

A fair deal for bus users



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Seizing the opportunities for Britain

Every day, buses carry millions of people to work, to shops and to education and training. Buses help older people to be part of their communities, as volunteers or carers. Furthermore, buses are a cost-effective way to reduce road congestion and cut pollution and carbon emissions. As a result, public investment in bus services represents very high value for money.

Buses are by the far the most popular form of public transport. In 2013/14, there were more than three times as many bus journeys as rail journeys.¹

However, buses are something of a “Cinderella service” in transport policy. They have been one of the biggest losers when tough decisions have been made on transport funding. In real terms, the overall funding level for bus networks outside London is around £500 million lower than it was in 2010/11.²

This briefing sets out the contributions that buses make to the UK’s economic prosperity and way of life. It then summarises the various forms of public support to bus services and passengers and describes the impacts on service of cuts to local government spending. There is a discussion of grant funding from central Government, particularly the Bus Service Operators Grant (BSOG) and the ways in which it provides the taxpayer with good value for money. The paper concludes with a discussion of the likely economic and social consequences of any further reduction in grant funding, and suggests a way forward.

Buses are the lifeblood of the UK economy

Britain has a valuable opportunity to harness the potential of the bus, to deliver lasting prosperity for the benefit of the whole country, help the job market to work better, and make our economy stronger.

Delivering prosperity for all of the UK

Bus users make 1.4 billion shopping trips per year and spend an estimated £27 billion on retail goods.³ More people access the High Street by bus than any other transport mode.⁴

Getting Britain's people to work

Every day, almost 2.5 million people all over Britain travel to work by bus, and a million more use the bus as a vital back up.⁵ Every year, those bus commuters create more than £64 billion worth of goods and services.⁶

Helping Britain to work better

Buses have a vital part to play in reducing traffic congestion in urban areas, which costs the UK at least £11 billion a year.⁷ Better transport network performance will reduce the costs associated with delays and help to improve productivity.

Making greener growth

The best used bus services in urban centres are reducing carbon emissions from road transport by up to 75 per cent. Moreover, if drivers switched just one car journey a month to bus or coach instead, this would result in one billion fewer car journeys and a saving of 2 million tonnes of CO².⁸

Buses are part of the fabric of UK society

Buses enable people, young and old, in all parts of the UK, to take a fuller part in the life of their communities. Families up and down the country benefit from the bus.

Connecting people with the life of Britain

In new research, eight in ten regular users said that bus is an essential part of British life, connecting them with British institutions such as the pub and sporting events, in addition to the theatre and shops.⁹

Fostering strong communities

Two thirds of regular passengers believed that buses create strong community ties.¹⁰

Connecting families and friends

More than half of bus users surveyed said that the bus is crucial to them for family life, and nearly three in five said that the bus is vital to them for their social life, and for attending events.

Giving Britain's people a better quality of life

Seven out of ten bus users said that the bus is important for their quality of life and half said their lives wouldn't be as rich without the bus.

Funding for local bus services

There are various grants and subsidies in the bus industry. The three main areas of public support for passengers are summarised below:

- The Bus Services Operators Grant (BSOG) [see below], which effectively subsidises bus travel for everyone because nearly all bus services benefit from it.
- National concessionary travel schemes, under which operators are reimbursed for providing older and disabled passengers with unlimited, off-peak free bus travel. These schemes are administered by local authorities.
- Local authority subsidies for 'socially necessary' bus routes: services that are not provided commercially by bus companies. They serve communities, often in rural or suburban areas where there is no alternative route. They may also provide services in evenings and at weekends when otherwise services would not operate. Local authorities also fund capital improvements to bus services, like bus interchanges and bus priority schemes, as well as providing revenue support for services like travel information and bus station staff.

Cuts in funding for local authorities

Successive Governments have made significant cuts to funding for local authorities. In England, the National Audit Office (NAO) estimated that there was a 37% real-terms reduction in central government funding to English local authorities between 2010/11 and 2014/15. In Scotland, there was an 8.5% real-terms reduction in local authority funding from the Scottish Government to Scottish local authorities between 2010/11 and 2013/14. The Welsh Local Government Association (WLGA) has estimated that real terms funding for local government in Wales fell by 6% in real terms between 2009/10 and 2014-15.¹¹

The impact of cuts in funding

Local authorities have had to decide where those spending cuts or savings must be made across the whole range of their services. Research carried out by the Campaign for Better Transport shows that since 2010, local authority funding for bus services has been cut by 15 per cent (£44million). The impacts of the cuts include the following:

- Half of English local authorities reduced funding for bus services in 2014/15
- In 2014/15, nearly 500 bus services were cut, altered or withdrawn, bringing the total to over 2,000 routes since 2010
- 22 local authorities have cut over 10 per cent from their bus funding in 2014/15.
- Seven local authorities now don't spend anything on supported bus services
- The overall reduction in Wales in 2014/15 is over £900,000 with 86 bus services having been cut, altered or withdrawn in 2014/15
- A number of authorities are consulting on further major funding reductions in future years.

This is no time to make further cuts in subsidies and grants for local bus services. Eight out of ten bus passengers know someone who completely depends on the bus.¹³ Nearly nine in ten unemployed 18-24 year olds have no access to a car and rely strongly on buses.¹⁴ More than half of students rely on the bus and if they could no longer take the bus to their education or training 12% would be forced to miss sessions, and 6% would have to look for another course.¹⁵

Grant funding from Central Government

Central Government provides grant funding for local bus services through a number of sources.

The most significant is the Bus Service Operators Grant (BSOG), which aims to help operators keep their fares lower and service levels higher than otherwise would be possible. There are also ad hoc capital grant funding schemes, such as the former Green Bus Fund, which helped bus companies and local authorities in England to buy new low carbon buses.

BSOG is a grant paid by the Department for Transport (DfT) to all operators in England of eligible local bus services and community transport organisations, regardless of the type of service they run. Operators are reimbursed for some of the excise duty paid on the fuel consumed by running their service. All eligible bus operators receive BSOG though there are some variations in the level of rebate – for example, in Better Bus Areas. BSOG is also paid directly to local authorities for services that they support. Similar schemes operate in Scotland and in Wales, albeit with important differences in the way in which the grant is paid.

Changes to BSOG

Under the 2010 Spending Review, the Coalition Government announced a 20 per cent reduction in BSOG from 2012/13 onwards, with further reductions in local authority budgets leading to a 25 to 30 per cent reduction in the budget for tendered bus services.

The Government argued subsequently that the impact of the change in BSOG would be relatively modest, including a 1% reduction in services and 1% increase in fares.¹⁶ There is however limited evidence of what the actual impact of the reduction has been.

Value for money

In 2012, the DfT announced a programme of changes to BSOG, which following consultation, led to the first stage of reforms. These included: devolution of BSOG on local authority supported services; devolution of BSOG for services in London; devolution of BSOG for 'in-house' community transport; changes to the eligibility rules; and introduction of Better Bus Areas.

In August 2014, the DfT started a consultation on the second stage of BSOG reform and, in particular, alternatives to BSOG for commercially run services.

In October 2014, Greener Journeys, working with KPMG LLP, assessed the value for money provided by the current operating model. The analysis followed the DfT's core guidance on economic appraisal.

The key findings¹⁷ were as follows:

- BSOG delivers high value for money. Each **£1** spent on BSOG generates between **£2.50** and **£3.50** in benefits
- Most of the benefits go directly to bus passengers in the form of lower fares and better bus services
- Other road users benefit from improvements in transport networks
- BSOG is good for the wider economy. People can travel to work more easily. Those who are eligible for concessionary travel are more able to take part in voluntary work
- There are also health and well-being benefits arising from more active lifestyles.

What happens next?

A compelling case can be made for moving away from payment linked to fuel use and the DfT has contended that BSOG is poorly linked to environmental objectives. The Government is currently considering the second stage of BSOG reform. The debate has thrown up a range of plausible solutions.

These include: continuing to pay BSOG directly to operators for commercial services but potentially changing how it is calculated, to devolving BSOG to local authorities so that they can target it to meet local circumstances and local priorities; and establishing a "connectivity fund", to bring together existing bus funding with a top-up from other Government departments into a ring-fenced pot for local government to support bus services.

The challenge for any reforms to bus funding is to improve the way in which funds are allocated, delivering better outcomes, and avoid unintended or perverse consequences.

The consequences of further cuts to funding for local bus services are clear. Current trends in reduced services, higher fares and resulting falls in patronage are sure to continue. For example, it has been estimated that the loss of BSOG now would result in a **3% rise in fares and a 7% drop in service levels**, leading to fewer bus passengers and more private car journeys. The impacts on the UK economy would be serious:

- High street retailers all over the country will suffer as a result of reduced access to town and city centres
- People will find it harder to get to work, and labour markets will shrink, especially in outlying areas
- There will be greater pressure on congested road networks as some bus users use cars instead of the bus. As a result, businesses will face higher costs and major employment and retail centres will be harder to access
- Increased pollution and carbon emissions, exacerbating the problems already experienced in many urban areas

Moreover, many people will be less able to take a full part in the life of Britain. According to our new research, bus passengers believe that parts of their lives would be less fulfilled without access to bus services.¹⁸

- Half said they would attend fewer events if they didn't have the bus
- Two in five (**41%**) said they would spend less time with family. Nearly half (47%) said they would spend less time with friends, **55%** among the under 25's

- Many said they would go to restaurants and cafes (**43%**) and pubs (**37%**) less often without the bus

In the short term, the current level of BSOG funding should therefore be maintained, at least until the complex issues around the best way to reform bus funding have been resolved.

A way forward

We must avoid triggering a crisis in bus services, with all the negative impacts on Britain's economy and society that would result.

The total sum of grant funding from Central Government to the bus market must be kept at its current level.

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