

**Building a world-class bus system for Britain**



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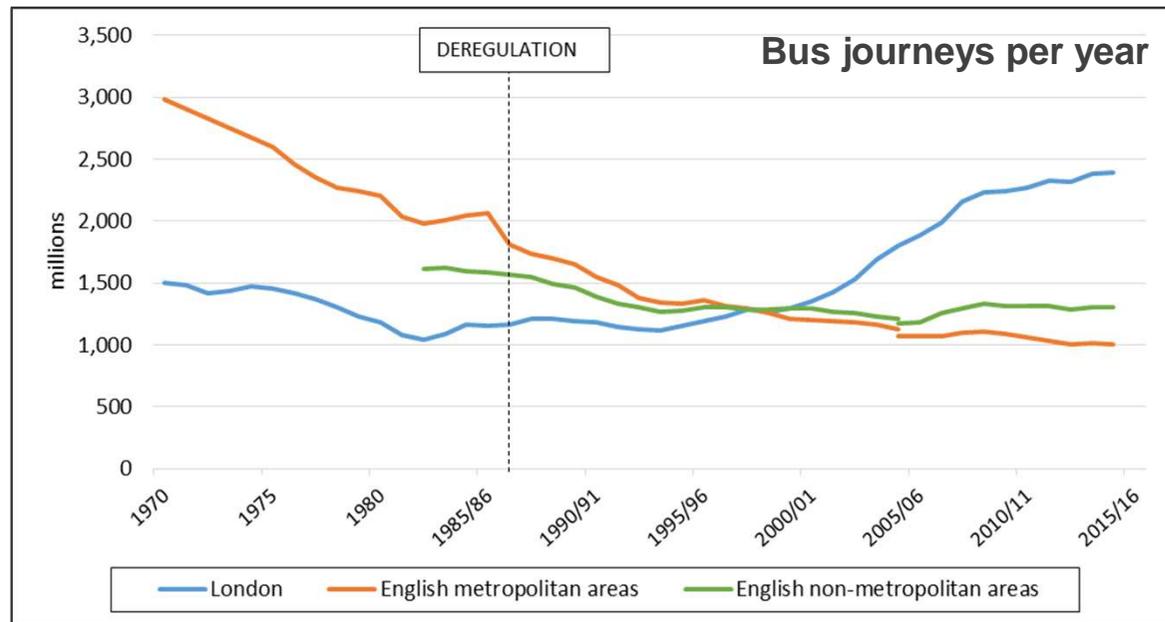


# Purpose of this project

- To consider from a 'bus user' and 'public interest' perspective what a world-class bus system would look like
- To explore to what extent such a system can (or cannot) be delivered within the current regulatory structure
- To make recommendations for reform of governance and funding arrangements for buses, to set the foundation on which a world-class bus system could be built

# Key long-term statistical trends

Deregulation was *supposed* to lead to better bus services and more patronage – but this didn't happen

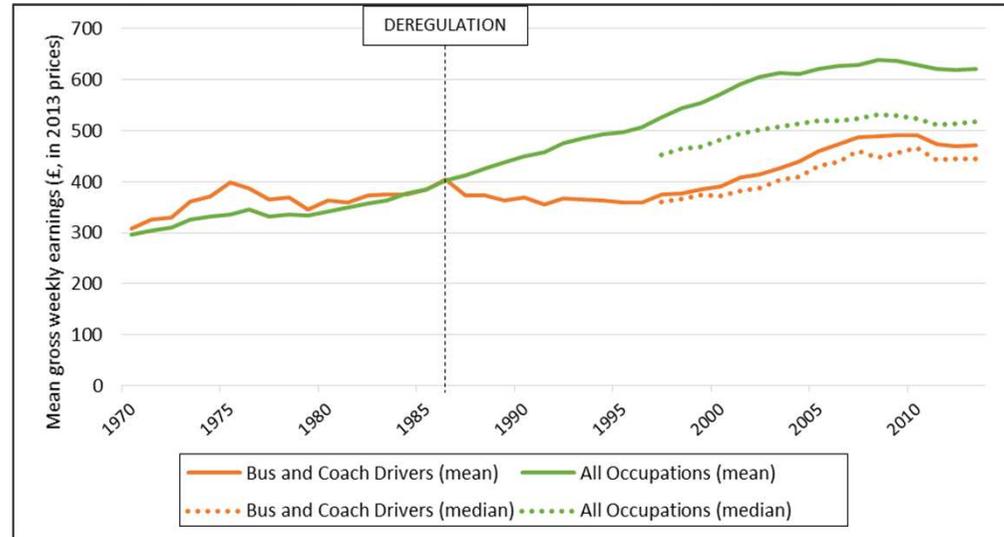


- Patronage halved in met areas (~2 bn trips p.a. pre-deregulation; ~1 bn now).
- In London (which remained regulated) patronage doubled (~1 bn to >2 bn trips).
- Different trends *cannot* be explained solely by funding: in 15 years after deregulation, public funding for buses fell further in London than in met areas, but patronage rose in London (+17%) and fell in met areas (-42%)

# Key long-term statistical trends

Pay and working conditions worsened

Average weekly wages for bus drivers (constant prices)



- Before deregulation, bus drivers' wages matched the average for all occupations.
- In decade after deregulation, average wages for all occupations rose 25% (in real terms), while bus drivers' wages fell by 11%. Bus drivers' wages then started to rise, but the gap did not close.

# Deregulation: reality failed to meet the promise

## The promise:

*“Without the dead hand of restrictive regulation fares could be reduced now on many bus routes and the operator would still make a profit. New and better services would be provided. More people would travel.”*

(1984 Buses White Paper)

## The reality:

- **Fares went up**
  - real-terms doubling in all areas
- **Services worsened**
  - short-term: older buses, unstable network, fewer off-peak services, ‘over-bussing’ on main corridors
  - long-term: retrenchment to only offering services on a core network
- **Fewer people travelled**

# Essential attributes of a world-class bus system

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## A world-class passenger experience

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1. A comprehensive bus network, where you want, when you want
  2. Simple area-wide fares, valid across all local services (buses, trams and trains)
  3. Coordination of timetables and services between buses, and with other modes
  4. Bus services that run quickly and on time
  5. A stable network from one year to the next
  6. Easy-to-find, comprehensive information
  7. Affordable fares, competitive with driving
  8. Efficient passenger-friendly staff
  9. Good quality vehicles and waiting facilities
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# Essential attributes of a world-class bus system

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## Cost-effective use of public money

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- 10. Efficient and accountable use of public money that supports bus services
- 11. Free bus travel for older and young people without undue additional expense
- 12. All road passenger transport funded and governed together

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## Buses part of a city's or region's strategic vision

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- 13. Bus network purposely designed to achieve maximum public benefit
  - 14. One-area-one-network-one-brand
  - 15. Regeneration and development centred on enhancement of the public transport network
  - 16. Policies to grow bus use supported by policies to reduce car use
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# How far does Bus Services Bill allow ‘essential attributes’ to be achieved?

	Total de-regulation	Advanced Quality Partnership	Bus Franchising	Municipal Operation
<b>A world-class passenger experience</b>				
1. A comprehensive bus network, where you want, when you want	■	■	■	■
2. Simple area-wide fares, valid across all local services (buses, trams and trains)	■	■	■	■
3. Coordination of timetables and services between buses, and with other modes	■	■	■	■
4. Bus services that run quickly and on time	■	■	■	■
5. A stable network from one year to the next	■	■	■	■
6. Easy-to-find, comprehensive information	■	■	■	■
7. Affordable fares, competitive with driving	■	■	■	■
8. Efficient passenger-friendly staff	■	■	■	■
9. Good quality vehicles and waiting facilities	■	■	■	■

Key: ■ Fully achievable ■ Partly achievable ■ Not achievable



# How far does Bus Services Bill enable ‘essential attributes’ to be achieved?

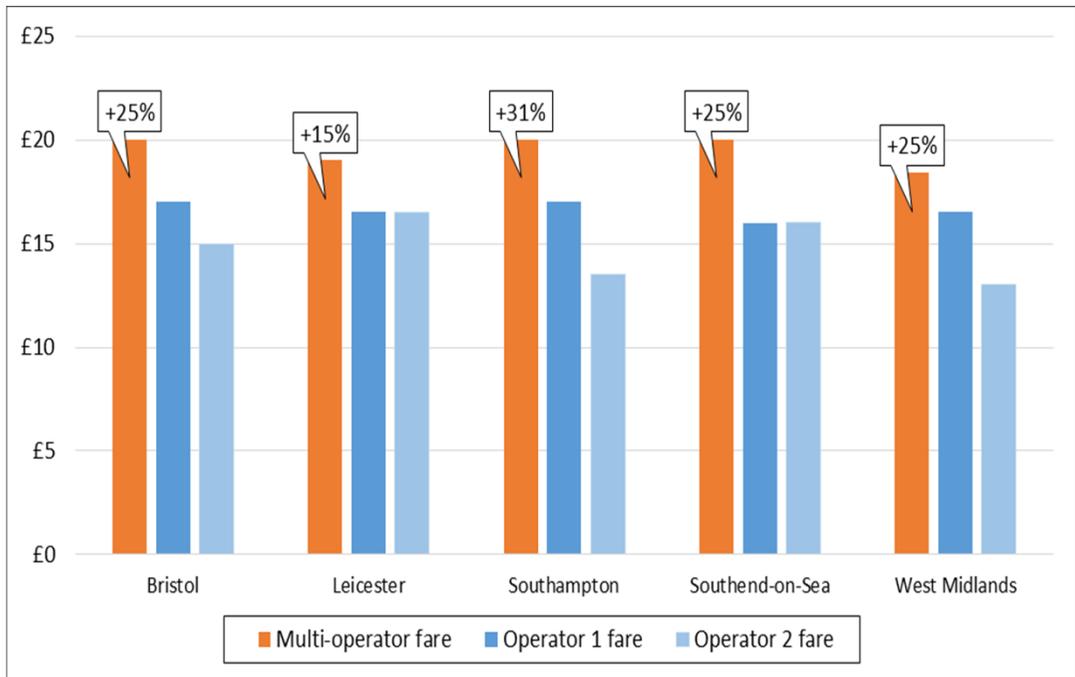
	Total de-regulation	Advanced Quality Partnership	Bus Franchising	Municipal Operation
<b>Cost-effective use of public money</b>				
10. Efficient and accountable use of public money that supports bus services	■	■	■	■
11. Free bus travel for older and young people without undue additional expense	■	■	■	■
12. All road passenger transport funded and governed together	■	■	■	■
<b>Buses part of a city’s or region’s strategic vision</b>				
13. Bus network purposely designed to achieve maximum public benefit	■	■	■	■
14. One-area-one-network-one-brand	■	■	■	■
15. Regeneration and development centred on enhancement of the public transport network	■	■	■	■
16. Policies to grow bus use supported by policies to reduce car use	■	■	■	■

Key: ■ Fully achievable ■ Partly achievable ■ Not achievable



# Attribute 2: 'Simple area-wide fares, valid across all local services'

- Deregulation: ■
- Advanced Quality Partnerships ■
- Franchising ■
- Municipal operation ■



**Excess cost of multi-operator 1-week ticket for bus travel in five areas with multi-operator ticketing agreements**

Data extracted from bus operator and local authority websites, August 2015. Operator 1= largest operator; Operator 2= next-largest operator.



## Attribute 1: 'Comprehensive network'

Deregulation: ■

Advanced Quality Partnerships ■

Franchising ■

Municipal operation ■

*"Our buses have been cut so much, it is no longer possible to get to our district town by bus. What happens if you need to get to the council offices, particularly if you are disabled or elderly? Currently we have to go out of the county, and change three times - a trek which would take all day, yet the two towns (the two largest in the district) are only five miles apart!"* [CBT survey]

## Attribute 15: 'Regeneration and development centred on public transport'

Deregulation: ■

Advanced Quality Partnerships ■

Franchising ■

Municipal operation ■

*"[There is a] big problem [with] planning. If you ... want to link new ... employment sites with where people live, and you're considering a light rail system... you want the buses to integrate with that and connect up. You can't do that very easily in a deregulated environment because you can't tell the operators where to put services. And if you want a service they are not providing, you pay extra."* [Expert interviewee]

## Summary:

Number of essential attributes of a world-class system that can be achieved under different governance regimes

	Total deregulation	Advanced Quality Partnership	Bus Franchising	Municipal Operation
Fully achievable	-	2	7	15
Partly achievable	3	5	9	1
Not achievable	13	9	-	-

# Deregulation does benefit owners of bus companies

	<b>Operating profit (%)</b>	<b>Dividends (%)</b>	<b>Operating profit (£m)</b>	<b>Dividends (£m)</b>
<b>London</b>	3.8%	3.9%	59	60
<b>English metropolitan areas</b>	8.4%	7.7%	110	100
<b>All other areas</b>	6.3%	5.7%	128	117
<b>Average / Total for GB</b>	<b>6.1%</b>	<b>5.7%</b>	<b>297</b>	<b>277</b>

10-yr annual averages; percentages of total turnover; all other areas = non-metropolitan areas of England, plus Scotland & Wales; 2013/14 prices.



# What financial gains could municipalisation create?

	Annual gain (cost) in Britain excl. London (£million)
<b>FINANCIAL GAINS FROM MUNICIPAL OPERATION</b>	
Retention of excess profit	217
Unified network design / simplified ticketing	168
Efficiencies in provision of currently tendered services	118
Lower profit leakage on reinstated services	3
<b>TOTAL GAINS</b>	<b>506</b>
<b>RESTORATION OF FUNDING CUTS</b>	
Cuts to local authority support for buses since 2010	(76)
Cuts to BSOG since 2010	(113)

Savings from municipal operation ~£500m p.a.

Savings from franchising ~£340m p.a.

# Municipal bus operation is normal in Europe

- Municipal companies are the dominant public transport providers in most German and Austrian cities.
- In Germany, 88% of local public transport trips (bus, tram, local train) are on services provided by publicly-owned operators. Private operators are mostly small, and account for only 7% of trips.
- Vienna shows municipal operation delivers high service quality, high cost-efficiency, and strong basis for network expansion:



## Bus services in Vienna

- Most services operated by Wiener Linien, a subsidiary of Wiener Stadtwerke, which is wholly owned by the City of Vienna
- Some suburban bus services (one-third of total bus-seat km) subcontracted by Wiener Linien to private operators
- Wiener Linien provides the 'guiding mind'
- Substantial expansion and improvement since 1990s: new vehicles, longer hours of operation

Photo: Wiener Linien; Johannes Zinner, August 2015

# There is a move away from franchising towards municipal bus operation in France

- In France, most bus services are provided under ‘whole-area’ franchises. Market is dominated by Transdev and Keolis, who operate two-thirds of all urban bus networks outside Paris.
- But there is a trend towards remunicipalisation:
  - Since 2003, 25 cities / Départements have switched to direct management of their buses, or set up a publicly-owned company (Société Publique Locale, SPL) to operate their buses.
  - Main reason is to cut costs while maintaining services. Trend is seen equally in left- and right-wing administrations – not an ideological choice:

*“Their choice is actually guided by a quest for both economic and technical performance of the network”* [Secretary General of AGIR]
  - Early evidence suggests expected cost-savings have been realised e.g. Saumur (pop 61,000) has reduced costs by 15% whilst maintaining services.

# Recommendations for governance reform (1)

## Duties on local authorities

Devolution of powers should come with responsibilities –

- Local transport authorities should be given **statutory duties** to improve bus services and increase local bus use

### Implications for the Bus Services Bill:

Should be amended to specify that all local transport authorities have duties to improve bus services and increase local bus use

# Recommendations for governance reform (2)

## Franchising powers

Benefits of franchising should not be just for urban areas with mayors –

- **All** local transport authorities should be given powers to re-regulate buses, and
- **National government** should take on the legal burden to establish franchising as the default option, by embedding it in primary legislation and, if necessary, making the legal case at national level

### Implications for the Bus Services Bill:

Should be amended to specify that **all** local transport authorities, rural areas included, have access to franchising powers without preconditions

## Recommendations for governance reform (3)

### Achieving franchising without a 'race-to-the-bottom'

- Legislation for franchising should specify that local authorities must set **minimum staff terms and conditions** to be met by all operators
- **Statutory joint industrial councils** should be established for each franchised area and nationally to set staff pay, conditions and pensions
- Legislation should be explicit that staff pay, conditions and pension rights transfer between companies when they take over bus franchises

### Implications for the Bus Services Bill:

Should be amended to specify franchising authorities must require all operators to meet minimum pay and t&c's set by joint industrial councils

Should be tightened so that employment protection is not ministerial whim

# Recommendations for governance reform (4)

## Creating a new generation of municipal operators

- Legislation should allow local transport authorities to create **new municipally-owned bus operators**, to emulate international examples of good quality cost-efficient service provision
- ...and to make a **direct award** of all or part of a bus network to the municipal operator, in line with EU law

### Implications for the Bus Services Bill:

The proposed ban on forming new municipally owned bus companies should be struck out...

... and replaced by powers to set up new municipals under sufficient local transport authority control to allow direct award of contracts under EU regulations (standard practice in other EU countries)

## Funding reform is also necessary

- Even if profit leakage and other inefficiencies of deregulation are reduced or removed by use of franchising and not-for-dividend municipal bus operation, more money will be required to create the quality of bus networks that our cities, towns and rural areas deserve and need to thrive.
- Internationally, there are at least 16 different ways that local authorities raise funds for public transport, of which only two are widely used in Britain.

# International overview of sources of funding for public transport

1. Development charges (e.g. CIL and S106 in Britain)	9. Property sales tax (New York)
2. Local payroll tax (widespread in France)	10. Visitor lodging tax (e.g. Switzerland)
3. Local income tax (e.g. Cincinatti 0.3%)	11. Parking charges (common in UK)
4. Local corporation tax (e.g. New York)	12. Levy on commercial car parks (e.g. Chicago)
5. Local sales tax (common in US e.g. LA 0.5%)	13. Levy on workplace parking (e.g. Nottingham)
6. Business property tax (common in US; used for Crossrail in Britain)	14. Road user charges (e.g. London)
7. Residential property tax (common in US)	15. Local vehicle tax (e.g. Toronto)
8. Land value capture levy (e.g. Miami, LA)	16. Local fuel tax (e.g. Vancouver)

Key: ■ Widely used in Britain ■ Some use in Britain □ Not used in Britain

# Versement Transport

- Local authorities can set the VT rate, within thresholds set by national government.
- 81% of France's 242 urban transport authorities levy VT.
- 51% of their infrastructure investment and operational subsidy is funding by VT.
- €7.2 billion (£5 billion) was raised in 2013, of which €3.7 billion was outside Paris.
- By comparison, the power for Combined Authorities with elected mayors to levy an extra 2p in the pound on business rates could raise a maximum of £1 billion – only a fifth of the amount raised by VT, only for capital schemes, and not dedicated to public transport.

**Grand Dax** (pop 56,000) set up a publicly-owned (SPL) company to run its buses in 2012.

- VT raised from 0.6% to 1%, providing extra €2m / yr.
- President of Grand Dax justified the higher tax because *"In return, we serve all the town's employees: all our economic zones, our health centres and major public facilities will be served by the new routes"*.
- Increased funding and new SPL has enabled:
  - Complete redesign of the bus network
  - New routes, higher frequencies, lower fares
  - Demand-responsive services to 18 rural settlements
  - New interchange with train station
  - Park and ride service



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# Recommendations for funding reform (1)

- Local transport authorities should be given more powers to raise income locally for their public transport networks from a range of sources, as is common in other countries – including a British version of *Versement Transport*

## **Implications for the Bus Services Bill:**

Should include wide-ranging powers for local transport authorities to raise income for local public transport networks from the sources used by other countries, and in particular, should enable local payroll taxes like *Versement Transport*