

## Opposition policy costing – Bus service reform – Labour

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Description of policy
<p><b>Labour would 'reform our broken bus system'.</b> 'Labour will reform our broken bus system and hand power and control over services to local communities.. We will give communities the ability to take on powers to franchise local bus services... Labour will also lift the ban on and promote municipal bus ownership, building on the success of Labour-run councils like Nottingham and Reading' (National Policy Forum, <i>Final Policy Documents</i>, 15 September 2023, p.60, <a href="#">archived</a>).</p> <p><b>Louise Haigh said Labour would 'overhaul' bus services and give local areas in England devolved powers over bus networks.</b> Louise Haigh, said the reforms would be the most consequential in a generation for public transport relied on by millions - giving local areas in England devolved powers to reinstate cancelled routes and set prices and franchise bus services (<i>The Guardian</i>, 9 March 2023).</p>
Additional policy assumptions
<p>Across England</p> <p>Would involve cost of franchising bus services and the subsequent day to day running of services.</p> <p>Assume models for:</p> <p>(1) all city regions (excluding Manchester and Liverpool – which have adopted or are transitioning to franchising) and</p> <p>(2) all local authorities across the country and</p> <p>(2a) 50% of LAs and (2b)10% of LAs</p>
Additional technical modelling assumptions or judgements required
<p>Under franchising, local authorities decide all aspects of individual services, including routes, frequencies, evening and weekend services and fares and marketing. They contract with private sector bus operators to provide the actual services (it will be down to the franchising model, chosen by the LTA, who owns the vehicles and infrastructure).</p> <p>The analysis in this costing has been done at pace with limited data and, therefore, the uncertainty and risk of error is high. The key assumptions and limitations are summarised below.</p> <ul style="list-style-type: none"><li>○ Several simplifying assumptions have had to be made: The costing is based on the interpretation of two metropolitan areas' franchising estimates. The underlying data is <b>commercially sensitive</b> and <b>confidential</b>. There is a <b>high risk of error</b> as we may have missed out some key costs, included some costs which are not a direct franchising cost or relevant to a certain LTA, and because these costs may not be a reflection of actual costs in other areas.</li><li>○ These financial costs are not adjusted for inflation and have been scaled to apply to all other LTAs using 2022/23 bus km. It has not been possible to split costs out over the suggested scorecard period of 2022/23 to 2027/28.</li><li>○ It has been assumed all current Government subsidies to the bus market remain the same budget under franchising.</li></ul>

- To model options (2a) and (2b) we have split each into three methodologies: Option 2a.1 splits LTAs by randomly selecting 50%/10% of LTAs; Option 2a.2 splits based on the total cost; and Option 2a.3 selects 50%/10% of LTAs alphabetically.
- No behavioural assumptions have been made.
- No service uplift scenarios have been included.
- No broader effects have been quantified.
- A range of costs have been presented to reflect the uncertainty and significant differences in the case studies used.
- As the design and roll out of franchising would be determined locally, there is significant uncertainty of when costs could be incurred during policy implementation - it has not been possible to profile or split costs out by year.
- All transition, capital and operating costs presented are financial costs which are net of any revenues from franchising.
- Operating costs are net of revenues. However, it is not clear how the revenue translates into patronage. It is not clear what proposed ticket prices are or how much patronage would change under franchising.
- The costs presented are not cumulative, but a range of the total initial transition and capital costs. The operating costs are an annual cost estimate range.
- **All costings are rounded to the nearest £5m.**

Cost/Revenue to the Exchequer over five years

## Options Summary Tables

The tables below are the outputs from this analysis:

**Table 1: Summary of Costs included and Excluded**

Type of cost	Included in analysis	Excluded from analysis
<b>Transition cost</b>	Producing the franchising assessment  Independent auditor costs  Statutory consultation costs.  Consultancy, management and provision costs.	
<b>Capital cost</b>	Purchasing/leasing of depots  Capital IT and operations	Bus fleet costs
<b>Operating cost</b>	Staff costs  Marketing  Income received from ticket sales and other revenue in the average annual operating costs  Franchised payments to operators	All current Government subsidies to the bus market remain the same budget under franchising. Therefore, changes in budget or use of Bus Service Operators Grant, Bus Service improvement Plan funding and concessionary travel funding have not been considered.  No service uplift assumptions have been included in this analysis.

**Table 2: Option 1 & 2 cost benchmark range**

Option	Transition (£m)	Capital (£m)	Operating - average annual cost (£m)
<b>1 – all MCAs (excluding Greater Manchester and Liverpool City Region)</b>	£35 - 105	£255 - 390	£425 - 430
<b>2 – all remaining Local Transport Authorities.</b>	£75 - 210	£510 - 785	£865

Option 2a is the cost of 50% of LTAs being franchised. As there are multiple ways to split LTAs to reach 50%, the table below presents a range of options which showcase how this changes the costs. Option 2a.1 splits LTAs by randomly selecting half the number of LTAs; Option 2a.2 splits LTAs in half based on the total cost; and Option 2a.3 selects 50% of LTAs alphabetically.

**Table 3: Cost range for option 2a**

Option	Transition (£m)	Capital (£m)	Operating – average annual cost (£m)

2a.1	£30 - 80	£195 - 300	£330
2a.2	£40 - 105	£225 - 395	£430
2a.3	£45 - 120	£295 - 455	£500

Option 2b is the cost of 10% of LTAs being franchised. As is the case for Option 2b, there are many ways to split out the costs for this option. The approach taken for option 2b is the same taken here (option 2b.1 gets 10% of LTAs randomly, option 2b.2 segments LTAs based on 10% of the cost, and option 2b.3 is done alphabetically). The table below summarises the costs.

**Table 4: Cost range for option 2b**

Option	Transition (£m)	Capital (£m)	Operating – average annual cost (£m)
2b.1	£10 – 25	£55 – 90	£95
2b.2	£10 – 20	£50 – 80	£85
2b.3	£5 – 20	£50 - 75	£85

**Table 5: Summary Low and High Estimated Price Ranges for Options**

Option	Set up (Transition and Capital) £m	Total Post Barnett, £m	Annual Operating Cost (£m)	Total Post-Barnett, £m
1 – all MCAs (excluding Greater Manchester and Liverpool City Region)	£290 - £490	£345 - £580	£425 - £430	£505 - £510
2 – all remaining Local Transport Authorities.	£590 - £995	£700 - £1180	£865	£1030
2a – 50% of LTAs	£225 - £575	£270 - £685	£330 - £500	£390 - £595
2b – 10% of LTAs	£55 - £110	£65 - £130	£85 - £95	£100 - £115

Comparison with current system (if applicable):

The Transport Act 2000 provides automatic access to franchising powers to all Mayoral Combined Authorities in England. The legislation requires each Authority to produce a comprehensive five-part franchising assessment, including a financial evaluation (with independent audit) to establish whether franchised bus services would be a practical alternative to existing bus provision. The decision whether to franchise is entirely for the local authority to make – the Secretary of State for Transport is not involved. Secondary legislation to

“turn on” the powers for other types of Authority wishing to access franchising powers is required. Any other Authority then wishing to use the powers once “turned on” must then secure the Secretary of State’s consent to do so.

It is assumed this policy proposal would make franchising more accessible to LTAs and therefore result in one of the potential 4 scenarios listed.

Other comments (including other Departments consulted):

This costing may not be reflective of the actual cost of the policy for the following reasons:

- This costing does not account for any service improvement benefit or wider social benefits that could occur as a result from a franchised network.
- It will be for each LTA to decide which approach to franchising to adopt. The level of detail and parameters are likely to differ from the two metropolitan areas chosen.
- This costing does not consider other changes in policy which may accompany the choice to encourage franchising.
- It is unknown how many LTAs will choose to franchise, so these costs could, in some or all scenarios, be an under or overestimate.
- Under franchising, LTAs decide all aspects of individual services, with the aim to deliver an improved network. This costing does not consider generated travel from an improved network – for example, those with concessionary passes that would use the network more but do not contribute to income, or the benefits from increased demand, such as increased access to education, employment and leisure opportunities which generate wider benefits.
- The cost estimates for an MCA used as the basis of the costing may not be representative of circumstances in other MCAs or LTAs.

This costing was produced by DfT.

*To be completed by Permanent Secretary’s Office*  
Date costing signed off:

22<sup>nd</sup> February 2024 (DfT)

*[If applicable]*

Date revised costing signed off: