PURPOSE OF REPORT

To update Members on the Bus Services Act 2017, its provisions, and associated next steps for Greater Manchester.

RECOMMENDATIONS

Members are asked to:

i) Note the contents of the report;

ii) Note that a report will be submitted to the Greater Manchester Combined Authority on 30 June, seeking agreement to prepare an assessment of a proposed franchising scheme and approval for a Notice stating that the Combined Authority intend to prepare an assessment of a proposed franchising scheme in accordance with Section 123B and S123C(4) of the Bus Services Act 2017; and

iii) Note that following approval by Greater Manchester Combined Authority, TfGM Officers will work to prepare the assessment outlined.

BACKGROUND DOCUMENTS

‘Bus Services Bill’ report to 10 June 2016 meeting of Transport for Greater Manchester Committee.

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1. **Introduction**

1.1 The 2014 Greater Manchester Agreement between the Greater Manchester Combined Authority and Government contained a commitment from the Government to introduce a Buses Bill within that current Parliament, in order to enable the directly elected Greater Manchester Mayor to decide whether, following consultation, to use the bus franchising powers within it.

1.2 The Bus Services Bill received Royal Assent on 27 April 2017 and the powers of the Bus Services Act 2017 will come into force on 27 June 2017.

2. **Background**

2.1 Bus operators are free to run services by giving just 56 days’ notice to the Traffic Commissioner (subject to minimum safety, resource and competency standards). Operators can determine their own routes, fares, and vehicle type. 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 Greater Manchester. 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 Greater Manchester's transport objectives, outlined in the 2040 Transport Strategy, through these voluntary arrangements remains restricted. The Bus Services Act 2017 therefore provides Greater Manchester with new powers to reform the bus market and these powers include new types of partnership and the option to franchise services.

2.4 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 elsewhere in Europe. It is a well understood and efficient competitive mechanism that brings together the best of the public and private sectors.

2.5 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 would 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 19 May 2016. The Department for Transport (DfT) published an overview document which set 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 The Bill entered the House of Lords with the First Reading in May 2016, and passed through the Committee and Report Stages in the House of Lords before moving to the House of Commons in November 2016.

3.3 TfGM worked with key legislative stakeholders during its passage through Parliament and provided briefings when requested.

3.4 During the passage of the Bill through Parliament, some amendments put forward by the House of Lords were dropped. One of these was in relation to the ban on creating new municipal bus companies (Section 22 of the Act prohibits the creation of new municipal bus companies).

3.5 Other amendments that were not accepted were provisions mandating the use of low-emission buses in partnerships and franchises after 2019 (it remains open to authorities to include such provisions); and provisions to give automatic access to franchising powers for all authorities, not just Mayoral Combined Authorities (access to the powers remains with Mayoral Combined Authorities only).

3.6 The Bus Services Bill received Royal Assent on 27 April 2017 and the powers of the Bus Services Act 2017 will come into force on 27 June 2017. This two month period between Royal Assent and commencement of powers is prescribed by the legislation.

3.7 There are four core parts to the Bus Services Act; franchising, partnerships, open data and ticketing and passenger information.
4. **Franchising**

4.1 The Bus Services Act gives combined authorities with directly elected Mayors the power to introduce bus franchising across all or part of the combined authority area. This replaces the existing Quality Contract Scheme powers.

4.2 The Bus Services Act sets out a number of legislative steps that must be undertaken by an authority before a decision can be made by the Mayor as to whether or not to introduce a franchising scheme. An assessment of the proposed franchising scheme must be completed and an authority must compare its preferred model of bus service delivery with one or more other courses of action.

4.3 In addition, the assessment must be independently audited and the proposed scheme must be the subject of a public consultation exercise.

4.4 If, following the above steps, a franchising model of service delivery is adopted by the Mayor, 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.

4.5 In order to manage services in the city-region that do not form part of a franchising scheme, the Bus Services Act allows authorities to implement a service permit scheme, following a public consultation. If a service permit scheme is implemented by an authority, operators will only be able to operate commercial and cross boundary services in a franchise area if granted a permit to operate by the combined authority.

5. **Partnerships**

5.1 The Bus Services Act builds on existing Quality Partnership legislation by introducing Enhanced Partnerships.

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

5.3 Enhanced Partnership 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.

5.4 Once introduced an Enhanced Partnership would be enforced through the registration of services, with responsibility for registration passing to the local transport authority.
6. **Ticketing and open data**

6.1 The Bus Services Act 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 of the authority to secure the availability of the data.

6.2 The Act 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.

7. **Information for bus passengers**

7.1 The Bus Services Act provides specifically for improving facilities for disabled persons requiring operators to make available information about local services to all users whilst on the service. This includes the setting of standards for audio, visual and displayed information.

7.2 The DfT has yet to undertake a consultation regarding the regulations which will set out the detailed requirements and timescales associated with this important aspect. Understandably, this will apply to all services irrespective of the regulatory environment under which they operate.

8. **Draft Regulations and Guidance**

8.1 The DfT published for consultation, draft regulations and guidance to accompany the Bus Services Act in February 2017. A detailed response to this consultation was submitted by TfGM. There is currently no published timetable for the publication of the finalised guidance and regulations and in addition there are other aspects of the Act for which a further round of consultation will be necessary by the DfT.

8.2 TfGM officers are maintaining active dialogue with DfT officials throughout this process.

9. **Process to a Mayoral decision**

9.1 As noted in paragraph 4.2, before a decision can be made as to whether or not to introduce franchising, a number of actions are required in order to enable that decision to be made by an elected Mayor.
9.2 The Bus Services Act prescribes in Clause 4, Section 123B that “a franchising authority or authorities that propose to make a franchising scheme covering the whole or any part of their area, or combined area, must prepare an assessment of the proposed scheme.”

9.3 This assessment must “describe the effects that the proposed scheme is likely to produce, and compare making the proposed scheme to one or more other courses of action.” It may be informed by information requested by the authority from operators, in accordance with provisions in the Act, about bus services operated in the authority’s area.

9.4 The assessment must be audited by an independent auditor; and the assessment and auditor’s report must be published alongside a consultation document relating to the proposed scheme, for a period of public consultation on the proposals.

10. **Next Steps**

10.1 The Greater Manchester Combined Authority and TfGM now have the opportunity to consider the Bus Services Act’s powers and to assess the new bus reform options available to the city-region. Before preparing an assessment of a proposed franchising scheme, the Act prescribes that the authority must publish a notice stating that they intend to prepare such an assessment.

10.2 In accordance with this statutory obligation, at its meeting on 30 June 2017, the Greater Manchester Combined Authority will be asked to:

   i) Agree to the preparation of a proposed franchising scheme and approve a Notice stating that the Combined Authority intend to prepare an assessment of a proposed franchising scheme in accordance with Section 123B and S123C(4) of the Bus Services Act 2017; and

   ii) Approve the administrative arrangements for the Notice to be published and the assessment to be prepared by TfGM.

10.3 As this is considered a key decision to be made by the Greater Manchester Combined Authority, a notice of this decision was accordingly placed on the website of the Greater Manchester Combined Authority on 1 June 2017.

10.4 Following approval by Greater Manchester Combined Authority, TfGM officers will work to prepare the assessment. This will involve:

   i) requesting data from operators, pursuant to the powers available in Section 5 of the Bus Services Act 2017; and
ii) engaging with bus operators in relation to realistic alternative options that should be considered and assessed alongside the franchising proposition (a process described in the published draft Guidance).

11. **Recommendations**

11.1 Recommendations are set out on the front page of this report

**Dr Jon Lamonte**

Chief Executive, TfGM