

BRIEFING

The need for funding reform for bus services in the COVID-19 recovery period

The Urban Transport Group represents England's largest transport authorities which between them serve more than 20 million people in London (TfL), West Midlands (TfWM), West Yorkshire (WYCA), South Yorkshire (SYPTe), Tyne and Wear (Nexus), Greater Manchester (TfGM) and the Liverpool City Region (Merseytravel).

Summary

The bus is providing an essential service during the Covid-19 crisis. As the lockdown is eased, we need new funding arrangements in place which:

- cover the additional costs of providing a socially distanced service;
- are simpler and more legally robust;
- ensure better value for public money; and
- allow local bus networks to be managed locally so that local needs are met and bus services are part of single integrated public transport networks.

How were buses funded during the lockdown?

At present, the bus industry is being even more heavily supported than usual by the public purse, because its revenue from fares has been decimated by the collapse in patronage.

As a result, the DfT introduced emergency additional funding for the industry.

Firstly, national Government agreed to continue to pay bus operators the same amount of fuel duty rebate (known as the Bus Service Operator Grant or BSOG) as they did prior to the crisis - even though the services actually being provided were clearly much lower. They also asked local transport authorities to continue to reimburse operators for concessionary fares, for supported (non-commercial) bus services and for devolved BSOG at pre-Covid-19 rates on the same basis (i.e. to also pay for services that weren't being provided).



Later the Government supplemented these arrangements by providing an additional Coronavirus Bus Services Support Grant (CBSSG) for those services that operators are still providing.

There is also a yet to be finalised system for clawing back any overpayments.

The combination of these measures means that the vast majority of bus operator income currently comes from national and local government. In return for this, the operators are expected to meet conditions that national and local government set such as providing a network which meets the needs of key workers). Although in practice the ability for Local Transport Authorities to use conditions to ensure that networks do provide the services that local communities need is limited.

Why is a new funding format for buses required for the recovery period?

The key reasons why this initial complicated funding system needs to change as we move to the recovery phase are:

- Using public money to pay for services that are not being provided can only be justified as a short term emergency measure and not when there is a viable and more legally robust alternative where public funding is used to buy the service that is actually being provided.
- In seeking to ensure that services meet local needs, the current arrangements leave local transport authorities with only the nuclear option of withholding funding – which in turn would impact on the level of bus service provision on the ground.
- Demand for bus travel during the lockdown phase was consistently low and so was the service level. Demand and service levels are likely to vary much more unpredictably during the recovery period in different places at different times making the system impractical to administer effectively whilst guaranteeing that public money is not wasted.
- With capacity restricted, it would make economic sense for operators to seek to increase fares and there is nothing in the current funding arrangements that would legally prevent this from happening.
- Local authority finances are under increasing strain and subject to a host of pressing priorities. There is no guarantee that they will be able to continue to prioritise paying bus operators for services that are not being provided (including concessionary fare payments for passengers that are not travelling).
- The complex and inefficient way in which buses have been financially supported since Covid-19 is part of a bigger picture where each mode of



public transport has been treated in isolation, with each funded in a completely different way and on different timescales. National rail operators, for example, had all of their costs covered as part of a funding support package on the day the lockdown was announced. Weeks later, a completely different system followed for buses. Meanwhile, trams and light rail systems had to wait seven weeks for a partial funding support package. It makes no sense to continue this fragmented and uncoordinated approach when the limited capacity of heavily social-distanced public transport networks needs to be planned as a whole during the recovery period. This is clearly best done by city regions themselves, informed by what is needed locally, rather than remotely from Whitehall.

- Locking out transport authorities from being able to determine how their own transport networks are planned, in favour of remote control from Whitehall, goes against wider Government commitments to allow the city regions to write their own recovery plans.

What is UTG's funding proposal for the recovery period?

As part of a wider funding support package for transport authorities, our proposal is that national Government funding for bus services should be routed to transport authorities (in the form of a new Bus Service Recovery Grant). This funding would be used by authorities to contract for a network of services that best meets the needs of their areas, which is safe for staff and passengers and forms part of a wider coordinated public transport service.

Service contracts would be awarded directly (through minor amendments to the current legislation on the tendering of services) to existing operators in practically all cases. Service timetables would then be agreed between operators and local authorities and would be adjusted regularly in response to changing demand for bus travel during the recovery phase.

All the fares income from bus services would come to the Local Transport Authority with the new Bus Services Recovery Grant used to close the remaining gap between the cost of providing services and the income from fares.

This system would:

- Put bus funding on a sound legal footing and restore value for public money.
- Provide bus operators with security of funding for the recovery period.
- Ensure that bus services can respond flexibly and rapidly to changing local patterns of demand and service need during a period when public transport capacity as a whole is severely constrained due to social distancing.
- Provide a sound basis for the transition to the post-Covid-19 phase.



- End the bureaucracy and potential wasted public money from the unproven national system of clawback of any overpayment that is inherent in the current funding system.

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