



The Association of Local Bus Company Managers

The Transport Committee inquiry into the bus market in England outside London

September 2018

1.1 What is ALBUM?

ALBUM represents the 'non-aligned' sector of the bus industry. The Association has over 120 members, representing 50 companies: 35 private businesses, 9 municipal companies, two 'second tier' groups (TrentBarton and Centrebus) the Isle of Man Transport Company and five associate companies. Between them ALBUM Members' companies operate 4,600 buses, which is about 11% of the 40,000 buses used by local operators across Great Britain.

1.2 ALBUM's importance

ALBUM members collectively are equivalent to Britain's fourth largest bus operator - in the same league as the big five multi-national groups. Stagecoach runs 8,100 vehicles in the UK, First Group 6,200, Go Ahead around 5,500, Arriva 5,300, ALBUM members 4,600 and National Express 1,600.

1.3 Introduction

ALBUM welcomes this opportunity to express our view about the current state of the bus industry and the challenges it faces. Our response addresses the particular areas of interest outlined by the Select Committee and also raises additional items which we feel should interest the Committee. We would welcome the opportunity to expand our views by giving oral evidence to the committee.

Below we address each of the terms of reference of the inquiry whilst also making our additional comments about the bus industry.

The effectiveness and ambition of the Department for Transport's policies on buses

The Department for Transport latest policy for buses arises from the Bus Services Act 2017. This is a policy brought about by political need rather than any wish to improve bus services for the passenger. Its basis arises from a wish to give Manchester the power to run its own bus services through a franchising arrangement. We believe that the most effective policy to promote and provide better bus services is through partnership.

Bus services work best where there is a positive local partnership approach through all stakeholders, not just the two main local players - local authorities and bus companies - but also town centre management teams and other stakeholders. ALBUM believes that partnership is still the best way to provide better bus services for bus users.

Partnerships should be genuine partnerships where both sides commit to investment and improvement, where either side can be penalised for failing to deliver on their promises. In many instances bus companies have faced financial penalties from the Traffic Commissioner for failing to operate punctual services, where the failure may have been caused by the other party failing to deliver on their promises but who face no penalty for failing to do so.

Voluntary partnerships work best but in too many instances the success is based on relationships built up by the individuals of each party. When those individuals move on, partnership can flounder. We therefore welcome the Enhanced Quality Partnership (EQP) policy of the Bus Services Act 2017 as a way of formalising partnerships to try and ensure their long term success.

The market for travel changes and partnerships must be able to respond. EQPs must not be allowed to become an opportunity for local authorities to introduce a "franchise lite" system thereby reducing flexibility, as local authorities are not known to be the most responsive bodies.

Where appropriate, partnership must still be allowed to be non-statutory, such as the Merseyside Bus Alliance, if that is what fits local need best. There are many examples of excellent local non-statutory partnerships which can be used as models for other areas.

Partnerships take a long time to plan, introduce and settle down. The bus service is an integral part of a town or city's transport package. Their success may take many years to become apparent. Oxford is one of the leading cities in bus usage but this is based on an approach started in the 1960s! ALBUM believe that bus policy should be taken out of the local political cycle in order to adopt a longer term strategy, not threatened by frequent changes in local authority control and ideology.

The Bus Services Act 2017 has introduced a new level of uncertainty into the bus business where the threat of franchising hangs over operators. This affects decisions

on forward investment, especially relating to new buses, which in turn is having a knock-on effect to the UK bus manufacturing industry which is already facing additional challenges from cheaper Far East products.

Franchising will not improve bus services for users. 88 % of bus users in the UK find their bus services to be satisfactory or very satisfactory; this indicates that there is not a lot wrong with the commercial regime. A figure of 88% will not be improved on under a franchise arrangement. (Source: Transport Focus, Bus Passenger Survey Autumn 2017, published March 2018)

Under a franchise system, networks will be planned to meet local politician's aspirations. Rather than seeing high frequency attractive bus services we will see networks transferring resources to less well used, perhaps more isolated urban and rural areas thereby making the bus service less attractive, less used and then entering another cycle of decline which the commercial bus market has successfully slowed down or reversed.

Manchester has announced a significant amount, circa £11.5m, of public money it will use to assess the business case to franchise bus networks in the city. (Source: Passenger Transport 1 March 2018). This will be wasted money which could be invested in a partnership to promote and provide better bus services for bus users in Manchester in the immediate future.

Older, disillusioned bus industry hacks will tell anyone that franchising will fail. It has all been tried in the past and failed. There is no reason that the outcome will be any different this time. Perhaps with hindsight the Bus Services Act should have been a simple one page document allowing Manchester to franchise with the associated worsening of bus services for users and eventual failure within a relatively short period of time. The whole bus industry could have learnt from the lessons and started to work more in partnership.

Factors affecting bus use, including the reliability of the bus service, congestion and the ways bus companies are dealing with congestion, and the effectiveness of bus priority measures

The usage of bus services is affected by many factors, some of which may be related such as the link between punctuality, reliability and congestion.

Bus users want a bus service they can rely on, one that comes on time and reaches its destination as planned. Reasonable bus users will accept some disruption on an infrequent basis but disruption caused by increasing congestion is now becoming a daily occurrence. Whilst some operators will attempt to address the disruption by introducing additional resources by way of staff and vehicles at significant additional cost (the approximate annual cost of an additional bus is a minimum of £70,000 p.a), or by altering time tables, there is no doubt that increasing congestion is slowing

down bus services, making them less attractive than other forms of transport and thereby leading to a loss of passengers. The downward spiral needs to be addressed.

The excellent report by Professor David Begg, "The Impact of Congestion on bus Passengers" succinctly states that;

1. Slower speeds leading to higher costs, higher fares, fewer passengers, service decline, fewer passengers.
2. Slower speeds leading to increased journey time, fewer passengers, service decline, fewer passengers.
3. Slower speeds, punctuality and reliability decline, fewer passengers, service decline, fewer passengers

The report states that traffic speeds are reducing by 1% per year. A 10% reduction in speed causes bus operating costs to increase by around 8% which would require a 5.6% increase in fares to offset the additional costs.

Some local politicians do not see congestion as an issue. They see it as a positive indicator of growing economic activity and therefore their wish to address it diminishes. Many town centre managers and politicians see car users rather than bus users as being good for their town, perceiving them as better spenders.

Research by ARUP indicates that up to 23% of car users would consider switching to buses if they were quicker and more reliable (Source: Route One magazine 18 July 2018). Improving punctuality is the most frequently quoted improvement to services that would bring about such modal shift.

Bus priority schemes can go some way to improving bus services but such schemes need to be planned as part of an overall transport package which includes car parking availability and pricing. Too many bus priority schemes are gestures towards sustainable transport rather than an integral part. Removing bus priority schemes, such as seen in Liverpool and Coventry, sends the wrong signal about the importance of bus travel.

The economic benefit of capital investment in local transport scheme should not be undervalued. The KPMG report for Greener Journeys "The true value of local bus Services" indicates that for every £1.00 spent on such schemes there is a local economic benefit of £4.90.

Unfortunately, it will take a very brave local politician to attack car based congestion. The present local political election cycle does not encourage any long term transport planning as many integrated packages will take more than one political cycle to implement and to see the benefits. Political boundaries do not

correspond to travel patterns and therefore bus priority schemes should not be planned at a local political level.

ALBUM would recommend that transport planning is taken out of local politicians control and given a regional status, perhaps under control of bodies at the Local Enterprise Partnership level.

Like all industry, buses have been challenged by disruptors, with particular reference to UBER. This is a threat to traditional bus usage. With no positive response, the bus industry would significantly reduce in size. The commercial bus industry is showing its willingness to adapt and experiment. This should not be removed by any overly cumbersome regulatory framework or by franchising a network.

There are other societal factors affecting bus use, such as changing retail patterns and working from home as people engage with new technologies. These and other, as yet undefined changes will continue to challenge the bus industry. Bus companies have shown that they are able to respond to these changes and experiment with new flexible services such as Arriva Click in Kent, RATP Slide and First Taxi to Bus Esoterix system in Bristol and Pick Me Up in Oxford.

The provision of services to isolated communities in rural and urban areas, and the reliance of particular communities and groups of people on bus services

Bus services play a vital role in providing access to local services including access to employment. Isolation is not only a rural phenomenon, but can occur in urban areas where less mobile residents find getting to and from a local bus service a challenge. In both rural and urban areas the numbers of potential users affected are not sufficient to sustain a commercial transport service.

We watch the experiments in Total Transport where all transport providers such as local bus operators, social services etc. work together to coordinate their services to improve access. Reducing isolation is not the role of commercial bus operators it is a societal issue.

Franchising must not be used to reduce isolation at the cost of other bus users. There will be a temptation to move resources off successful high frequency corridors to provide services to isolated areas. This will only serve to make local bus services less attractive as frequency breeds usage and reducing frequency leads to an overall loss of bus users.

The viability and long-term sustainability of bus services, including the effectiveness of funding, fare structures and public grants

Additional cost and technological burdens are placed on bus operators by the need to comply with statutory obligations to fit hardware to buses and have back office systems to provide such systems as audio visual next stop announcements and outputs for local authorities to use as part of the Bus Services Act 2017 Open Data requirements.

ALBUM wholeheartedly supports any initiative that improves accessibility such as next stop audio visual systems as a positive improvement to bus services but one must appreciate that the costs are not insignificant. Where bus operators are expected to provide such systems funding should be made available by way of public grants. The onus to provide many supposed improvements to services falls on to operators as additional costs in time, staffing and finance. Grants should not only fund the hardware but also recognise the ongoing and replacement costs as systems fail or become outdated. This is especially the case for systems required by statute.

The costs of new systems such as audio announcements should not be underestimated. The recent announcement of a fund of £2m sounds a lot but in reality will not cover new systems at around £3.5k per bus or retro fitted systems including induction loops , speakers and the intensive skilled labour required which is calculated to amount to between £25K to £30k per bus. Incurring such costs may lead to more accessible services but it will also mean fewer services are operated to recoup the additional cost of such systems.

Many ALBUM members are small businesses surviving on a day to day basis doing an excellent local job. In many cases the senior management team are family members who get involved by actually driving in service. They do not have the time, resources or expertise to introduce and administer such systems. Similarly such businesses struggle to make a business case for these technologically based systems.

Clean air is high on the political agenda and rightly so. It is difficult to argue against, but too much of the blame for poor air quality is put down to buses. The instance of Glasgow seeking to place the blame on buses fails to recognise the negative effect that some car based travel has on air quality levels. The industry has moved a long way towards cleaner greener diesel powered buses with Euro 6 emission standards. Without any real proven case there is now a push towards electric buses without knowing the whole life environmental costs. Electric buses come at a substantial cost increase over a “normal” bus. Again many ALBUM members find it difficult to raise finance for these types of buses along with the depot infrastructure needed to operate and maintain such vehicles.

Without financial assistance in providing add-ons to the normal bus service, many small and medium sized businesses will find it difficult to survive. It may be the case that the best intentions of improving inclusion and environmental standards may in fact force some businesses to close.

The commercial bus industry raises the majority of its revenue from its users. Operating on a wholly commercial basis free from any regulatory control has allowed bus operators to be innovative with pricing structures offering services at affordable prices. Many operators have endeavoured to keep prices as low as possible, sometimes at a cost to their own business in order to maintain passenger levels through the present period of economic downturn.

The National Concessionary Travel Scheme (ENCTS) for senior citizens and disabled passengers has brought about a large increase in usage from this market segment; however this has been at a cost, as a grossly underfunded scheme has failed to adequately reimburse operators the costs of the foregone revenue. In many cases the reimbursement level has become dictated by the amount the local authority can afford as a budget balancing exercise rather than as a true reflection of lost revenue. There are extreme examples of buses fully loaded with concessionary permit holders being withdrawn as the reimbursed revenue does not cover the cost of operation.

In 2017 a senior DfT official explained to ALBUM that operators were adequately funded as there were no appeals coming through the system. This is not an indication that operators feel adequately compensated only a realisation that appealing is costly and futile as the chances of winning are negligible.

The whole basis of the ENCTS needs to be revisited with the aim of reimbursing operators at a fair, reasonable and consistent level, although unfortunately we are now so far off any reliable base data prior to the scheme that this could be very difficult to achieve.

Politicians have expressed a wish to provide free or discounted travel to younger travellers or those seeking employment. The costs of providing such must not be underestimated

Bus Service Operates Grant (BSOG) is a significant payment to the bus industry without which many bus services would not be commercially viable. Yet again its future seems to be in doubt. This uncertainty is not welcome and should be ended once and for all by a long term commitment by central government to its payment, or to an extended notice period for its withdrawal so that the consequences of its withdrawal can be planned for. It is certain that to lose BSOG would result in commercial services been withdrawn with a possible increase to the local public purse.

Many ALBUM members are small, or medium sized companies (SMEs) who have made it very clear that without BSOG their businesses would not be viable. Many would simply shut up shop. BSOG may not meet the Governments clean air agenda in its present format as it encourages operators to burn more fuel, but it is easy to administer and is understood by operators. Any change in how it is paid needs to be carefully planned to ensure that the amount paid does not decrease or lead to fewer bus services.

The KPMG report for Greener Journeys “The true value of local bus services” outlines that for every £1.00 spent by Government in BSOG there is a local economic benefit of £3.70.

Regulations affecting the provision of bus services and the adequacy of guidance to operators and local authorities

Despite operating in a deregulated environment, the bus industry is heavily regulated. In areas such as health and safety this is essential and should continue. However business in general is becoming even more proactive in bringing new products to the market at an increasing pace of change. The bus industry is not alone in facing these new disruptor challenges which will in many cases bring better travel services, something all bus operators should aspire to.

Martin Dean, President of the Confederation of Passenger Transport (CPT), stresses the need to ensure that the regulatory regime is fit for purpose as the customer focussed offer changes (Route One magazine 22 August 2018). The regulatory framework needs to change so that bus operators can respond to changing travel patterns on a daily, and even in at the most extreme, an hourly basis. Local bus service registration regulations need to change to reflect a more responsive marketplace, moving away from the 70 day registration period which we believe is set to meet local authority requirements rather than passenger needs. This is a whole area that needs exploring with the Traffic Commissioners office. Perhaps the bus service registration process needs to become a locally based function.

As operators are required to provide data through the Open Data requirements of the Bus Services Act 2017, this will invariably have to be in an electronic format which should speed up processes whilst at the same time reducing the cost of handling the data, as many of the transfers to associated sites, such as Traveline, will be automatic. Electronic systems should allow the time-consuming, slow and cumbersome processes to be replaced with quicker cheaper more flexible systems reflecting a modern technologically based industry.

CONCLUSION

Certainty and stability

The future of all industry is changing. Industry must be allowed to adapt and change to survive. This applies to the bus industry as much as any other business. The Department for Transport must be seen to adopt policy that gives operators some certainty in their future so that they can invest with confidence. The present threat of franchising does not do this.

The current barrage of new initiatives such as audio visual next stop announcements and clean air zones needs to stop. Such items only serve to waste time and financial resources which create uncertainty and prevent operators from providing bus services to the benefit of their users.

The bus industry needs a year-on-year long term commitment to promoting partnership working with funding to provide systems deemed necessary by statute not necessarily to meet customer wishes.

Partnership not franchising is the best way to improve bus services

Partnership is the best way to improve bus services but the success of partnership may not always be immediate. ALBUM welcomes any policy for buses which has partnership at its core allowing commercial bus operators to do what they do best with customer responsive bus services.

Planning for bus services as part of an integrated transport package in a town or city should not be subject to the usual short term political cycle and if possible moved to a longer term regional structure based on travel patterns.

Franchising will fail. It will not improve bus services for bus users. ALBUM appreciates that present policy allows for franchising. It is unfortunate that this policy arose not from any wish to improve bus services but for political reasons.

What is best for bus users?

Whilst bus users representative groups took an active role in consultations of bus policy through the Bus Services Act 2017 it should be the case that future bus policy puts bus users at its heart with the objective of improving on the already very high satisfaction levels of 88%.

Sources

Professor David Begg “The Impact of Congestion on Bus Passengers” 2016

KPMG report for Greener Journeys “The True value of local bus Services” June 2017

Transport Focus Bus Passenger Survey Autumn 2017 published March 2018

Passenger Transport magazine 1 March 2018

Route One magazine 18 July and 22 August 2018