

ITEM NO. 8B

GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: Bus Services Bill

DATE: 14 July 2016

FROM: Chief Executive, TfGM

1. INTRODUCTION

- 1.1 Buses are crucial to Greater Manchester's economy and society. More people travel to work in Greater Manchester by bus than by all other means of public transport put together. As well as getting people to work, the bus connects communities across the whole city region.
- 1.2 Buses are a vital service for many people. 31% of households in Greater Manchester don't have access to a car, while nearly half of regular bus commuters in the city region do not have access to a car, compared with 43% of regular bus commuters nationwide.
- 1.3 At the same time, 37% of Greater Manchester jobseekers cite lack of access to transport as being one of the top barriers to attending an interview or getting a job.
- 1.4 Effective public transport supports jobs, and a well managed bus network is the most flexible way to reflect a city's changing needs. But as experience from cities around the world demonstrates, it can only fulfil its true potential when it is planned, co-ordinated and delivered within an integrated public transport system.
- 1.5 Investment in other modes of transport has delivered results. Metrolink now carries more than 33 million passenger journeys every year; rail passengers have increased by 11 million over the past 15 years and cycling in the city centre, in peak morning hours, is almost three times higher than 2005. But, despite significant ongoing revenue support and capital support for bus, and despite both a growing population and local economy, bus patronage across Greater Manchester has broadly stayed flat.

2. BUSES IN GREATER MANCHESTER

- 2.1 Anyone can operate bus services by giving just 56 days' notice (subject to minimum safety, resource and competency standards). Operators are entirely free to run whatever bus services they like, the fares they charge and the vehicles they will use. And they can cancel, change or increase services, again with just 56 days' notice.
- 2.2 TfGM has no control over commercial bus services, which comprise around 80% of the total operated mileage in GM. In places and at times where operators are unwilling to operate buses but where there is a demonstrable need, TfGM directly subsidise these. These represent the remaining 20% of bus services.
- 2.3 TfGM works with bus companies to try and tackle some of the current issues with the bus market. This includes voluntary agreements that some operators have signed up to known as Quality Bus Partnerships. However, the ability to achieve GM's transport objectives through these voluntary arrangements remains restricted.

Limited competition

- 2.4 Although in theory it is a competitive market, in reality most commercial bus services in Greater Manchester are now provided by local subsidiaries of three multi-national transport companies who rarely compete against each other. Instead, they can and do compete with tram and local rail. Understandably, bus operators focus on the most profitable journeys, making decisions based on their own commercial interests.
- 2.5 On road competition is inherently limited as a meaningful competitive constraint on operators. In its exhaustive inquiry in 2011, the Competition Commission found "local bus markets exhibit persistently high levels of concentration" of sole-operator dominance of local bus markets. They estimated the consumer detriment from this lack of competition is "likely to be between £115 million and £305 million", excluding wider adverse external costs such as increased congestion or air pollution.

Current public support for bus in Greater Manchester

- 2.6 There is around £100 million of annual public revenue support for operators in Greater Manchester, including around £82 million locally funded in 2016/17 through the Transport Levy in relation to Concessionary Reimbursement and Subsidised bus services. . This provides funding to subsidise around one in five bus services in Greater Manchester, makes fuel cheaper for bus companies, and pays for free or discounted travel for younger people, older people and people with disabilities. This total amount is equivalent to around 40% of the bus companies' turnover.

- 2.7 Public money also pays for the build and up-keep of more than 20 bus stations, and around 12,000 bus stops. The public sector also pays for and maintains all the roads and bus lanes that the buses run on. Further, GM has one of the largest networks of bus lanes and associated infrastructure in the country outside the capital, all funded publically. Completed and funded bus priority schemes from 1998 to 2017 amounts to £141 million, bus stations/ interchanges £132 million and stops and shelters £46 million.

Complex ticketing, complicated services and no clear identity

- 2.8 The deregulated bus system, by its nature, prevents bus services being joined up and coordinated with each other. Within this de-regulated market, Competition Law prevents operators from collaborating on many features of service provision that passengers want.
- 2.9 This is why, for example, the number of tickets in Greater Manchester is unduly complicated for passengers. Each operator has (and has to have) their own tickets. There are also different tickets based on the type of passenger that travels, as well as what time of day they travel. Plus there are separate multi-modal tickets, allowing travel on Metrolink and rail. All in all, it can be difficult for passengers to know what the best ticket will be for them. Customers also receive different standards of service from different operators, and are currently faced with a confusing array of different bus brands and sub-brands, all providing travel information in different ways, through different channels. Passengers do, however, have to pay more for a ticket that works across more than one bus operator/mode.

Bus Franchising

- 2.10 The Greater Manchester Agreement between the Greater Manchester Combined Authority and Government contained a commitment from the Government to introduce a Buses Bill within this Parliament. This will enable the directly elected GM Mayor to decide whether to use the Bus Services Bill's franchising powers in Greater Manchester.
- 2.11 Bus franchising is a procurement method that sees the transport authority specifying the service requirements in a series of contracts, with bus operators competing for each contract to provide the services. This is the system used to provide buses in London and in many cities and regions across Europe. It is a well understood and efficient competitive mechanism that brings together the best of the public and private sectors to deliver integrated public transport that delivers better outcomes for passengers, residents and city region economies.
- 2.12 Through bus franchising, Greater Manchester would have the ability to decide the routes, frequencies, fares and quality standards for all buses in the city region. The services will still be operated by private companies under contract, through a competitive tendering process.

3. BUS SERVICES BILL

3.1 The Bus Services Bill had its first reading in the House of Lords on Thursday 19 May. The Department for Transport (DfT) have published an overview document which sets out the following objectives for the Bill:

- grow passenger numbers;
- tackle air quality;
- improve bus services for passengers;
- enable a thriving and innovative bus sector; and
- help cities and regions unlock opportunity and grow their economy.

3.2 There are three core parts to the Bill; franchising, partnerships and open data and ticketing.

Franchising

3.3 The Bill gives combined authorities with directly elected Mayors the power to introduce bus franchising across all or part of the combined authority area. This will replace the existing Quality Contract Scheme powers. It will be the responsibility of the Mayor to determine what bus services should be provided and the standards of those services. Operators will then bid for the right to operate a service.

3.4 Operators can only operate commercial and cross boundary services in a franchise area if granted a permit to operate by the combined authority.

3.5 Before franchising can be introduced, a public consultation will be required. The Bill provides that the Secretary of State will issue regulations and guidance regarding assessment and implementation of franchising.

Partnerships

3.6 The Bill builds on existing Quality partnership legislation by introducing Enhanced Partnerships.

3.7 Enhanced Partnership powers will enable local authorities to work with bus operators to set standards for local bus services including vehicle specifications, branding, ticketing and service frequencies.

3.8 Enhanced schemes can only go ahead if there is sufficient support from the bus operators and they cannot specify the price of single operator tickets or compel an operator to run services it does not want to operate.

Ticketing and open data

- 3.9 The Bill also provides powers for the Secretary of State to make regulations requiring the release of open data on routes, timetables, punctuality and fares. This is to facilitate opportunities for tech companies and app developers to bring innovative products to market. In franchising areas, it will be the responsibility for the authority to secure the availability of the data.
- 3.10 The Bill also provides the power for local transport authorities to introduce advanced ticketing schemes which amongst other things may specify the way payment is made. This could be used to require commercial operators to accept payment using smart technology, for example.

4. LEGISLATIVE PROGRAMME

- 4.1 The Bill entered the House of Lords with the First Reading on 19 May 2016 and had its Second Reading on Wednesday 8 June. At this session, peers from all sides generally welcomed the Bill, including the franchising elements, albeit that it was acknowledged there was significant further work to be undertaken, particularly in ensuring that associated guidance and secondary legislation was fit for purpose. Responding to Lord Bradley's contribution as part of his concluding remarks, the Minister gave an assurance, "that secondary legislation and guidance required for the authorities to take forward the provisions in the Bill will be prepared in time for the upcoming mayoral elections."
- 4.2 The Bill is currently being considered by the Lords Committee. It is envisaged that the Bill will pass through the House of Commons during the autumn.
- 4.3 A number of amendments have been proposed in the Lords and it is expected that further amendments will be proposed in the Commons. TfGM will continue to work with key legislative stakeholders during the Bill's passage through Parliament, providing briefings as appropriate and when requested.

5. RECOMMENDATIONS

- 5.1 GM LEP is asked to note the contents of this report and welcome the publication of the Bus Services Bill.

Dr Jon Lamonte
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