



Department
for Transport

Bus Subsidy Reform Consultation Analysis

July 2013

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Contents

Introduction.....	4
Responses to Consultation Questions	5

Introduction

1. In March 2012 the Government announced its plans for reforming the existing bus subsidy system in England. This subsidy is currently paid directly to operators in the form of Bus Service Operators Grant (BSOG). The proposals were to:
 - devolve BSOG to local authorities where the funding relates to services they support – i.e. tendered services – to allow decisions to be taken locally on how it should be spent;
 - create a new local government fund – Better Bus Areas (BBAs) – to encourage local transport authorities and bus companies to work closely together to improve services and boost passenger numbers;
 - devolve to Transport for London (TfL) or the Greater London Authority BSOG paid to London bus operators who operate services on contract to TfL; and,
 - tighten the existing rules defining which bus services can claim BSOG, so that the funding is put to the best possible use.
2. The Government consulted on the mechanism for implementing these changes between 13 September and 12 November 2012.
3. This paper summarises responses to the consultation questions, outlines the Government’s response to the issues raised and identifies the decisions that have now been taken.
4. A total of 143 responses were received; 28 were general comments on the Government’s proposals and overall bus policy approach, 115 were fuller responses to the questions posed. The largest responding category was ‘local government’, accounting for 42% of all responses, followed by ‘large bus operator’, which contributed 13%. In total sixteen questions were asked.

Type	Full response	General Comment	Total
Small to Medium bus operator(up to 50 employees)	10	2	12
Large Bus Operator	18	0	18
Representative Organisation	8	2	10
Trade Union	0	1	1
Interest Group	8	3	11
Local Government	58	2	60
Central Government	0	0	0
Coach Operator	1	1	2
Community Transport	2	12	14
Member of the public	5	1	6
Other	5	4	9
Totals	115	28	143

Responses to Consultation Questions

Q1 Do you agree with how we propose to calculate the amounts to be devolved? If not, what alternative arrangements would you suggest should be used?

Q2 Do you think that an additional amount should be devolved where a commercial service is replaced by a tendered one?

- 1.1** 32% of responses agreed with the proposed method for calculating the amounts to be devolved to individual local authorities, 57% disagreed and 11% provided no clear answer. Respondents did not have a common position on what alternative methods should be used. One frequent suggestion was that funding should be revisited from time to time in order to take into account changing circumstances: particularly the impact of inflation, fuel prices and service changes.
- 1.2** 89% of respondees agreed additional amounts should be devolved where commercial services are replaced by tendered services, 5% disagreed and 6% provided no clear answer. There was a high level of agreement between operators and local authorities. Many consultees also asked for additional funding to be devolved where a new tendered service is offered. Some respondents proposed that services which are supported by de-minimis payments should be treated as part of the commercial service for BSOG purposes.
- 1.3** **Government Response** – *having considered the responses, the Government's intention is still to calculate the amount to be devolved to each local authority based on the amounts paid to operators in each local authority area in the most recent 12 month period for which data is available. Whilst recognising that service patterns will vary as time passes, we do not intend to recalculate each year the amounts to be devolved to each authority. This is because it would be unnecessarily bureaucratic to continue collecting the information from operators that would be needed to allow such recalculations to take place.*
- 1.4** *For the same reason, no additional amount will be devolved when additional services are tendered.*
- 1.5** *The Government had intended to treat commercial services that are operated under de-minimis terms, as supported services. However, following the consultation these services will be treated as part of the commercial service for BSOG purposes. For the purposes of BSOG a tendered service is one where a local transport authority has invited tenders for the operation of a service and a contract exists as a result of that tender.*

Q3 Do you agree that it would be better for all the relevant funding to be devolved on a single date? Or, are transitional arrangements needed and, if so, what is the best way of doing this?

- 1.6 50% of respondees agreed with devolving funding to local authorities on a single date, 39% disagreed and 11% provided no clear answer. There was a clear split in responses between local authorities and bus operators: local authorities were generally positive about their ability to manage long term contracts whilst the bus operators were concerned about potential impacts on existing contracts.
- 1.7 **Government response** – *BSOG will be devolved to Transport for London/the Great London Authority from October 2013, and to local transport authorities outside London from January 2014. Devolving tendered BSOG on a contract by contract basis over several years would be bureaucratic and unmanageable. The Government's view is that as the lengths of individual contracts vary so much from place to place, local authorities are best placed to manage the transitional period. As part of this, the Government believes that local authorities should look closely at existing tendered contracts and consider how far these now need to take account of the fact that operators will no longer receive BSOG.*

Q4 Do you agree that funding for incentives should not be devolved to local authorities until the further review of BSOG in 2014?

- 1.8 This relates to the incentive payments currently available to bus operators for (a) using Low Carbon Emission Buses or (b) fitting their vehicles with Smartcard apparatus, or (c) with Automatic Vehicle Location apparatus. 70% of those responding agreed with this proposition. 21% disagreed and 9% gave no clear answer. These figures were broadly consistent across each category of respondents. The most commonly given reason for not devolving these payments was that existing funding incentives have guided investment decisions and business cases. Consultees who disagreed with the proposition generally favoured a more simple system where all BSOG funding came from either the local authority or central government.
- 1.9 **Government Response** – *The Government has already announced that it intends to carry out a review of the future of the incentives in 2014. Given this, it does not make sense to devolve incentive payments ahead of the review. Until the review is implemented operators will continue to receive incentive payments at the current rate.*

Q5 Do you agree that local transport authorities in areas with a Quality Contract Scheme (QCS) should automatically receive the equivalent to BSOG funding?

- 1.10 72% of responses agreed with this proposition; 13% disagreed and 15% gave no clear response. There was broad agreement from both local authorities and bus operators.
- 1.11 **Government Response** – *There are no Quality Contract Schemes at present. However, within London bus services are operated under franchise to TfL, and this provides a model for the treatment of any*

future Quality Contract Schemes. From 1st October services which are operated under franchise to Transport for London will be ineligible for BSOG. Instead a grant will be made to TfL/GLA. It is the Government's intention that, if any Quality Contract Schemes emerge, the BSOG funding within the area would automatically be devolved to the local transport authority, along the same lines as in London.

Q6 Do you believe that there is a need to ring fence funding for an interim period? If so, what form do you think this ring fencing should take, and, in particular, how much flexibility should local authorities be given as to how to spend the devolved grant?

1.12 83% of responses agreed that some form of ring fencing was needed, 10% of responses disagreed and 7% gave no clear answer. A significant majority in each category of respondents agreed, including the Local Government Association. Proposals ranged from permanently ring fencing funds for the provision and support of registered bus services, to restricting spend to bus services and community transport for 5 years, to ensuring bus-related support (rather than other areas of local authority spend) but with local flexibility to determine exactly where the money goes.

1.13 **Government Response** – *The Government accepts that a period of ringfencing is necessary to ensure the continued stability of services. It intends therefore to ringfence the devolved funding for tendered services until April 2017. Such funding will have to be spent on measures directly related to bus services.*

Q7 Should BSOG for both live and dead mileage be devolved?

1.14 69% of respondees agreed, 19% disagreed and 12% provided no clear answer. Both local authorities and bus operators see dead mileage as an intrinsic part of services both for tendered services and in BBAs. The general view was that treating live and dead mileage separately was seen as being impractical and altering the balance of services in rural areas.

1.15 **Government Response** – *In line with current auditing practice BSOG for dead mileage will be treated in the same way as the BSOG for the live journey immediately succeeding it. So, the BSOG for dead mileage which precedes a tendered journey – or one in a BBA – will be devolved. BSOG for dead mileage back to the depot will be treated in the same way as BSOG for the journey immediately before it. Further detail on the treatment of dead mileage is set out in the BBA guidance and application form which was published on 26th February 2013.¹*

Q8 Should BSOG for part services within a BBA be devolved?

1.16 The government sought views on how best to treat services that are only partly within a BBA. 47% of respondents agreed that BSOG for part services in a BBA should be devolved, 31% disagreed with this and 22%

¹ <https://www.gov.uk/government/publications/bus-service-operators-grant-reform-and-better-bus-areas>

provided no clear answer. Most local authorities agreed that part services should be devolved, whilst most bus operators disagreed.

- 1.17 Government Response** – *BSOG for part services within a BBA will be devolved.*

Q9 Is the proposed method of calculating the BSOG in a BBA suitable?

- 1.18** 37% of responses agreed, 43% disagreed and 19% gave no clear answer. Generally the question divided opinion across the responding groups. The primary concern was that devolved sums would not be index-linked or reflect changes to service levels.
- 1.19 Government Response** – *The BSOG grant for BBAs will be based on the last certified BSOG claims covering a 12 month period that were accepted by the department before 1st April 2013. Where a new route, or variation to existing route has taken place, this will be taken into consideration.*
- 1.20** *Current arrangements for BSOG are not linked to inflation and in view of the current economic climate there are no plans to link BBAs in this way. However, all funding will be reviewed as part of the Spending Review. The Government is committed in principle to ensuring that there are sufficient funds for BBAs into the next spending period.*
- 1.21** *Further detail of the approach taken to calculating BSOG within BBAs is set out in the BBA guidance and application form which was published on 26th February 2013.*

Q10 Do you agree that the approach proposed to partnership within a BBA strikes the right balance between local transport authorities and bus operators?

- 1.22** 59% of responses agreed, 23% disagreed and 18% gave no clear answer. Bus operators were divided over the question. Local Government respondees came out strongly in favour with only 12% of respondents disagreeing. Getting the balance right between listening to operators but not hindering good BBA bids was seen by many as crucial.
- 1.23 Government Response** - *The partnership requirement will be judged on a case by case basis. Further detail of the approach taken to partnership within BBAs is set out in the BBA guidance and application form which was published on 26th February 2013.*

Q11 Do you agree that any authority both developing a QCS and seeking BBA status should need to demonstrate the same standard of partnership working and support from local bus operators for the BBA bid as any other bidding authority?

- 1.24** 69% of respondees agreed, 10% of respondees disagreed and 21% gave no clear answer. Most felt that a QCS approach was not naturally compatible with a partnership working model. However, some considered that partnership working will be vital in either a BBA or a QCS.
- 1.25 Government Response** – *Local transport authorities wishing to pursue a QCS and BBA will be expected to demonstrate the same level of*

partnership as other such authorities. Further details of the approach taken to Quality Contracts within BBAs is set out in the BBA guidance and application form which was published on 26th February 2013.

Q12 Is this transitional period for phasing out BSOG sufficient?

1.26 The government's initial intention was to pay top-up in October 2013 for the first time and then make all commercial BBA services ineligible for BSOG from April 2014. 38% of respondents agreed with the proposed transitional period of about 5-6 months; 44% disagreed and 17% gave no clear answer. Most large bus operators disagreed with the timescales proposed. Local government and small to medium operators were more divided.

1.27 **Government Response** - *In view of the consultation responses, and also the Sheffield pilot, the transitional period has been extended. Further detail of the approach taken to partnership within BBAs is set out in the BBA guidance and application form which was published on 26th February 2013.*

Q13 Do you agree that each of the services listed in Section 4.66 [of the consultation paper] should not be eligible for BSOG in future? If you do not agree, please explain why.

1.28 50% of responses disagreed, 39% agreed and 10% gave no clear answer. Most large bus operators and representative organisations disagreed. Operators argued that improvements need to be made to the definitions used to ensure that services targeted at vulnerable users are not caught by changes to eligibility. Tourism services are seen as a particularly grey area in terms of definition. It was suggested that definitions should align to those used in the English National Concessionary Travel Scheme.

1.29 Some respondents considered that some of the services targeted have a role to play in reducing congestion, including: long-distance services which provide a local bus service role as part of their route, and short-term services for events. Ending BSOG for rail replacement services was seen by some as increasing costs to the public purse or the public directly.

1.30 There was widespread support for removing eligibility for free services to out-of-town shopping centres, though some pointed to their role in social inclusion. Several respondents were concerned about the future of school buses.

1.31 **Government response** – *In the light of the responses the Government has decided to make some changes in the categories of services which will not be eligible for BSOG from 1 October 2013: so, from this date the following will not be eligible:*

- *services which are intended to operate for less than 6 consecutive weeks and which are not emergency temporary services;*
- *services primarily for the purposes of tourism. This exclusion would not apply to registered local bus services which also happen to attract tourist traffic, such as in Cornwall during the tourist season;*

- *services substituting a bus for a rail service which has been temporarily discontinued, reduced or modified;*
- *services whose primary function is to transport travellers between rail stations, airports or sea terminals and their dedicated car parks;*
- *services for which the fare includes a special amenity element, i.e. it is significantly high in relation to the general level of fares for comparable journeys.*

1.32 *However, the Government accepted the concerns of many respondents that disqualifying all services where more than half of the seats can be booked in advance (such as long distance coaches) would be undesirable, given that these services can sometimes play a valid role as local bus services. So, these services will still be able to claim BSOG in future, as long as they meet the other eligibility criteria for the scheme.*

Q14 Are there any other categories of service which are eligible for BSOG at present which you believe should not be eligible in future, and if so which are they?

1.33 *82% did not believe there were other categories of service which should not be eligible in the future. However, other suggestions included buses which are not compliant with the Public Service Vehicle Accessibility Regulations, buses that do not offer reduced fares for young people, and demand responsive services that duplicate an existing service.*

1.34 **Government response** – *In line with the views of the majority of those responding to the consultation, the Government agrees that it should not make any additional categories of bus service – other than those listed in para 1.31 above - ineligible for BSOG.*

Q15 Alternatively, are there any categories of service which are not eligible at present but which you think should be in future?

1.35 *33% of respondents thought that there are additional categories of services which should be eligible for BSOG. There was widespread support for school services (though some specifically said that such services should not be eligible). Other suggestions included bus services which are free to passengers, tram services, a seasonal road-train, and tendered minibus services for day centres.*

1.36 **Government response** - *Given the pressures on public finances and the need to ensure the best value for money out of the funding available to support local bus services, the Government will not change the existing rules to make new categories of services eligible for BSOG.*

1.37 *The Government has also looked again at the earlier proposal to allow the operators of free buses to claim BSOG. In fact, as we expect that the majority of these services are currently operated under tender to local authorities, the BSOG for these services will in any case be devolved to the local authority in whose area they run so they would cease to be eligible for BSOG from January 2014. Given this, the existing regulations governing BSOG will not be changed to allow free bus services to claim BSOG in future.*

Q16 We asked: Should buses operating under a Section 19 permit continue to receive BSOG in BBAs where they are not run in-house by the local authority?

1.38 73% agreed with this proposal, including a large majority of local government, interest groups and small and medium sized bus operators. 39% of larger bus operators disagreed, frequently on the grounds of consistency, suggesting instead that all those operating in a BBA should be treated the same irrespective of ownership, . PTEG suggested BSOG for section 19 services operated in-house by metropolitan district authorities should also be devolved.

1.39 Government response - *Buses which operate under a Section 19 permit will be treated the same way whether they operate inside or outside a BBA. Those services which are not run in-house by the local authority will continue to receive BSOG.*

Annex A - List of Consultees

A S Coaches
Abellio
Age Concern Darent Valley
Aleksandar Lukic
Arriva plc
Association of Local Bus Company Managers
Association of Transport Co-ordinating Officers
Bath Bus Company
Bedford Area Bus Users Society
Bedford Borough Council
Borough of Poole
Bournemouth Transport LTD (Yellow Buses)
Bournemouth Borough Council
Brighton & Hove City Council
Broomley and Stocksfield Parish Council
Buckinghamshire County Council
Bus Users UK
Bus Users UK - Oxford Group
Cambridgeshire County Council
Campaign for Better Transport
Central Buses
Centro - West Midlands Passenger Transport Executive
Chalkwell Garage and Coach Hire Limited
Chartered Institute of Logistics and Transport in the UK
City of York Council
Community Transport Association
Community Transport South Wiltshire
Compass Travel (Sussex) Ltd
Confederation of Passenger Transport (UK)
Connect Tees Valley, Stockton-on-Tees Borough Council
Cornwall County Council
Cotswold Council for Voluntary Service
Cumbria County Council
Daventry Area Community Transport
David Harding Price
Dengie Hundred Bus Users Group
Derby City Council
Derbyshire County Council
Devizes & District PHAB
Disabled Persons Transport Advisory Committee
Dorset County Council
DRM Ltd

Ealing Community Transport
East Sussex County Council
EP Morris
Essex County Council
Exe Valley Market Bus
EYMS Group Ltd
FirstGroup plc UK Bus Division
Gloucestershire County Council
Go-Ahead Group plc
Go West Travel Ltd (t/a Norfolk Green)
Halton Borough Council
Hampshire County Council
Hansons Local Bus
Herefordshire County Council
Hertfordshire County Council
Hinckley and Bosworth Borough Council
Ipswich Buses Ltd
Ivybridge Town Council
Johnsons Coach & Bus Travel
Kent County Council
Lake District National Park Authority
Lancashire County Council
Leicester City Council
Leicestershire County Council
Lewis Coaches of Coventry Community Transport CIC
LGA Public Transport Consortium
Lincolnshire County Council
London Assembly, Transport Committee
London Borough of Hillingdon
London Travel Watch
Looe Shuttle
Low Carbon Vehicle Partnership
MCL Transport Consultants Ltd
Graham Philips
RoseMarie Jeffery
Milton Keynes Council
MS Society Bournemouth
National Express Ltd (UK Coach)
Neil Williams
NIBSbuses Ltd
Noam Bleicher
Norfolk County Council
North Lincolnshire Council
North Yorkshire County Council
Northamptonshire County Council
Northumberland County Council

Nottingham City Transport Ltd
Nottinghamshire County Council
Olech Kostiuk
Oxfordshire County Council
Passenger Focus
Passenger Transport Executive Group (pteg)
Peak District National Park Authority
Prof LJS Lesley
Rail Future
Rail Future, Lincolnshire Branch
Rail, Maritime and Transport Workers Union
Redline Buses
Rotala plc
Royal Borough of Windsor and Maidenhead
Royston & District Community Transport
Ryecat Ltd
Safeguard Coaches Limited
Shropshire Council
Simon Norton
Somerset County Council
South Somerset Community Accessible Transport
South Yorkshire PTE/ITA
Southend on Sea Borough Council
Stagecoach Group plc
Stephensons of Essex Ltd
Stokesley and District Community Care Association
Suffolk County Council
Surrey County Council
Sutton Community Transport
Swinton & Worsley MENCAP
Tadley Town Council
TAS Partnership Ltd
Teesside Ability Support Centre
Thamesdown Transport
The Green Machine
Torbay Council - Residents & Visitors
Transport for Greater Manchester
Transport for London
TravelWatch NorthWest
TravelWatch SouthWest CIC
Tyne and Wear Integrated Transport Authority / Nexus
Walsall Council
Warrington Borough Transport Ltd T/A Network Warrington
Warwickshire County Council
West Berkshire District Council
West Midlands Special Needs Transport

West Midlands Travel Ltd (National Express Bus)
West of England Partnership
West Yorkshire Campaign for Better Transport Bus Group
Wiltshire County Council
Winscombe and Sandford Parish Council
Wokingham Borough Council
Worcestershire County Council
Yelabus Association
York Wheels