.org.uk/funding/article/home-to-school-transport-survey-of-local-authority-spend-2015-16

[16] https://greenerjourneys.com/wp-content/uploads/2018/06/THE-UNINTENDED-CONSEQUENCES-OF-FREEZING-FUEL-DUTY-JUNE-2018.pdf

Theme five: Regulations affecting the provision of bus services and the adequacy of guidance to operators and local authorities.

2.29. There are further changes that could be made to the 2017 Bus Services Act which would enhance its utility and the chances of it being frequently used to improve bus services in a way which its predecessors (the 2000 and 2008 Acts) were not. These changes are principally:

- To give all local transport authorities automatic access to the process for franchising bus services (rather than just Mayoral Combined Authorities);

- To ensure the process for franchising and the more advanced formats for voluntary agreements remain fair and rigorous but at the same time remove opportunities for obstruction and gaming of these processes by incumbent monopolies; and

- To remove the barriers to municipal operation of bus services.

2.30. There is a need to ensure there is adequate funding and regulations to implement the open data provisions in the Bus Services Act if passengers, authorities and relevant regulatory bodies are to be able to have an accurate picture of bus fares and performance.

2.31. In addition (and on the basis of the rest of this submission) the other measures that local transport authorities need on bus are:

- For the Department to set an overarching goal for their role on bus whose ambitions are based on policies that have a realistic chance of achieving those ambitions;

- To reform bus funding on the basis of greater simplicity, local decision making on its prioritisation and significant overall enhancement (see para 2.25);

- A legal and regulatory framework which provides transport authorities with the full range of tools including further changes to the 2017 Bus Services Act (see para 2.29) and the full implementation of the Traffic Management Act 2004 (see para 2.17);

- For the government as a whole (in particular the Department of Health and the NHS) to get behind more long term and comprehensive 'Total Transport' schemes (see para 2.24); and

- To reform taxi and PHV legislation in a way which as well as meeting many other public policy goals (for example on public safety) would allow local transport authorities to prevent the flooding of areas with artificially cheap PHVs which cause congestion and undermine public transport.