Bus Franchising

Introduction

Buses account for most public transport journeys by far. In 2013/14, there were more than three times as many bus journeys as rail journeys. Every day, almost 2.5 million people all over Britain travel to work by bus. Bus users make 1.4 billion shopping trips per year and spend an estimated £27 billion on retail goods. Across Great Britain, 30% of people are frequent bus users (defined as using the bus at least once a week) – a quarter of men and a third of women. Over half of 16-19 year olds and over a third of 20-29 year olds are frequent bus users.

The current situation

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 (accountable to the Mayor) specifies what bus services are to be provided. TfL decides the routes, timetables and fares. The services themselves are operated under contract 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 operate bus services. Bus operators are free to run whatever services they like, the fares they will charge and the vehicles they will use. This results in an uncoordinated network with a confusing array of ticketing options. Although in theory it is a competitive market, in reality most bus services are now provided by five large companies who rarely compete against each other (Arriva, First, Go-Ahead, National Express and Stagecoach). Operators focus on the most profitable journeys, with local transport authorities having to pay operators to run journeys and some routes that are socially necessary.

Under this two-tier system, buses in London have thrived. Since 1986/87, patronage in London has doubled (up 99%), mileage has increased by 75% and fare increases have been lower than the city regions. But outside London, bus patronage is declining. This is despite a great deal of partnership working between transport authorities and bus operators, particularly in the large city-regions, backed up by substantial public support in both revenue (concessionary
reimbursement, bus service operator grant and support for socially necessary services) as well as capital measures, such as bus lanes, interchanges, infrastructure and in some cases, fleet.

What does franchising offer?

Under bus franchising, the deregulated bus market is suspended and bus operators are only able to provide services under contract to the local transport authority. This approach is used extensively across Europe, in London and elsewhere as it offers a range of significant advantages that are impossible under partnership – such as integrated ticketing, network planning, cross subsidy across bus services and other modes and unified marketing. In short, franchising brings together the strengths of private operators in efficient service delivery but within a co-ordinated and planned public transport network. Whilst it may not be suitable for all areas, it is a mechanism that allows the sensible co-ordination of bus services within a competitive market that drives operators to deliver better value for the public purse.

From the passenger perspective, franchising enables:

- Simple, unified and integrated ticketing and product set under one brand (which competition law prevents in a deregulated environment)
- Single identity for bus services and potentially other public transport modes, which is easy to understand for new users
- Unified, easy to use network of integrated public transport services
- Consistent standards of service, including vehicle, driver and customer care standards
- One accountable body, integrated real time information and a single point of contact for customers

From transport authority perspective, franchising provides for:

- Greater levels of connectivity, where more effective cross-subsidy allows the development of a comprehensive network, and allows closer integration with other modes such as trams and heavy rail, enabling more people to better access employment, education, training, retail, leisure and other opportunities.
- A more attractive network is easier to use and to market to new customers and visitors, encouraging patronage growth which in turn can help drive healthy revenues.
- And in turn help reduce car dependency, emissions and highway congestion as more people make use of an integrated public transport network and active travel modes (cycling and walking)
- Enables existing resources and subsidies to be pooled efficiently, driving better value from the high levels of public support and reducing leakage into excess operator profits.

From operator perspective, franchising offers:
• A growing, stable and enduring market for operators
• The freedom to focus on service delivery, making sure buses run reliably and punctually, enhancing customer care and delivering on contractually guaranteed service standards – such as cleanliness, reliability and safety and security.

\[^3\] Bus Regulation FAQs, PTEG, November 2014  [http://www.pteg.net/resources/types/briefings/bus-regulation-faqs](http://www.pteg.net/resources/types/briefings/bus-regulation-faqs)