

# Green Light for Better Buses

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# Foreword



For more than a century, the bus has been a much loved British icon, and the backbone of our public transport system. Outside the capital, buses account for 63 per cent of all public transport trips and last year alone there were 2.3 billion bus journeys. Not only that but an average of 85 per cent of bus users said they were satisfied overall with their local services.

But now is not the time for the engine to tick over at the bus stop. Far from it. The demand for the type of service buses can provide is enormous. At a time when people more than ever need a reliable way to get to work, the need for the bus has never been greater. Nor has the desire for low carbon alternatives to the car. Since half of all car journeys are less than five miles in length, the bus is ideally placed to help the Coalition Government meet its challenging carbon reduction targets. After all, 85 per cent of households in England (not including London) live within a six minute walk of a bus stop. We just need to join the dots.

This document, the product of discussions we've been having for some time with bus companies and local authorities, sets out how we're going to do just that. It spells out our plans to encourage competitiveness in an industry where the lack of competition is costing passengers and taxpayers up to £300 million a year. It shows what we're doing to cut emissions on our transport system through our world leading green buses – which emit nearly a third less carbon than their conventional counterparts, as well as reducing air pollution.

And it underlines our desire to match bus services to the expectations of our customers, providing passengers with a better deal from the moment they purchase their ticket to the moment they step off the bus. This isn't simply about providing more reliable, more frequent and more affordable services but making the best use of smartcards and multi-operator ticketing. In the years to come, we want any bus traveller to purchase tickets quickly and conveniently while seamlessly moving from one operator, or mode of transport, to another.

Above all this document recognises the welcome difference that partnerships are making up and down the country. Collaborations between local authorities, operators and passengers are helping co-ordinate timetables in Liverpool, Oxford and Sheffield, improve our guidance on bus punctuality and connect an isolated urban community to the town centre in Cheltenham. They are succeeding because they combine local knowledge of what passengers want in their area with the resources to make a difference.

We're doing everything we can to make the environment more conducive to these types of collaboration. Whether it's improving the regulatory environment, making more money available at a local level or ensuring local people have more power to make local decisions about transport in their area.

And by launching Better Bus Areas— bringing local transport authorities and bus companies together – we underlined our intention to put these partnerships on a more formal footing. Our goals couldn't be clearer. Our aim now is to see these nascent partnerships take root, improving services and boosting passenger numbers.

So this is a plan to take the bus by the steering wheel. A plan not just to make buses more popular but to make them better. A plan to keep carbon out and get the passenger on board. Above all, a plan that sees buses bringing in the jobs and the growth vital to our national future.

A handwritten signature in black ink that reads "Norman Baker". The signature is written in a cursive, flowing style.

**Norman Baker MP**  
**Parliamentary Under-Secretary of State for Transport**

# 1. Introduction

- 1.1** In the Local Transport White Paper, 'Creating Growth, Cutting Carbon'<sup>1</sup>, we set out our commitment to invest in transport infrastructure, to tackle congestion, and to decarbonise transport. Our vision is of a safe, green and sustainable transport system that will drive economic growth and improve quality of life for all.
- 1.2** This is part of the Government's wider Plan for Growth<sup>2</sup>. We are committed to tackling the budget deficit, but at the same time embarking on a series of major reforms that will lead to a more balanced, more productive economy.
- 1.3** That includes reform of public services. Good public services are essential to everyday life, but many people do not have access to them. As set out in the Open Public Services White Paper, we are therefore opening up public services to new providers and giving people more control over the services they receive<sup>3</sup>. We are ending the top-down, 'Whitehall knows best' approach that has typified what has gone before.
- 1.4** Local bus services have a huge role to play. Outside London, 63% of all public transport trips are made on a local bus: there were 2.3 billion bus journeys in 2010/11<sup>4</sup>. Many people rely on their local bus to get to school, to work, to the doctor's, to visit their friends and family, or to go shopping. Given their importance in providing employers and businesses access to labour markets, buses are important for a well-functioning and growing economy.
- 1.5** In the most recent survey by Passenger Focus of bus users' satisfaction with their local services, an average of 85% said they were satisfied overall. Even in the area with the lowest satisfaction, it still stood at a very respectable 79%<sup>5</sup>. In many ways, this is not surprising – thanks to a combination of bus company investment, local council infrastructure improvements and Government regulation and funding, buses are more accessible with more high-tech information and ticketing facilities for passengers than ever before.

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<sup>1</sup> Creating Growth, Cutting Carbon: Making Local Sustainable Transport Happen (Department for Transport 2011)

<sup>2</sup> The Plan for Growth (HM Treasury, BIS, 2011)

<sup>3</sup> Open Public Services White Paper (HM Government, 2011)

<sup>4</sup> Annual Bus Statistics 2010/11 (Department for Transport, 2011)

<sup>5</sup> Bus Passenger Survey March 2012 (Passenger Focus, 2012)

- 1.6** Unfortunately, overall bus usage has been in a slow, long-term decline despite these improvements. And this is notwithstanding the extremely popular free concessionary travel entitlement for older and disabled people. If fewer people use the bus, services become unprofitable and are either withdrawn or become more expensive to use. In extreme cases, this can mean a community losing their lifeline.
- 1.7** We want to reverse this decline and get more people onto buses. We recognise that the local bus is not suitable for every journey, particularly longer or multi-leg journeys. But often, the bus can be just one part of a longer door-to-door journey that includes both public and private modes of transport. Moreover, the average bus trip in England outside London is only five miles long and 85% of households in England (excluding London residents) live within a six minute walk of a bus stop<sup>6</sup>. So the more people we can encourage out of their cars and onto buses, the greater the positive impact on congestion, air quality and noise pollution in our towns and cities.

### **Scope**

This policy statement focuses on the local bus market in England outside London, which since 1986 has been deregulated (London bus services remain under the control of the Mayor). In 2010/11, 77% of local bus mileage was provided by companies operating 'commercial' services outside of any council control, with the rest operated under contract to local councils and, in our large metropolitan areas, passenger transport executives (PTEs).<sup>7</sup>

Except where we will be working together to make specific changes or provide guidance, it does not refer to Scotland, Wales or Northern Ireland, where local transport is a devolved matter.

It also does not cover the scheduled long-distance coach market.

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<sup>6</sup> National Travel Survey (Department for Transport, 2010)

<sup>7</sup> Annual Bus Statistics 2010/11 (Department for Transport, 2011)

## Our Vision

- 1.8** Our vision is for a 'better bus' with more of the attributes that we know passengers want: more punctual, inter-connected services, an even greener and more fully wheelchair and buggy-accessible fleet and the widespread availability of smart ticketing. A more attractive, more competitive, and greener bus network will encourage more people onto buses, create growth and cut carbon. And it will benefit younger, older and disadvantaged groups, who disproportionately depend on the bus to get around and make the most of the opportunities available to them.
- 1.9** Large parts of England already benefit from very good bus services: frequent, reliable, clean and attractively-priced. However, not every local community has the level of bus service it expects, and not every passenger is getting value for money – in some places passengers suffer higher fares, poorer service levels and a less integrated network than they should.
- 1.10** In part, this may be because, as a recent report from the Competition Commission suggests, there is sometimes an absence of on-the-road competition between bus companies, which when present can keep fares competitive and drive improvements in quality. There is also evidence that small and medium sized operators struggle to break into new markets to offer an alternative to the dominant bus company. And too often, ticketing is a barrier rather than something that enables passengers to travel with more than one bus company. We will take action to remedy this situation. But we understand that the benefits of on-the-road competition can only be felt where demand is sufficient. And we also understand that the last thing passengers want is a return to the free-for-all 'bus wars' of the past.
- 1.11** Following extensive consultation, we have come to the view that different policy, regulatory, and funding approaches are needed: to promote more bus use on commercial urban and inter-urban routes on the one hand, but on the other, to help local councils deliver value for money and innovation in the procurement of supported services to complement the commercial market and provide vital community links. Each local bus market is different, with its own history, circumstances and needs – bus companies are crucial in driving the changes that are needed, but local councils also have a key role to play to help ensure passengers get the best deal possible. In all places, both need to play their reinforcing and complementary roles to the fullest.

### **Network review in Milton Keynes**

*The number of bus passengers in Milton Keynes has increased by 8% year-on-year, thanks to a successful network review led by Arriva, but undertaken in partnership with Milton Keynes Council. Changes to the network incorporated both commercial and council-supported routes and resulted in better links to the rail station, some increased frequencies and more early evening services. Strong marketing played an important role in getting more people onto Milton Keynes's buses.*

## **Our Programme of Action**

- 1.12** This document therefore sets out a balanced package of measures that will allow local transport authorities and commercial bus service operators to be efficient, innovative and creative in coming up with joint solutions to the transport needs of local people, and build upon the good examples of this that can already be found. We will:
- Reform the way in which we pay Bus Service Operators Grant (BSOG), a subsidy to operators that makes more services viable, to ensure taxpayers get better value for the money we put into each and every local bus market
  - Incentivise partnership working between local transport authorities and operators to improve the quality of bus services and attract more passengers
  - Improve competition in English local bus markets, and bring local transport authorities and bus companies together to help develop effective multi-operator ticketing schemes, by adopting the Competition Commission's recent recommendations to Government and
  - Support local transport authorities in their ability to procure non-commercial services, including more flexible, innovative options such as community buses.
- 1.13** This document also sets out, at **Appendix A**, the Government's response to *Improving Bus Passenger Services through the Regulatory Framework*, a consultation that closed on 1 June 2010. The incoming Government waited for the views of the Competition Commission before deciding whether to pursue any of the proposals put forward.

## 2. Background

**2.1** The Government does not underestimate the size of the challenge that faces us. There are long-term issues that must be addressed if we are to meet our objectives:

- Bus passenger numbers have been in a slow, long-term decline, despite a recent reversal thanks to older passengers using their free bus passes. This decline is particularly apparent in our largest cities
- Fares are increasing above inflation (6.8% above inflation between March 2005 and March 2011), with real impacts on the young and lower income groups
- In many areas, there is little direct competition for bus passengers
- Local councils often spend significant amounts of money on putting on services for communities not well-served by commercial services, at a time when they are under pressure to deliver savings
- For some communities, particularly in the most sparsely populated rural areas, traditional bus services are not always a viable option

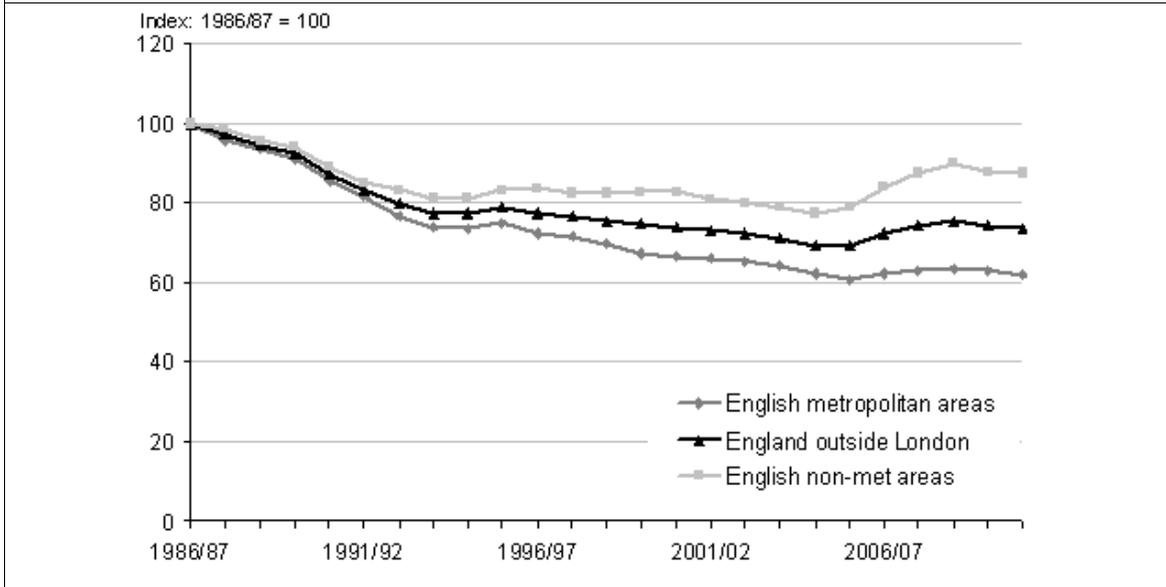
**2.2** But there are also more positive developments that give us encouragement:

- Bus passenger satisfaction remains relatively high
- The cost of local council tendered bus contracts is coming down
- The latest figures from local authorities suggest that bus service mileage is remaining broadly steady, an indication that service levels are being maintained
- Older people are taking advantage of their concessionary passes to use the bus more often
- There has recently been a rapid rise in take-up permits enabling not-for-profit organizations to run local bus services (see paragraph 3.16 and table 3.1)

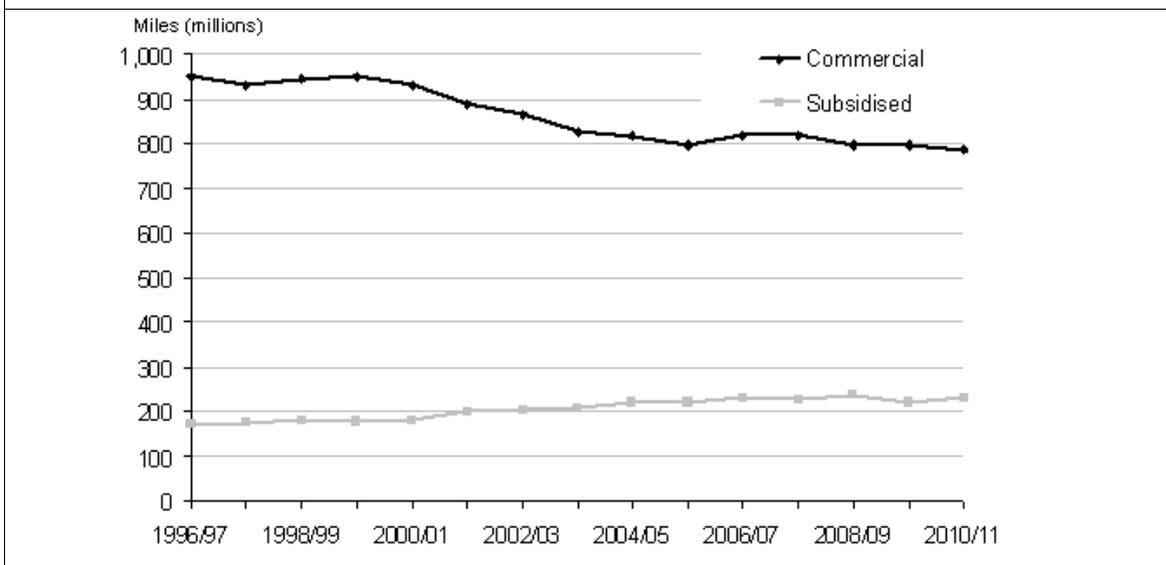
## Bus passengers and services

**2.3** Until the introduction of the concessionary entitlement in 2006, bus patronage in England outside London was in a slow, long-term decline (figure 2.1)

**Figure 2.1: Bus patronage trends in England (annual passenger journeys, indexed to 1986/87 = 100) <sup>8</sup>**



**Figure 2.2: Bus mileage operated in England outside London**



Source: *Annual Bus Statistics 2010/11* (Department for Transport, 2011)

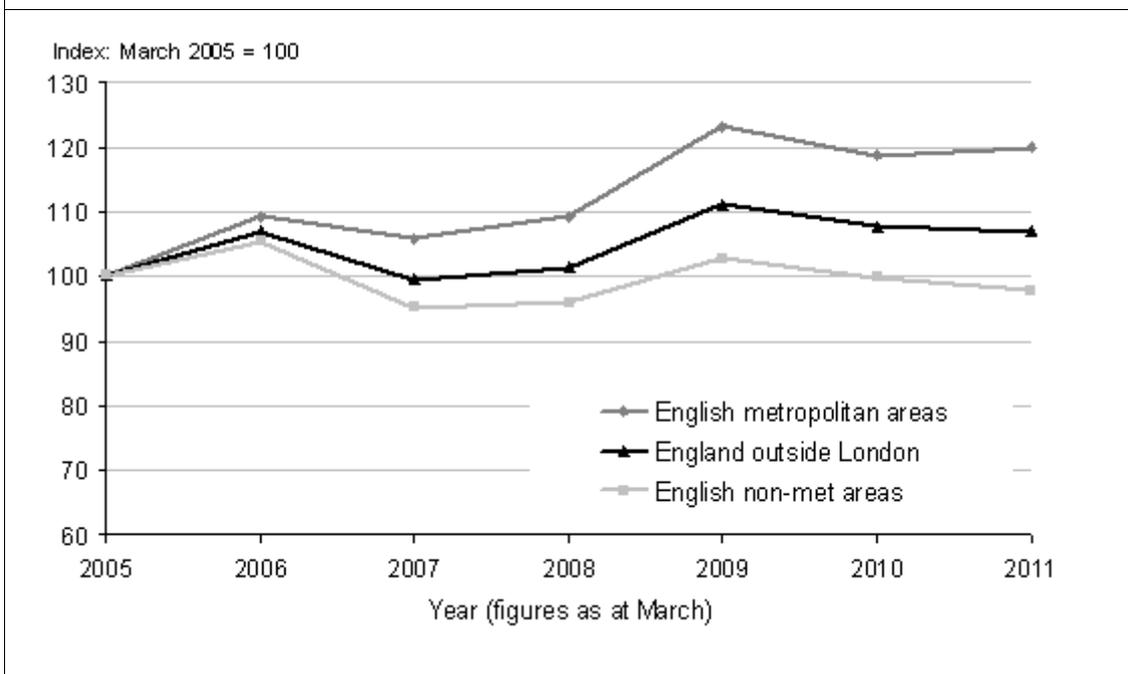
<sup>8</sup> Note change in methodology for bus outside London from 2004/05 which may affect the trend shown for these years.

**2.4** Since 2006/07, the number of miles run by bus companies has remained broadly the same, with the proportion operated under contract to local transport authorities stable at around 23% (figure 2.2). There are, however, some indications that this picture may be changing following decisions taken by local councils to reduce services in response to the challenging economic situation. We are working with our colleagues in local government to monitor this carefully.

## Bus fares

**2.5** Bus fares in England outside London increased by 6.8% in real terms between March 2005 and March 2011 (compared with an 18.4% increase in London), although they have fallen by around 4 per cent in real terms from the March 2009 level (figure 2.3). The overall rise was down to fare increases in our largest cities: in that same period, fares increased by 20% above inflation in the English metropolitan areas, but fell in real terms by 2% in non-metropolitan areas.<sup>9</sup>

**Figure 2.3: Recent trends in bus fares outside London**

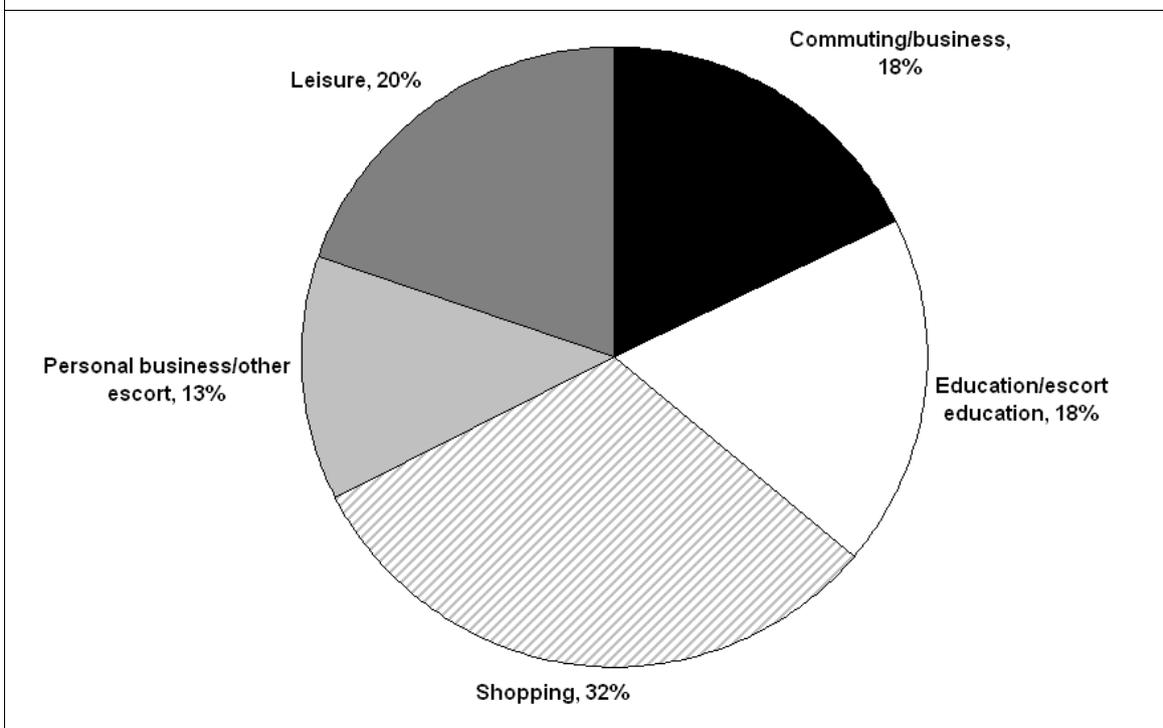


Source: *Annual Bus Statistics 2010/11* (Department for Transport, 2011)

<sup>9</sup> Annual Bus Statistics 2010/11 (Department for Transport, 2011)

- 2.6 This may explain why, although overall passenger satisfaction with their bus service is high at 85% in the most recent survey, passenger satisfaction with value for money is as low as 39% in some areas.<sup>10</sup>
- 2.7 Fares are particularly important because it is those without access to a car – younger people and lower income groups – that continue to rely on the bus as their main form of transport (figures 2.5 and 2.6). Over half of people who use the bus outside London do not have access to a car, compared with a quarter of households overall. A third of local bus trips are taken by people in the lowest income group, while under-21s also make up a third of bus passengers.

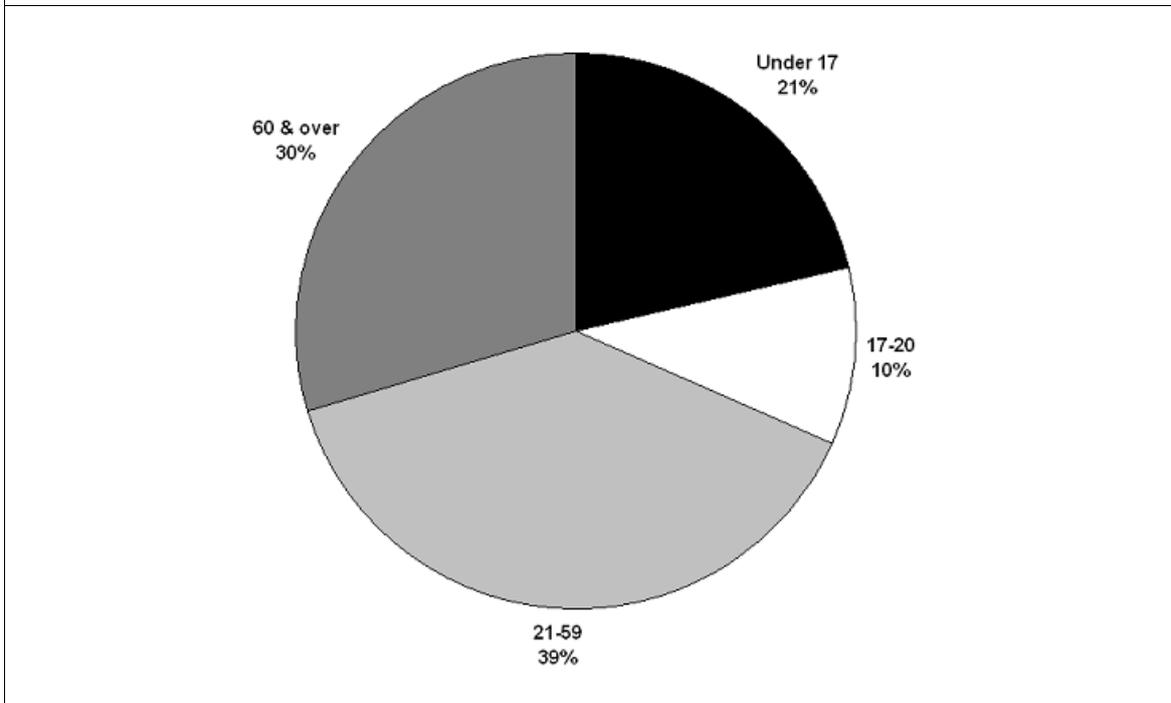
**Figure 2.4: Proportion of local bus trips by purpose, England outside London, 2010**



Source: National Travel Survey 2010 (Department for Transport, 2011)

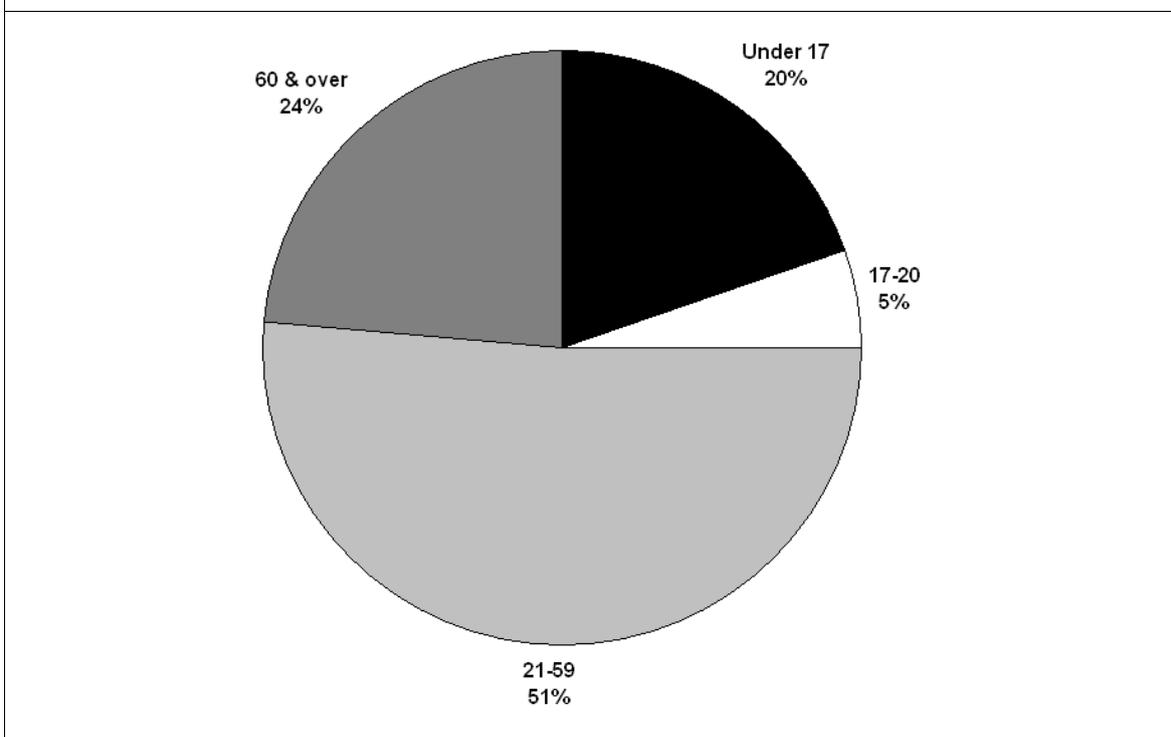
<sup>10</sup> Bus Passenger Survey March 2012 (Passenger Focus, 2012)

**Figure 2.5: Age of individuals making local bus trips, England outside London, 2010**



*Source: National Travel Survey 2010 (Department for Transport, 2011)*

**Figure 2.6: Population by age**

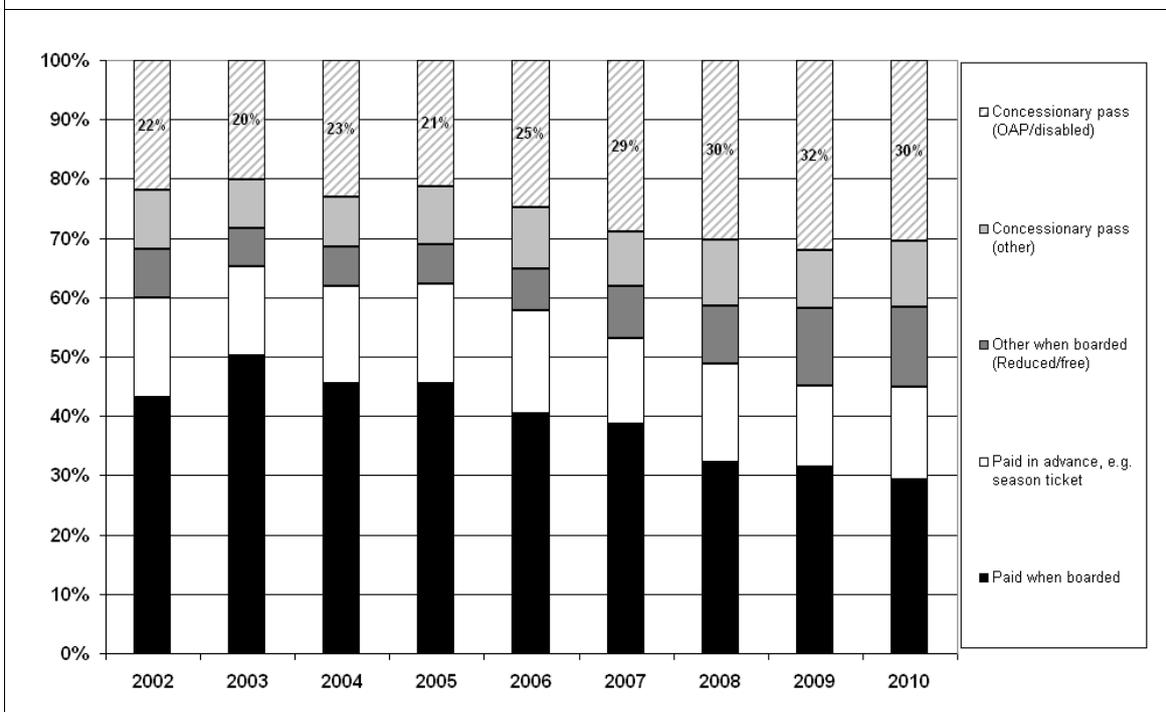


*Source: Mid-2010 population estimates (Office for National Statistics, 2011)*

## Concessionary travel

**2.8** The popularity of the national free concessionary travel entitlement, which means that 76% of those eligible now hold a pass, has resulted in passengers aged over 60 using the bus more frequently. Almost a third (30%) of all bus journeys are now made using the national concessionary pass, and even more when local concessions are included (figure 2.7).

**Figure 2.7: Proportion of local bus stages by ticket type used, England outside London, 2002 to 2010**



Source: National Travel Survey 2010 (Department for Transport, 2011)

## Accessible buses, smarter buses

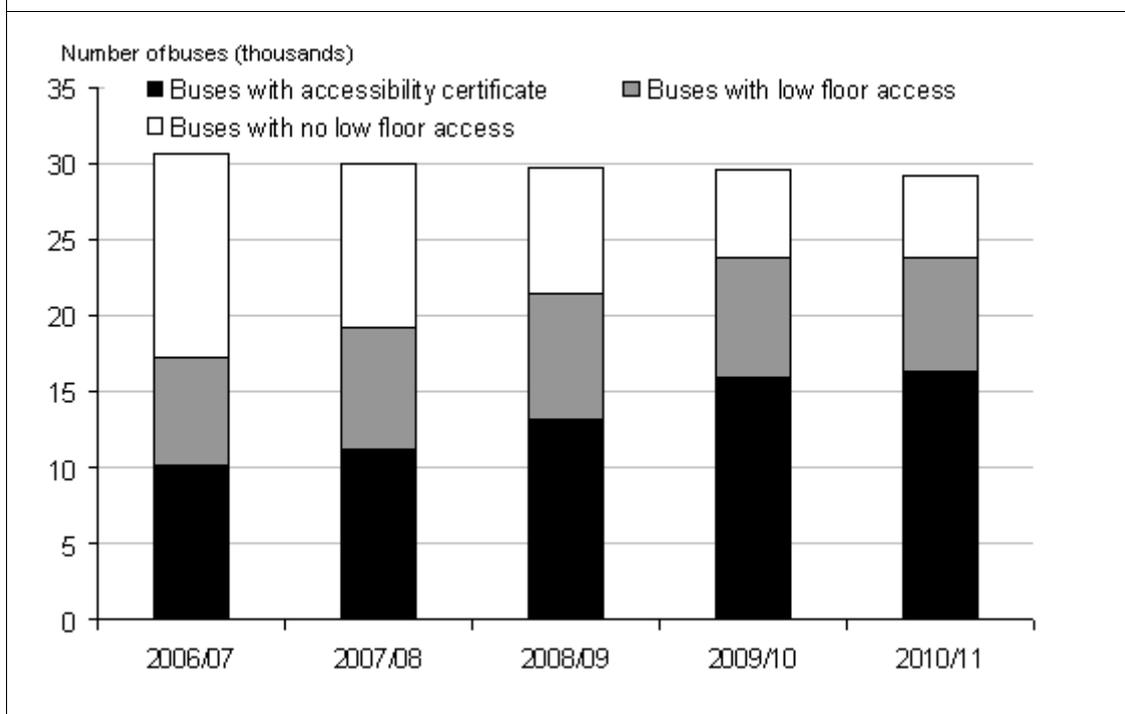
**2.9** Buses have become more accessible to those with impaired mobility, with an increase in the number that are fully compliant with the Public Service Vehicle Accessibility Regulations (PSVAR) requirements (i.e. those with accessibility certificates) (figure 2.8).

## Low floor buses in Nottingham

Thanks to a £42 million investment in vehicles over the last eight years, the Nottingham City Transport bus fleet will be 93% fully wheelchair accessible by April 2012, and 100% accessible by 2013.

Trent Barton's fleet of buses has been 100% low-floor for over five years. If for some reason a low-floor bus is not available for a disabled customer, no passengers onboard need to pay a fare.

**Figure 2.8: Number of accessible or low floor buses used as Public Service Vehicles, England outside London, annual from 2006/07**



Source: Annual Bus Statistics 2010/11 (Department for Transport, 2011)

- 2.10** The Government will continue to monitor progress towards full compliance with PSVAR. We will liaise with bus companies to ensure investment in accessible buses remains on track.
- 2.11** They have also become more technologically advanced. Almost two-thirds of buses outside London are now fitted with CCTV, over half have automatic vehicle location equipment that can be used to provide real-time information to passengers and help fleet management<sup>11</sup>, and over a quarter have ITSO-compliant smartcard equipment onboard.<sup>12</sup>

<sup>11</sup> Annual Bus Statistics 2010/11 (Department for Transport, 2011)

<sup>12</sup> According to BSOG claim data

## Competition

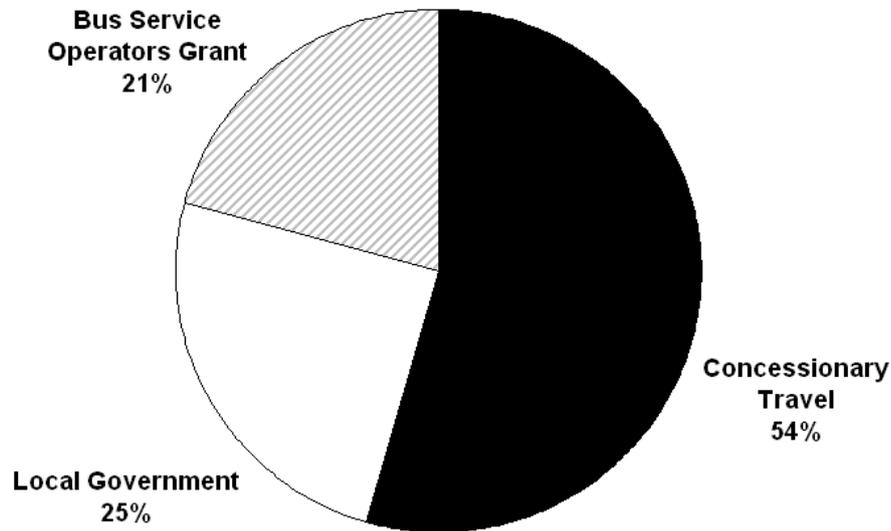
- 2.12** Although there has been welcome investment by bus companies, recent evidence suggests that bus passengers in some areas are suffering from services with lower frequencies and higher fares than they should because there is not enough competition in many local bus markets.
- 2.13** The Competition Commission conducted a two-year investigation into the supply of local bus services in England (outside London), Wales and Scotland, which concluded in December 2011. It found that: 'In a substantial proportion of [urban] areas a single operator controls the great majority of all bus services.' On average, the largest operator runs over two-thirds (69%) of all urban bus services.
- 2.14** And even though rural areas tend to '...have a greater number of operators and have bus services which are less concentrated in the hands of a single operator', in a typical rural transport authority over half (56%) of weekly services are still run by a single bus company. There is also evidence that the largest operators stick to their own areas of operation, which rarely overlap with each other.<sup>13</sup> The result is that only 3% of bus routes face effective head-to-head competition. When bus companies do attempt to run head-to-head with each other, the Competition Commission found that, although less of an issue than in the past, unhealthy 'bus wars' can break out.
- 2.15** The Competition Commission also found that, although the market for local council supported services is relatively healthy, the way in which local councils tender for contracts means competition between bus companies to bid for them is not as strong as it could be.
- 2.16** The Competition Commission has calculated that the lack of competition is costing passengers and taxpayers between £115m and £305 million a year, a sum the Government cannot afford to ignore given the large amount of public funding that goes into bus services (£1.5 billion in 2010/11<sup>14</sup> – see figure 2.9 for details). And it is a sum set against the healthy profits that the Competition Commission found the largest bus companies continue to make in the deregulated market, even in these challenging economic times.

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<sup>13</sup> For more detail see Chapter 4 of: Local bus services market investigation – A report on the supply of local bus services in the UK (excluding Northern Ireland and London) (Competition Commission, 2011)

<sup>14</sup> Annual Bus Statistics 2010/11 (Department for Transport, 2011)

**Figure 2.9: Net central and local government support for local bus services and concessionary travel, England outside London, 2010/11**



*Source: Annual Bus Statistics 2010/11 (Department for Transport, 2011)*

## Local bus contracts

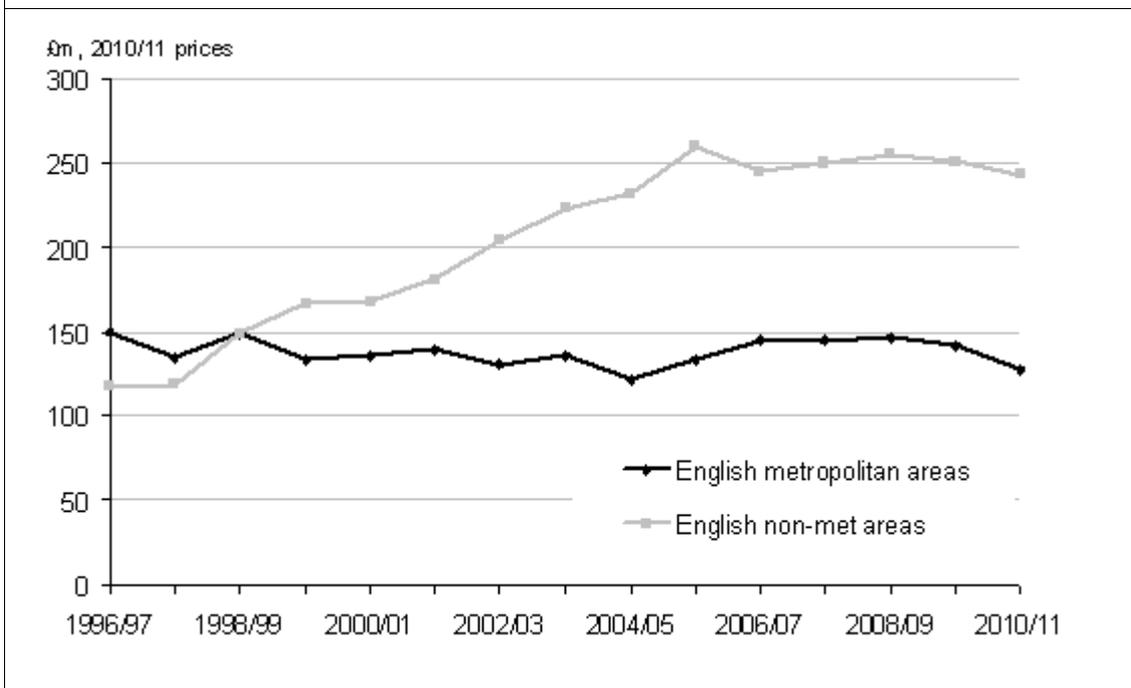
**2.17** Following significant contract price increases in the previous decade, local transport authorities in England outside London have, since 2006, continued to spend large sums on supporting local bus services that are not commercially viable, with expenditure totalling £370m in 2010/11.

**2.18** As the Competition Commission noted in its recent report on the supply of local bus services<sup>15</sup>, the larger the number of bidders for a bus service contract, the more attractive the bids are likely to be. In recent years, the proportion of contracts put out to tender for which only one bid has been received has dropped significantly, as can be seen in figure 2.11. At the same time, the cost of those contracts on a like-for-like basis has been falling.

**2.19** This means that there will often be scope for cost savings on supported services, at a time when local councils have to find savings in their overall expenditure, without drastic reductions in service levels.

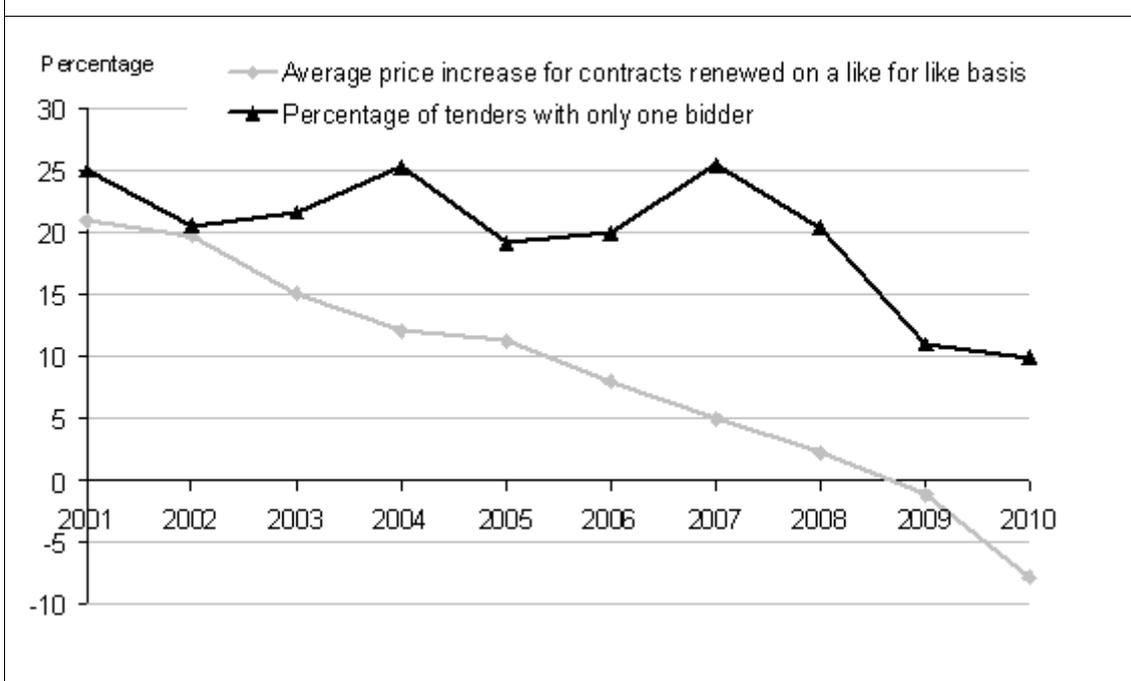
<sup>15</sup> Local bus services market investigation: A report on the supply of local bus services in the UK (excluding Northern Ireland and London) (Competition Commission, 2011)

**Figure 2.10: Expenditure on local transport authority supported bus services in England outside London**



Source: Annual Bus Statistics 2010/11 (Department for Transport, 2011)

**Figure 2.11: Cost of, and competition for, local bus contracts in GB**



Source: Price, Expenditure and Competition Survey (Association of Transport Co-ordinating Officers – ATCO)

## 3. Better buses: what we have done

- 3.1** The evidence from the last 15 years suggests that more people will use buses if significant investment is put into making the bus more attractive and buses are given priority on the road network. This can be seen in London, Brighton, Oxford and elsewhere.
- 3.2** The Government's priority is to eliminate the structural deficit over the lifetime of the Parliament. Despite this, we have safeguarded funding for bus services since we came into power. We have kept the subsidy we pay to operators, albeit at a slightly reduced level, and retained the national concessionary travel entitlement for older and disabled people. And we have also shown our commitment to increasing the quality of service for bus passengers through our investment in low-carbon buses, smart ticketing technology and our new Better Bus Areas, as well as through our £560 million Local Sustainable Transport Fund. In addition, we have become the first Government to allocate investment to community groups that run local transport services.
- 3.3** In the Local Transport White Paper we committed to ending top-down decision-making and one-size-fits-all solutions. So we have also begun the process of decentralisation that will further strengthen local government's place at the heart of delivering economic growth through the public transport improvements local communities, many of whom rely on the bus, need and deserve.
- 3.4** But we recognise that as central Government we still have a role in providing the regulatory and funding framework, and we share with the Local Government Association a role in providing guidance and examples of good practice. The guidance we published, to help local councils and bus companies work together to ensure buses turn up on time, is just the start of our efforts to help and support bus partnerships as they develop.

**We have sought to safeguard public sector funding for bus services, as far as possible in a difficult fiscal environment...**

## Bus subsidy

- 3.5** Bus Service Operators Grant (BSOG) was first introduced in 1964, when it was known as Fuel Duty Rebate. The amount each bus company receives per year from Government in the form of BSOG is based on how much fuel their buses use during the year, with a flat rate paid per litre of fuel used. This makes marginal services commercially viable, and reduces the cost of the services local transport authorities choose to support under contract. In 2011/12, around £450 million is being paid to operators in England through BSOG.
- 3.6** In October 2010, we announced that the basic rate at which BSOG is paid per litre of fuel used would be reduced by 20%. However, we delayed this coming into effect until April 2012, so that bus companies would have a year and a half to prepare. This compares favourably to the relatively short notice given to the devolved administrations in Scotland and Wales in respect of their BSOG reductions. We estimate that, on average, the impact on passengers in England, unlike in Scotland and Wales, should be limited to a 1% reduction in service levels and a 1% increase in fares, when compared with the long-term trend, although we recognise the challenge for bus companies and local councils as they adjust to the new budget.

## Concessionary travel

- 3.7** The Government is committed to the concessionary travel entitlement in England for older and disabled people at a cost of around £1 billion a year. This entitlement is of great benefit to the ten million older and disabled people who have taken up a concessionary pass, allowing free off-peak travel anywhere in England. Take-up is increasing year on year. Over three-quarters of older people now have a concessionary travel pass, and the National Travel Survey suggests that bus use amongst the over-60s is increasing<sup>16</sup>.
- 3.8** The result is to give older and disabled people greater freedom and independence to visit family and friends and a lifeline to facilities both within and outside their local area. Popular tourist destinations also are

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<sup>16</sup> The proportion of people aged 60+ who say they use a local bus at least once a week has increased from 32% in 2006 to 40% in 2010, the last year for which figures are available. (National Travel Survey 2010)

enjoying the benefits extra tourists bring to the wider economy as older and disabled people take full advantage of this generous concession.

- 3.9** The Government is aware of how precious this benefit is to older and disabled people, which is why we are focusing our efforts on assisting local authorities to find efficiencies through reforms to administrative and reimbursement arrangements for the scheme, rather than cutting back on the entitlement. That is also why only one change has been made to the entitlement, to reflect improvements in life expectancy and the increasing ability of older people to enjoy an active and healthy lifestyle and continue working. The age of eligibility was increased in April 2010 to bring it in line with the changes that are taking place to the state pension age.
- 3.10** It remains the case that local transport authorities should continue to reimburse bus operators for concessionary bus travel on a 'no better, no worse off' basis. In November 2010 the Department for Transport published new guidance to support them in their reimbursement calculations.<sup>17</sup> In its December 2011 report on the supply of local bus services in the UK (excluding London and Northern Ireland), the Competition Commission emphasised the benefits to local transport authorities from following this guidance, since it helps local authorities take account of the impacts that the concessionary travel scheme can have on commercial pricing policies.
- 3.11** The majority of local authorities are now using the guidance and should be reaping the financial benefits of doing so. This helps the financial sustainability of the scheme, whilst reserving the benefits of the bus pass for those in greater need. Bus companies that believe a local council has failed to apply correctly the 'no better, no worse off' requirement have the right to an independent appeal. There are no outstanding appeals to the Secretary of State for Transport regarding concessionary travel reimbursement for 2011/12. Twenty-one appeals were withdrawn and seven appeals were determined by the end of February. In five cases the appeal was upheld. The other two were dismissed.

## Local major transport schemes

- 3.12** The Coalition Government recently approved a number of major bus infrastructure improvements as part of the Development Pool funding decisions we made towards the end of 2011. These include a replacement bus station in Rochdale, infrastructure for new cross-city services in Manchester, park and ride in Bath and York, and bus rapid

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<sup>17</sup> This can be found on the Department for Transport's website: [www.dft.gov.uk](http://www.dft.gov.uk)

transport schemes in Bristol, the Lower Don Valley and east Lancashire. Around £200 million of central Government funding has been allocated to these projects.

### **Bus Rapid Transport in Bristol**

*Thanks to £51.2 million funding from central Government, a £92.9 million Bus Rapid Transit scheme linking the north of the city (including Bristol Parkway) via the city centre to Hengrove in the south will begin construction in December 2013. This is designed to tackle congestion and reduce dependency on the car, to improve access to job opportunities, to help tackle deprivation and to link with the proposed new business and housing developments. It is part of a wider package of improvements that has received Government funding.*

**...and found new money to fund additional measures that help deliver major passenger benefits**

## **Better Bus Areas**

- 3.13** In December 2011, we announced a new £50 million Better Bus Area (BBA) Fund to promote passenger growth through collaboration between bus companies and local councils. We have been impressed by the proposals we have received and have therefore decided to increase the funding available to £70 million. This will provide grants of up to £5 million to local transport authorities to spend in 2012/13 and 2013/14. Successful bidders have demonstrated how they would use the funding to work in partnership with local bus operators to improve patronage, create economic growth and cut carbon. We intend to build upon the success of this bid with a further round of funding, in the context of our proposals for decentralisation set out in Chapter 4.

### **Quicker, faster, smoother in South Yorkshire through the Better Bus Areas fund**

*Thanks to £4.91m funding from the Better Bus Area Fund, South Yorkshire PTE will be making a number of improvements to tempt people onto buses and then keep them there. This will include improved road layouts, bus stops with real-time information about when the next bus is due, better bus shelters, measures to reduce waiting times at traffic lights and smarter tickets that can be used on more than one company's buses.*

## Green Bus Fund

- 3.14** In December 2011, we also announced a further £25 million to improve the environmental performance of buses and support jobs at British bus manufacturers and suppliers of clean vehicle technology. The interest from the sector in the £20 million lower carbon element has exceeded all expectations, and so we have decided to increase the funding available for this to £31 million. This will enable twenty-six bus operators and five local authorities to buy a total of 439 low-carbon buses. These low carbon buses will be added to the fleet of over 500 that will operate on England's roads thanks to the success of previous rounds of the Fund. The remaining £5 million is being spent on retrofitting older buses in London with pollution-reducing equipment to help improve the capital's air quality, funding which is in addition to the £5 million provided by the Mayor of London.

### **Low-carbon buses in Reading**

*Following successive successful Green Bus Fund bids, about one third of Reading Transport's double decker fleet (31 buses) are low-carbon hybrid vehicles. This has improved fuel efficiency, lowered carbon emissions and heightened awareness of green issues in Reading. The company has also carried out a 5 week trial of the gas-powered MAN EcoCity bus. This builds on the company's previous trials of alternatively-fuelled buses, which have included buses which ran on ethanol, liquefied petroleum gas (LPG) and even used cooking oil.*

## Local Sustainable Transport Fund

- 3.15** The £560 million Local Sustainable Transport Fund is key to this Government's efforts to promote better public transport and shift travel behaviour. Thirty-five of the thirty-nine bids that were successful in the first round of the fund had bus-related elements, reflecting the importance both we and local transport authorities place on making the bus an attractive transport option. We confidently expect to make further investments in buses through the second round of the fund, the successful bidders for which we will announce in the summer.

## **Bus/rail integration in Peterborough**

*As part of Peterborough City Council's successful £5 million Local Sustainable Transport Fund bid, improvements are being made to make it easier for passengers to transfer between the rail and bus stations, including real-time passenger information, an interchange board and better access. Onboard audio and visual information, driver disability awareness training and on-bus cameras are also included in the package of measures, as well as plans for smartcards and park and ride services.*

## **Community Transport**

**3.16** Our investment is not exclusive to traditional bus services. In 2009/10 over 15 million passenger trips were provided by at least 1700 community groups. As some traditional local bus services are being withdrawn in response to funding pressures, the community transport sector has been building capacity and is able to offer services that address local needs and increase patronage. The recent rapid increase in section 22 permits, permitting not-for-profit organisations to run local bus services, is a good indication of this:

<b>Year (April – March)</b>	<b>Permits issued</b>
2011 – end of February 2012	169
2010 – 2011	114
2009 – 2010	29
2008 – 2009	10
2007 – 2008	1

*Source: Office of the Traffic Commissioner*

**3.17** In recognition of the important role they play in delivering local services, we provided a total of £20 million across two rounds of our Supporting Community Transport Fund between 2010/11 and 2011/12. This funding has been distributed to 76 local transport authorities (councils and passenger transport executives) to support the establishment and development of more community transport links to employment and services in rural areas.

### **Community transport in South Yorkshire**

*In South Yorkshire, the Rivelin Valley rural bus service was withdrawn due to low passenger numbers and replaced by a community bus run by Sheffield Community Transport. This tailored service was designed to meet local needs, serving hillside communities along the Valley, and has increased weekly passenger trips by 300%. The service was established with help from the Government's Supporting Community Transport Fund and has proved to be such a success that South Yorkshire PTE has committed to retain the service.*

**We are working in partnership with bus companies and local transport authorities to make improvements in the areas that matter to passengers and to better understand the benefits of bus services to the wider economy and society...**

## Smart ticketing

**3.18** Our goal is for the majority of public transport journeys to be undertaken using smart ticketing technology by December 2014, a significant proportion of which will be on the bus. As set out in our Local Transport White Paper 'Creating Growth, Cutting Carbon'<sup>18</sup>, smart ticketing can play a crucial role in the co-ordination of public transport. It can improve boarding speeds for passengers and allow them to make more seamless through journeys on a single ticket or travelcard. There are also significant benefits for bus operators and local transport authorities in terms of data and information gathering and sharing.

### **Smart ticketing machines across England**

*First has recently invested £15m in new ITSO-compliant electronic ticket machines, which will be fitted to every bus in its fleet outside London by the end of 2012. First's smart ticketing system will have the potential to interact with contactless bank cards, in addition to reading ITSO smartcards.*

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<sup>18</sup> Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen (Department for Transport, 2011)

- 3.19** We have provided significant support and incentives to bus operators and local transport authorities so that an increasing number of bus journeys can be undertaken using ITSO-compliant smart ticketing technology. We have already provided the nine largest urban areas outside London with a total of £20 million funding between 2009/10 and 2010/11, and offered operators an additional 8% in BSOG for buses that are equipped with operational ITSO smart ticketing hardware.
- 3.20** We recognise, however, that installation costs can be a barrier to uptake, particularly among small and medium-sized companies, so we have now created a brand new £15 million fund to address this. We will come forward with an offer to operators later in 2012.

## End to end journeys

- 3.21** A bus trip can be just one part of a much longer public transport journey. Passengers are more likely to use public transport if their whole journey, from end to end, is as seamless and convenient as possible. Through the Government's End to End Journeys roundtable, we are working with the larger bus companies, which are part of wider parent groups that also include train operating companies, passenger bodies and ticketing companies to develop initiatives that will make it easier and more practical to make end-to-end journeys by public transport.
- 3.22** A number of successful Local Sustainable Transport Fund bids, like the Peterborough example, have already demonstrated what can be done. We intend to publish in due course our recommendations and a clear timescale for improvements.

### **PLUSBUS**

*PLUSBUS is a bus (and tram) ticket that is available cheaply when a train ticket is purchased. It covers travel to and from the rail station and around the whole urban area of the town at the start and/or end of the train journey. PLUSBUS is an excellent example of bus and train operators working in partnership with their local communities to deliver a successful rail-bus integrated product. There are now nearly 300 towns and cities in the UK with PLUSBUS schemes.*

## Punctuality

- 3.23** One of the most important factors in retaining existing passengers and attracting new ones, and a key area for improvement, is punctuality. The longer someone has to wait for a bus beyond its timetabled arrival time, the less likely they are to want to use it again. Punctuality is a primary example of the importance of good relationships between bus companies and local councils in improving bus services for passengers. So in July 2011, we published revised guidance on bus punctuality partnerships, aimed at supporting joint working between bus companies and local councils to deliver high levels of punctuality and reliability.<sup>19</sup>
- 3.24** This guidance was developed in cooperation with operator, local authority and passenger groups and provides a framework for collaborative working to address the causes of poor punctuality and improve performance, as well as examples of good practice already underway. At its heart, it recognises that whether a bus arrives at the stop on time is determined by many factors – a sick driver, road works or congestion, to name a few – that are within the gift of both local bus companies and local councils to influence.

## Research

- 3.25** We know that there is an economic, environmental and social rationale for Government intervention in the bus market. Economically, supporting buses increases the attractiveness of bus travel relative to car travel, which in turn helps alleviate congestion, including for those still in the car. Environmentally, the increased attractiveness of bus travel relative to car travel helps reduce pollution. Socially, the existence of a bus service increases the accessibility of non-car owners to social services and employment opportunities.
- 3.26** While established methodologies exist to quantify and monetise the impacts of bus policy on the economy and the environment, relatively little is known about the value of social benefits – such as increased accessibility – that result from supporting buses. There is a large qualitative consensus on the types of social benefits that exist, but very little evidence which quantifies and monetises these impacts.
- 3.27** The Department for Transport has now commissioned a project to produce a quantitative methodology and set of values for comprehensively valuing the social impacts of local public transport access. It is due to be completed this summer.

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<sup>19</sup> Available on the Department for Transport website: [www.dft.gov.uk](http://www.dft.gov.uk)

**3.28** We also have an interest in research being commissioned by Greener Journeys, a campaign by the major bus companies to get people out of their cars and onto buses. This project aims to consider the wider economic contribution made by the bus through quantifying its influence on the economy, by providing access to jobs, business, retail and education and training and its role in the regeneration of local areas.

**...and we are looking to empower local councils and bus users.**

## Devolution

**3.29** The Government is committed to devolution and strengthening local decision-making and governance in cities and right across local government. This is reflected in ‘Unlocking Growth in Cities’<sup>20</sup>, where we set out our commitment to supporting England’s cities in their efforts to get the economy moving. Many cities have already come forward and set out their plans for bus services as part of their proposed ‘city deals’ for transport, recognising the vital role public transport plays in delivering growth and jobs. We are now discussing these plans with them.

**3.30** As part of this concerted shift away from central appraisal and towards devolved decision-making, the Government is consulting on proposals for decentralising major local transport capital investment, including large investments in bus infrastructure.

## Transparency

**3.31** The Government recognises that making data and information available to the public plays an important role in allowing the public to hold politicians and public bodies to account, allowing citizens to make efficient use of their time and resources, and enabling organisations to introduce innovations to deliver significant economic benefits. Public transport data, including bus and coach timetables, is already available through the National Public Transport Data Repository. We hope to do more with other information, such as the Traveline national dataset, and NextBuses real time data, to help passengers make more informed choices about their journeys by bus.

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<sup>20</sup> Unlocking Growth in Cities (HM Government, 2011)

## 4. Better buses: our plans for getting more people on buses

**4.1** We have made an excellent start in our drive to ensure better bus services for passengers, but we need to go further if we want to get better value for money for the taxpayer and the farepayer – attracting new passengers whilst ensuring existing passengers who rely on the bus continue to get the local services they deserve. This is something we have been discussing with bus companies, local government and passenger groups.

**4.2** In this chapter we set out:

- how we will support partnerships between local transport authorities and operators to improve the quality of bus services and introduce multi-operator ticketing
- our proposals for better targeting bus subsidy where it is needed
- our plans to increase competition between operators for commercial services and for tendered contracts, and
- our efforts to encourage innovation in bus service procurement

### Working in partnership to help passengers

**We will incentivise collaboration between local councils and bus companies to improve the quality of services and attract more passengers...**

**4.3** Buses are used by people of all ages and from all walks of life. But no fare-paying passenger uses the bus for the sake of it. They want to go shopping, to get to work, to see friends and to access leisure activities – in a reasonable time and at a reasonable price.

- 4.4** A study undertaken in 2010 for the Department for Transport<sup>21</sup> highlighted that what the public wants above all is a reliable and frequent service. Bus companies and local councils know this. That is why across the country they are already working together to improve the infrastructure buses use to give them visible priority in congested areas, as well as remove pinchpoints.
- 4.5** They are also introducing so-called ‘softer factors’, which the evidence suggests can attract new users onto the bus, such as CCTV at bus stops and onboard, real-time passenger information and audio-visual information. Some local councils are going further in their efforts to bring about more reliable, punctual and integrated bus networks, by examining options for coordinated timetables and fares and multi-operator ticketing, which the Government supports. Some also engage in regular dialogue on day-to-day operational issues affecting the running of services so that disruption can be minimised, such as advance warning of roadworks, a practice that would benefit from becoming more widespread.

#### **Partnership working in the West Midlands**

*Bus passengers in Coventry have recently benefitted from a new network of services through a multi-operator partnership providing a host of commitments and improvements. The commitments include at least 43 new buses for the city, new state of the art bus shelters and quicker journey times through congestion busting measures to be worked on by the City Council, bus operators, and co-ordinating authority Centro.*

*The Voluntary Multilateral Agreement (VMA), which came into effect on 26th February 2012, pledges to deliver all of these improvements over the next three years and aims to give passengers faster and more punctual services, shorter waiting times, and generate a 6% increase in the number of passengers using the network.*

*The new agreement will mean that passenger numbers can be accurately monitored through a data sharing arrangement and customer satisfaction will be benchmarked through Passenger Focus. This partnership process builds on the already established VMA partnerships in the region that have generated between 1.6% and 3.9% passenger growth within the first year of operation through similar partnership arrangements.*

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<sup>21</sup> The Role of Soft Measures in Influencing Patronage Growth and Modal Shift in the Bus Market in England (Department for Transport, 2010)

- 4.6** The Competition Commission has recently recommended that local transport authorities introduce partnership agreements to increase the quality of bus services. That is why we are retaining the current regulatory structure that has been in place since 2009, which permits the full range of local transport authority interventions, from voluntary agreements through to statutory Quality Contract Schemes.

**Bus partnership benefitting Maidstone**

*In Maidstone, a voluntary partnership agreement between Kent County Council and Arriva has brought about better bus stops and a new section of bus priority lane to help the number 82 service. New buses were introduced onto the route in 2008 and, as more and more people have used the service, brand new, larger buses will be put into use this year to accommodate them.*

- 4.7** Under partnership agreements, the local council typically invests in better bus infrastructure such as bus lanes and bus companies invest in better buses. Local councils can also introduce maximum fares or minimum frequency levels through a statutory Quality Partnership Scheme, as found in Bath and North East Somerset. In such schemes, bus companies that do not meet the quality standards set out are prevented from operating services on the routes covered by the scheme.
- 4.8** Qualifying agreements between bus companies, endorsed by the local transport authority, have already proved an effective way of co-ordinating timetables in Liverpool, Oxford and Sheffield. We expect that many other areas will look at this model closely, and we will monitor their progress.

**More convenient and easier to use buses in the Oxford area**

*Oxford Bus, Stagecoach and Thames Travel have come together to offer passengers in Oxford and surrounding areas the ability to travel on any company's bus at any time using one ticket. Called the SmartZone, this offers passengers total flexibility in making their journey. Stagecoach and Oxford Bus have also co-ordinated their timetables, route numbers and bus stops in Oxford city centre to make the bus network easier to use. Early results show tangible benefits for both passengers and the bus companies.*

- 4.9** We support the Competition Commission's recent recommendation to the Office of Fair Trading (OFT) to establish a forum at which the competition issues raised by potential partnerships can be discussed

and we will work with the OFT to facilitate this. We encourage bus companies to be bold but sensible in their assessment of the risks posed by competition law to effective partnership agreements.

- 4.10** Through the creation of ‘Better Bus Areas’, the Government is now stimulating even more partnership agreements that are delivering improvements that will make a real difference to passengers, increase bus usage and contribute to economic growth. We will encourage even more of these through the BSOG decentralisation proposals discussed below.
- 4.11** Quality Contract Schemes allow an authority or authorities to, in effect, suspend the deregulated market in a specific area and instead determine the routes, fares, quality standards and frequency of bus services through tendered contracts. Local transport policy must be determined and delivered locally, and so the Government does not intend to remove the flexibility for local transport authorities to impose this London-style model for bus services, if they decide that is the best way to deliver their public transport policies. We will, however, monitor the development of any schemes with interest.
- 4.12** Department for Transport guidance on voluntary agreements, Quality Partnership Schemes and Quality Contract Schemes is already available<sup>22</sup>. We will update this guidance as and when required.

## Young people

- 4.13** It is clear from the National Travel Survey that the cost of motoring remains a significant barrier for young adults thinking of learning to drive. Despite this, not enough is being done to attract young people onto buses. Even where good deals are on offer, young people are often unaware of them, through no fault of their own. Young people are not just a key section of the market – they are the future of the local bus industry. Some bus companies recognise this through the marketing of their promotions and their work with local councils, schools and colleges. And it is something that has been discussed at the Department's Bus Partnership Forum, attended by senior representatives from the bus industry, passenger bodies and local government.

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<sup>22</sup> Available on the Department for Transport website: [www.dft.gov.uk](http://www.dft.gov.uk)

### **Encouraging young people onto buses in East Anglia**

*On Norfolk Green buses, all 16 to 19 year-olds are provided with a 'no questions asked' 20% discount. This age group now represents the fastest growing sector of the market, with some evidence that they retain the 'bus habit' well into their twenties.*

- 4.14** However, the Government believes that more effort is needed to get young people onto buses and to keep them there. So we are encouraged that the bus industry, in recognition of the importance of promoting bus travel to young people, is developing a web-based solution enabling them to access details of services and fares relevant to them across the country. We will ensure that this serves the needs and expectations that young people have for transparent and accessible information, and reserve the right to take further action if necessary.

## **Bus Service Operators Grant**

**We will reform the way in which we pay Bus Service Operators Grant (BSOG), a subsidy we provide to bus companies that makes services more viable, to ensure taxpayers get better value for the money we put into each and every local bus market...**

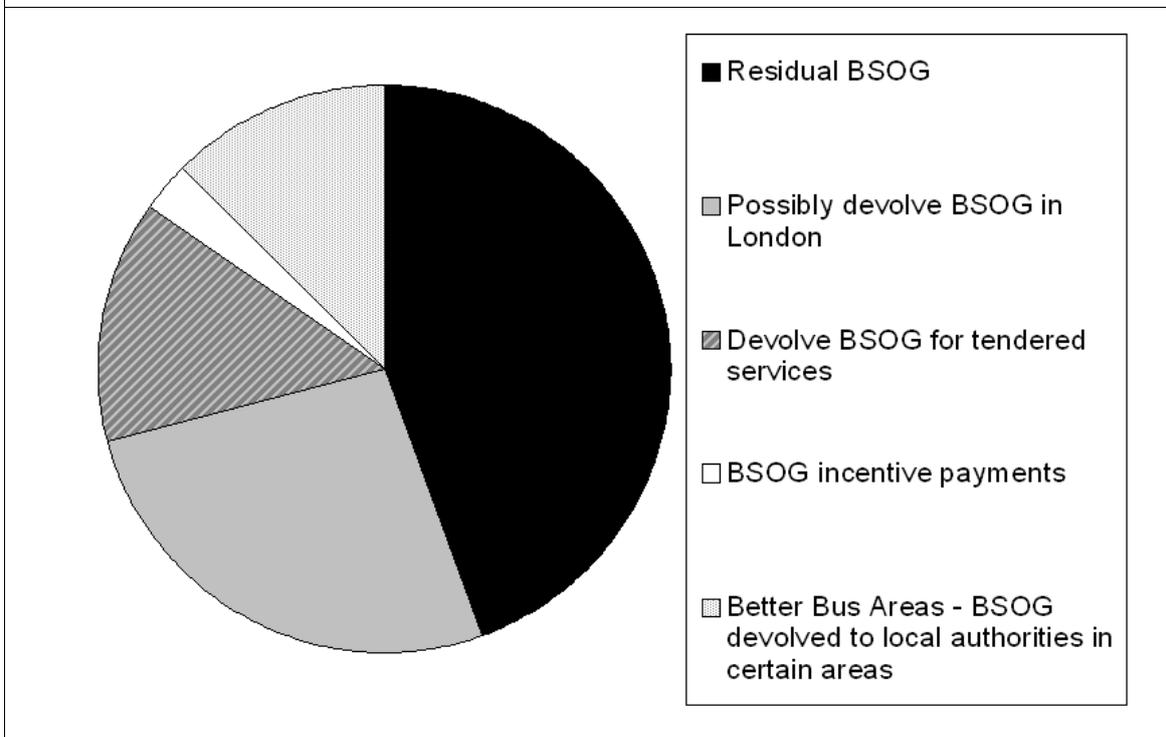
- 4.15** The Government proposes to improve the way we subsidise local bus services through BSOG. Over the last year we have considered whether improvements can be made to the existing way of paying subsidy, and whether we can use this spending more effectively by using it in a range of ways to support different parts of the bus market, rather than just paying it as a single blanket system across England. We have discussed this with bus companies, local councils and others. In addition to our core objectives of increasing partnership working, patronage and value for money, we were also concerned that a system which pays subsidy according to how much fuel a company uses cannot be right for the twenty-first century. So, we considered what changes might be needed to take greater account of the environmental impact of buses.

- 4.16** We were also concerned about the effect changes to the existing system could have on bus companies and passengers, in particular, whether they could disproportionately affect certain groups – for instance rural communities, small bus companies or those bus services which are not viable without subsidy from central or local government. Throughout the review, we kept in mind that any changes we introduced should strengthen rather than disrupt local bus markets.

**4.17** The Government has now identified a balanced package of changes to the BSOG system which we propose to introduce, subject to consultation on the relevant elements. The package comprises the following:

- rather than paying all BSOG subsidy directly to bus companies, we intend to pass down to local councils the funding that relates to services they support – i.e. tendered services – to allow decisions to be taken locally on how it should be spent. Our presumption, subject to consultation, is that this will extend to all councils
- using some of the subsidy to set up a new local government fund – Better Bus Areas – to encourage local transport authorities and bus companies to work closely together to improve services and boost passenger numbers
- a move in the medium term to a more environmentally sustainable basis for paying "residual" BSOG than the current one based on fuel usage
- changes to the incentive payments which bus companies may qualify for
- tightening the existing rules defining which bus services can claim BSOG, so that the funding is put to the best possible use.

**Figure 4.1: BSOG – proposals for change**



## **Devolving decisions to a more local level**

- 4.18** The Government believes that the existing system under which central Government simply pays bus subsidy direct to bus companies is no longer the best way to support local transport services. Instead we propose to pass some of this funding down to a local level to give communities more control over how it is spent and to encourage bus companies to improve their fuel efficiency and reduce their carbon emissions.
- 4.19** The most obvious candidate for devolving funding in this way is the BSOG funding currently paid to bus companies for running services outside London under tender to individual local councils. These are services which would not be viable if they had to be funded entirely by fares paid by passengers, for instance, some Sunday and evening services and those in some rural areas.
- 4.20** It is already up to councils to decide which services they wish to put out to tender in their areas in order to fill gaps in the network of bus routes being run by the bus companies. Given this, the Government believes that it would make more sense for the BSOG which would otherwise be paid to the bus companies operating these tendered services to be paid direct to councils instead, so in effect creating an opportunity for local councils to use this new money alongside existing money to improve accessibility in their area by purchasing socially necessary but uncommercial services. This would allow them to look across their areas and decide what local people's highest priorities are for filling gaps in the network of buses run commercially by the bus companies, whether this be services outside peak hours or services to areas which are poorly served by public transport at the moment. They could also choose to expand the number and range of community transport services in their area if they felt that these would serve local communities better than more conventional services.
- 4.21** It is the Government's intention that the money paid direct to local authorities should be unringfenced, consistent with Government's policy of maximising the funding flexibility available to local government. The Government will therefore ringfence the funding for a transitional period. This will be reviewed at the next Spending Review. It is important that mutual confidence builds up between operators and local government on how the new arrangements will work, to avoid unnecessary turbulence in the market and for passengers during the interim period.
- 4.22** Management of bus services across London is the responsibility of Transport for London (TfL). As most of the funding from central Government to support transport in London is currently paid to TfL in the form of a single unified grant, there may be a case for also paying to TfL the BSOG which is currently paid directly to the bus companies running

services in London. The Government will look further into this, informed by discussions with the Mayor of London.

### **Delivering passenger growth through 'Better Bus Areas'**

- 4.23** We have set out above how we are already providing funding to local authorities in 2012/13 and 2013/14 through the Better Bus Area (BBA) Fund.
- 4.24** The Government now intends to take the concept of BBAs a stage further by setting up a longer term BBA fund. Under this new fund, local transport authorities can bid to be designated as a BBA, where they can show that they have a clear plan for improving bus services in their area that is being developed locally in partnership with bus companies. A BBA could cover either part or all of an authority's area, or two or more authorities could join together to create a BBA across part or all of their joint areas.
- 4.25** Where a BBA is established, the Government will calculate how much BSOG is paid each year to all the bus companies operating services within the area covered by the BBA. For as long as the BBA continues, that amount will be paid to that authority – or authorities – in order to allow them to introduce a wide range of measures to improve bus services within the BBA. So, for example, this could be used to improve bus stops and stations, better ticketing systems or introducing new arrangements to allow buses to beat traffic jams.
- 4.26** A key consideration in the designation of a BBA will be the ambition of the local council to use its traffic management powers to help make buses more punctual.
- 4.27** Each year, every BBA will also receive a share of a new 'top-up' fund which is being set up to support BBAs. Although bus companies in BBA areas will no longer have BSOG paid directly to them, local transport authorities will have to work very closely with them in order to decide how best to spend the money. Indeed, one of the criteria to be used in deciding which areas to award BBA status to would be evidence that the bid is supported by local bus companies. The creation of the top-up fund means that each BBA will receive significantly more funding than the area would have been paid under the existing BSOG system. This also means that the extra funding will be available to improve bus services in an area straight away, alongside the devolution of the BSOG funding to councils.
- 4.28** To begin with, the Government is looking to set up a relatively small number of BBAs – perhaps up to a dozen. We expect the first areas to be formed during 2013. We expect that, initially, an area's BBA status would last for around four years, but if it makes good progress, this could be extended. If this initiative proves successful in improving bus services

in these areas then we will consider rolling the concept out further and setting up more BBAs.

- 4.29** As with devolution of funding, the establishment of BBAs should also provide an incentive for bus companies to improve their fuel efficiency and reduce their carbon emissions.

#### **Possible medium term changes to BSOG**

- 4.30** As well as the early changes to BSOG set out above, we have also considered the options for either further devolution of funding to the local level, or changes to the overall basis on which any residual BSOG is paid.

#### *Devolution of “residual” BSOG – commercial services outside London/BBAs*

- 4.31** Aside from the BSOG that is currently paid for services in London and to tendered services outside London, the great majority of the remainder is paid to bus companies who run commercially viable services outside London. The Government has considered whether it would be better for this funding also to be devolved to individual local transport authorities rather than paid direct to the bus companies. On the one hand, this would allow local transport authorities to take a broader view across their areas as to how public transport could be improved and use this funding to make a real difference. Set against this, taking this funding away from bus companies across England in this way, regardless of local circumstances and the relevant local transport authorities' readiness to spend the recycled funding effectively, could have serious implications for those people who live where bus routes and services are only just commercially viable at the moment.
- 4.32** Taking all this into consideration, we do not intend at this stage to devolve BSOG funding for commercial services to those local councils which are not in Better Bus Areas

#### *Moving away from payment by fuel use*

- 4.33** Overall, the Government believes that the case for moving away from payment by fuel use is a compelling one. However, given the uncertainty affecting the bus sector at the moment, we do not believe it is sensible to embark on open-ended, wholesale change to residual BSOG funding – whether through full-scale devolution or through changing the basis of payment. We would need to better understand the likely effect of different options on local bus markets and service levels in different areas of the country. Given this, we believe that it would be better to allow the reforms to the BSOG system outlined above, which themselves will break the link between fuel consumption and spending on buses, to bed in before introducing this further change.

## *Summary*

**4.34** We will monitor how effective individual BBAs are in improving bus services in their areas. We will then review in 2014 both the case for further devolution of funding, as well as the options for a move away from paying BSOG on the basis of fuel use.

### **BSOG incentives**

**4.35** As well as receiving BSOG based on how much fuel they use, bus companies can currently qualify for extra incentive payments where they:

- use low carbon emission buses on their services, or
- install automatic vehicle location (AVL) apparatus on their buses, or
- equip their buses with smart ticketing equipment.

**4.36** We have now reviewed whether the incentives should continue, and have decided that they should all remain in place until we take a final decision in 2014 on changes to “residual BSOG”, subject to the evolutionary changes set out below.

**4.37** The incentive to encourage operators to equip their buses with smart ticketing equipment has proved very successful. We will now explore further options which will widen the coverage of smart ticketing equipment and move closer to the stage where all bus operators are equipped and can offer different ticket products to passengers which better reflect their needs. We will continue paying the incentive at 8% above the BSOG base rate from April 2012.

**4.38** We recognise, however, that installation costs can be a barrier to uptake, particularly among small and medium-sized companies, so we have now created a brand new £15 million fund to address this. We will come forward with an offer to operators later in 2012.

**4.39** Real-time information on bus services can play an important role in addressing passengers’ concerns about reliability and punctuality. The incentive aimed at encouraging operators to fit and maintain AVL systems and share data generated with local councils for use in real-time information systems and punctuality partnerships will continue at least until the end of 2014/15. However, we will consider before then whether the criteria for receiving the incentive could be tightened to encourage the publication of punctuality data about local bus services. In the meantime, we will continue paying the incentive at 2% above the BSOG base rate from April 2012, but will review what arrangements will apply from April 2015.

**4.40** The low carbon emission incentive will remain until at least March 2015. We will review its longer term future before that date. In the meantime,

we will continue to pay the incentive to eligible bus companies at the rate of 6p per kilometre for services operated by local carbon buses.

## **BSOG and community transport**

**4.41** BSOG is also currently paid for bus services operating under a community transport permit. This can be divided into funding paid to local councils for in-house services, and payment made to independent community transport organisations, operating under sections 19 and 22 of the Transport Act 1985. Community bus services, operating a local registered service, are eligible for BSOG in the same way as commercial services. The number of such services, which serve the general public, has grown in recent years and they perform an important role in many areas.

**4.42** Having reviewed existing arrangements as part of the BSOG review, we propose:

- to devolve to local councils the funding they currently claim for in-house services, allowing them more flexibility when making funding decisions and reducing administrative burdens on them
- that subsidy for services operated under a section 22 permit under tender to local councils will be devolved to councils in the same way as for other tendered services.

**4.43** In 2001, community transport services operated under a section 19 permit became eligible for BSOG for quite specific reasons: to support transport for those over 60, disabled individuals, jobseekers, or those suffering from social exclusion. These services provide a vital lifeline to individuals and communities, linking them to services and healthcare and tackling isolation. We do not, therefore, propose to devolve the subsidy for these services to local councils, and community transport groups operating these services will remain able to claim for BSOG as now.

## **Eligibility**

**4.44** The payment of BSOG is designed to help support local bus services. However, over the years some of the funding has been used to fund other services. In order to make sure that this money goes where it is most needed, the Government will tighten the rules to make sure that only truly local services are entitled to receive BSOG. Subject to consultation, we are minded to exclude several categories of service, including rail replacement buses, tourist services and services connecting seaports and airports to their dedicated car parks. We will be consulting on the options during mid-2012 and would propose that any changes would be introduced in April 2013.

## Implementing the changes

- 4.45** If these changes are to make a real difference we need to make sure that we get all the details of the new system right, such as exactly how much funding will be devolved to individual councils and when, as well as what the money can be spent on. We also need to look at how far temporary short-term arrangements are needed to smooth the transition from the old to the new regime, to ensure that we do not unfairly put any section of the industry or part of the country at a disadvantage. Existing contracts between local councils and bus companies will be honoured.
- 4.46** To ensure this happens, the Government will work with local transport authorities, bus companies and others over the next few months to work out the details of the new subsidy regime and how far there need to be transitional arrangements put in place to ease the change to the new regime. As part of this, by early summer we will also publish more information on exactly how we propose the new arrangements would work and hold a public consultation.
- 4.47** In the medium term, central Government's role in paying subsidy will only be retained to the extent that it is judged necessary to meet our overriding objectives.

## Enhancing the regulatory framework

### **We will improve competition in local bus markets, and bring local councils and bus companies together to help develop effective multi-operator ticketing schemes...**

- 4.48** In its recent report, the Competition Commission recommended to the Government a series of measures to help to open up the market for commercial bus services and promote competition in relation to local transport authority supported services. In our response to that report, published alongside this document, we agreed to implement those remedies.<sup>23</sup> We are also committed to minimising red tape for businesses, so any new cost burdens will be offset by the removal of burdens elsewhere.

### **Addressing anticompetitive operator behaviour**

- 4.49** In 2012/13, we will bring forward a package of secondary legislation to implement the remedies recommended by the Competition Commission

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<sup>23</sup> For more detail see Government response to the Competition Commission's report, 'Local bus services market investigation' (BIS, 2012)

to amend the way in which local bus services in England and Wales must be registered with a Traffic Commissioner. This should help prevent bus companies from engaging in predatory behaviour when a new entrant registers a rival service.

- 4.50** The package includes, amongst other technical changes, a requirement for bus companies to notify the local transport authority or authorities 14 days before an application for a new registration, variation or withdrawal is made to the Traffic Commissioner. This already applies in Scotland and is a proposal which was included in a consultation launched by the previous Government.<sup>24</sup> This will provide local authorities with more time to update timetable information, inform passengers and commission a replacement service if needed. It will also give them time to discuss with the bus company any particular issues before the application is formally made.

### **Multi-operator tickets**

- 4.51** Multi-operator tickets help bus passengers and bus companies. Passengers value the ability to make multi-leg trips on different bus operators, particularly in urban areas, as long as it is not at a significant price premium. For bus companies, especially those looking to expand, an effective and widely used multi-operator ticketing scheme gives them access to a large number of potential customers and revenues. The Competition Commission has recommended that local councils and integrated transport authorities use their existing powers to introduce new multi-operator travelcards.
- 4.52** The Government therefore is developing, with bus companies and local transport authorities, guidance on developing mandatory, competitively priced bus-only multi-operator ticketing schemes with: effective governance, access for new entrants, appropriate, locally-determined zonal coverage (to include travel-to-work areas that go beyond local authority boundaries if necessary), with ticket types that correspond to, and are sold through the same channels as, the main types offered by individual operators.
- 4.53** We recognise that if our ambitions are not met, we may need to legislate to bring about more multi-operator ticketing schemes and so, in consultation with the Welsh Assembly Government, we will explore by the end of this parliament opportunities to bring forward primary legislation to give local transport authorities more powers as the Competition Commission has recommended.

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<sup>24</sup> Improving Bus Passenger Services through the Regulatory Framework (Department for Transport, 2010)

## Red Tape Challenge

- 4.54** In May 2011, the Department put hundreds of regulations online for review as part of the Government's Red Tape Challenge<sup>25</sup>. The aim was to re-examine every regulation across the road transport sector, including regulations concerning buses, by seeking views from business and the public. Overall, the road transport challenge attracted more than 2,000 comments from members of the public.
- 4.55** The outcome was published in December 2011<sup>26</sup>. For buses, the Department intends to scrap the Public Service Vehicles (Lost Property) Regulations, which set out how property accidentally left on buses should be treated, as they are unnecessarily prescriptive and out-of-date. Similarly, we will remove other regulations which have lapsed or been superseded by more modern legislation.
- 4.56** The existing regime on vehicle standards has developed over many years, and is now complex and divided between many different regulations. We are committed to putting in place a more coherent regulatory structure. This will include streamlining those regulations that apply when new vehicles are registered and those applying when vehicles are in use, including regulations concerning vehicle carrying capacity.
- 4.57** We also intend to bring the Public Service Vehicles (Conduct of Drivers, Inspectors, Conductors, and Passengers) Regulations up to date by scrapping them where they duplicate other legislation or can be covered more effectively by the operator's own conditions of carriage. However, this would be subject to ensuring that safety and accessibility are maintained.

## Better procurement of bus passenger services

**And we will support local councils in their ability to procure non-commercial services, including more flexible, innovative options such as community buses...**

- 4.58** As local councils and PTEs have reviewed their budgets, they have begun to reconsider their supported local bus networks and how they interact with commercial services. Some have made considerable cuts that have severely adversely affected the ability of local communities to access key services. Others have taken a more holistic and considered

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<sup>25</sup> Online at: [www.redtapechallenge.cabinetoffice.gov.uk](http://www.redtapechallenge.cabinetoffice.gov.uk)

<sup>26</sup> Available on the Department for Transport website: [www.dft.gov.uk](http://www.dft.gov.uk)

approach, introducing innovative and flexible approaches to procurement and delivery across local authority service areas – integrating the provision of adult social care, school and public transport.

- 4.59** It is clear that for some communities, especially those in rural or isolated areas, traditional public transport is not a viable option. There are simply not enough people for it to be cost effective, so bus services are infrequent or not available at the times they need to travel. For those seeking employment, this can be a barrier. In such circumstances, the Government supports, where achievable, the establishment of community bus services or other more flexible forms of transport.

#### **Community transport as part of the wider bus network across England**

*In Norfolk, a community bus connects twenty rural villages with two main towns forming a transport corridor. In Cheltenham, a community bus replaced an underused tendered service connecting an isolated urban community to the town centre, with a significant increase in passenger numbers. In Coggeshall, a community bus, operated completely by volunteers, provides morning and evening commuter runs to connect individuals to mainline train services with around 30,000 passenger trips each year.*

- 4.60** However, procurement procedures can often act as a barrier to entry for many community groups, and local authorities should ensure that criteria do not exclude the charity sector with unachievable requirements or contracts for areas that are too large.

#### **Improved rural bus service provision around Bedford**

*Despite financial constraints, Bedford Borough Council has been able to improve bus service provision in rural areas by reviewing its supported services network. This has included new and restored routes, increased frequencies and free travel for under-16s at weekends and during school holidays. This was made possible by negotiating closely with local bus operators and consulting extensively with local communities.*

- 4.61** As recommended by the Competition Commission and the Transport Select Committee<sup>27</sup>, we will support local councils, not just in England,

<sup>27</sup> In its report 'Bus Services after the Spending Review' (House of Commons, 2011)

but across Great Britain, by producing updated guidance on the tendering and commissioning of local bus services, illustrated with examples of successful tendering exercises.

- 4.62** The Government will also explore the possibility of changing primary legislation by the end of this parliament, so that they have access to revenue and patronage information about commercial routes (i.e. those not under contract) if they are deregistered, and can make that information available to other companies looking to bid for a contract to run the route instead.
- 4.63** The Government is committed to the transparency of public data. We will continue to collect annual bus statistics through surveys of bus operators and local transport authorities and we will monitor the impact of changes they make to local bus networks.

# Appendix A: Improving Bus Passenger Services through the Regulatory Framework

- A.1** In March 2010, the Department for Transport published a consultation paper which sought views on possible changes to the legal framework which applies to local bus services<sup>28</sup>. The consultation ran for twelve weeks from 9 March 2010 to 1 June 2010. 119 responses were received.
- A.2** As indicated previously, the Government is taking forward some of the proposals outlined in the paper. Of the rest:

## *Registration of local services*

- A.3** The Government has decided not to introduce a requirement to display an on-bus notice about service changes as this was considered impractical. However, we will proceed with changes to the Public Service Vehicles (Traffic Commissioners: Publication and Inquiries) Regulations to remove an outdated reporting requirement. We will look again at how the registration requirements for rail substitution bus services can be clarified, although it is acknowledged that this may require primary legislation, and whether the registration periods at bank holidays are appropriate.

## *'General rules' provisions*

- A.4** Local transport authorities and bus companies showed little appetite for new measures permissible under EU legislation to set maximum fares in a given geographical area and for operators to be reimbursed for doing so. We have therefore decided not to explore whether domestic legislation would be required to enable this to happen.

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<sup>28</sup> Improving Bus Passenger Services through the Regulatory Framework (Department for Transport, 2010)

## *Driver and passenger conduct*

- A.5** The Government has decided not to bring forward new regulations in this area. We announced in December 2011 as part of the outcome of the Red Tape Challenge that we would bring the Public Service Vehicles (Conduct of Drivers, Inspectors, Conductors, and Passengers) Regulations up to date by scrapping them where they duplicate other legislation or can be covered more effectively by the operator's own conditions of carriage. However, this would be subject to ensuring that safety and accessibility are maintained.