

Informal WMCA Board - WMCA Chief Executive's Consultation/Guidance

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Report title	West Midlands Future Bus Delivery Options
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Report has been considered by	Strategic Transport Board

Recommendations for action or decision:

The informal WMCA Board is recommended to propose that the WMCA's Chief Executive:

- (1) Note the key risks in the future delivery of bus services in the region that Transport for West Midlands are working with Government, bus operators and other partners to mitigate.
- (2) Note the opportunities associated with Enhanced Partnership but also the level of commitment and process that it will place on all partners, particularly Transport for West Midlands, Local Authorities and bus operators.
- (3) Support the continued assessment of the Business Case for Franchising in line with WMCA assurance processes (Single Assurance Framework) and legislation within the Bus Service Act 2017, as a possible mechanism to address the referenced challenges should Enhanced Partnerships fail to effectively deliver the Authority's ambitions.

1. Purpose

- 1.1 To provide an update on future challenges and opportunities in the bus market and agree a course of action that best enables the WMCA to continue to support the strong role that buses play in delivering wider WMCA objectives.

2. Background

- 2.1 In 2019, the WMCA approved the West Midlands *Vision for Bus* which set out the ambition for the region's bus network;

“A world-class integrated, reliable, zero emission public transport system providing inclusive travel all across the West Midlands. With excellent customer service and simple payment and ticketing options. Customers will be able to make easy and safe door-to-door journeys, benefiting from new innovative transport solutions that meets the needs of a modern and diverse 21st Century economy, reducing the reliance on private single occupancy car journeys.”

- 2.2 The WMCA requested that TfWM develop an Outline Business Case to assess available options for delivery based on Enhanced Partnership and Bus Franchising powers provided under the Bus Services Act 2017. At the same meeting the WMCA approved the development of the region's first Enhanced Partnership (EP) to support the introduction of Sprint services. An EP Plan and Scheme have now been made in preparation for the delivery of the region's first Sprint services.
- 2.3 Although TfWM commenced the outline assessment of powers in 2019 this was paused in 2020 with the arrival of the Covid-19 pandemic. Pausing the work provided additional time to better understand the potential impacts of the pandemic on the ability of bus operators and the Local Transport Authority to deliver the ambitions of *Vision for Bus* alongside a post pandemic recovery.

National Bus Strategy and Bus Service Improvement Plans

- 2.4 Since then, the important role of buses has also been recognised by Government, who published the National Bus Strategy *Bus Back Better* in March 2021. This sets out some of the challenges in delivering bus services in a deregulated market and the important role of LTAs in local bus network planning. It sets out a requirement for all LTAs to submit a Bus Service Improvement Plan (BSIP), outlining ambitious proposals to maximise the potential of buses in local areas to meet the aspirations of the strategy. The Government had already committed £3bn to support the National Bus Strategy implementation.

- 2.5 The West Midlands BSIP was submitted in November 2021 and amongst other things includes aspirations to realise a fully zero-emission bus fleet by 2030, over 100km of new bus priority measures to improve bus punctuality and reliability, providing significant simplification of fares, ticketing as well as extensive development to the network. The BSIP included a bid to Government for £662m of funding up to 2025. The DfT are assessing all BSIPs submitted and have said that they will award future bus funding based on the quality coupled with ambition within these documents. They have advised that £1.2bn of the overall pot will be allocated following their review of submissions, which is expected to be no more than 10-20% of the value of all BSIP submissions to Government from LTAs (noting that the West Midlands submission alone is for over half of the available pot). TfWM is expected to soon learn what level of funding will be provided but have been advised that the West Midlands will likely not receive any capital funding from this pot as the Government expects bus capital schemes should be included as part of the City Region Sustainable Transport Settlement (CRSTS). We await details of any revenue allocation.
- 2.6 As well publishing BSIPs, Authorities were required to advise the government on how they intend to work with operators to deliver these plans, with either Enhanced Partnerships or Franchising being necessary if Authorities are to be eligible for future funding allocations. This is important because it requires a significant step change in the involvement of LTAs in bus service delivery; no LTA can continue to deliver in the way it has done previously and at a minimum LTA's must put in place clear commitments, targets and processes to support an Enhanced Partnership. As already reported, TfWM already has an Enhanced Partnership in place for the region and a strong track record of working positively in partnership with operators through the Bus Alliance. DfT were therefore advised that the region's preferred delivery approach would continue to be through partnership, however the option for the West Midlands, to consider franchising would be kept under review, with this report forming part of that process. This approach is permitted through the requirements of the BSIP and Authorities with Franchising powers are able to switch between EPs and Franchising if circumstances require it.

Post Covid-19 Bus Network Risks

- 2.7 Conflicting with the ambition in our BSIP and the National Bus Strategy are the realities facing the bus industry as the country recovers from the impacts of the Covid-19 pandemic. The pandemic had a profound impact on transport networks for many months when all but essential travel was prohibited. Whilst regulatory restrictions have now been lifted, many of the impacts have been more enduring and recovery is expected to take much longer. In the West Midlands, as of November 2021, bus patronage has recovered to approximately 75% of pre-covid levels, which is similar to that seen in other areas. This is partly because many social behaviours such as home-working and online shopping became more widespread and embedded during the pandemic. With covid-19 still prevalent and likely to be so for the long-term, there are also residual concerns about using public transport, particularly amongst more vulnerable customers, which is no doubt impacting on more discretionary use.

- 2.8 Government and the public sector have been incredibly supportive of the bus industry during the pandemic to mitigate the threat of bus services being withdrawn, with Local Government continuing to pay subsidies and concessions at pre-pandemic rates despite much reduced passenger volumes and National Government covering operators' losses and directly subsidising them to maintain services. As a result, the impacts on the network have been minimal, with less than a 4% reduction in the network to date in the West Midlands, though even that has led to much customer and political attention and caused concern amongst communities.
- 2.9 Prior to Covid, the West Midlands bus network received around £250m p.a. in income, around £67m (27%) of which was from public funding sources (grants, subsidies and concessions) and the remainder primarily fares revenue. As of October 2021, just over half of the revenue is still from public funding sources including WMCA protecting concessionary payment levels. However, the Government's Bus Recovery Grant (BRG), negotiated directly between Government and bus operator groups and covering some of the operator losses, is due to finish at the end of March 2022. Currently bus operators are telling us that the amount of money available from Government is not what was expected and may result in some network reductions even prior to the end of March 2022. Whilst it is highly unlikely that Government will not provide any funding at all after March 2022 the fact that there is currently no committed funding represents an incredible challenge which is being talked about across the industry as a potential 'cliff edge', given such a substantial reduction in passenger revenue, which is unlikely to have recovered to pre-covid levels by then.
- 2.10 It is almost certain that in the face of national Bus Recovery Grant ending, or being reduced, that operators will seek to rationalise their operations in order to remain financially viable meaning that the network faces risks of service cuts, fare increases, or reliance on increased subsidy. Operators are already seeking to maintain the most profitable routes, placing less profitable routes (that carry fewer passengers but remain essential for network cohesion and providing crucial access for many residents) at risk. Under this scenario, TfWM will be required to assess gaps in the network and determine the extent to which subsidy should be provided to maintain services. This could represent risk of up to £50m to the 2022/23 WMCA tendered bus budget based on current patronage trends in order to maintain the current network. With the likely necessity for increased local subsidies it is essential that TfWM is able to demonstrate good value for money, both for the services it directly supports but also ensuring that all funding coming into the industry is being used effectively to maintain and develop a strong, comprehensive network. Whilst a reduced network may support operator profit margins, it would not support the wider WMCA objectives of ensuring excellent access for all residents and encouraging significantly more bus use to help reduce emissions. The WMCA may also be obliged to review its standards on access to the network in order to mitigate the level of funding risk, which is one of the options being considered.

2.11 There are discussions between bus operators and Government on the possibility of extended funding. Government had committed to funding the recovery through LTAs to ensure that they are leading from the front of the recovery but to date this has not materialised and there are no indications that it will do so by March 2022. TfWM are also seeking support from Government to stabilise the existing network until October 2022 to ensure a smooth transport provision during the Commonwealth Games. This is also not yet confirmed and presents a further risk. What this does highlight however, is the minimal level of influence and control that the LTA has over the current determination of routes and services as we enter a period of time containing the largest potential threat of major changes to bus services since deregulation in 1985. Whilst we are able to influence and negotiate in some areas this has proved an immensely time-consuming process for all parties and not as effective as it would have been prior to Covid-19 due to greater business pressures. Bus operators are not being blamed for their approach, but there are clear differences between their commercial requirements and the region's need to serve its residents that we will be aiming to address through the Enhanced Partnership.

Bus Options Assessment

2.12 In mid-2020 TfWM recommenced that work be progressed to assess powers available under the Bus Services Act 2017 to determine how best to realise the Mayoral Combined Authority's *Vision for Bus* objectives. This has included a high-level assessment of Franchising powers, as well as Enhanced Partnership. Whilst the EP approach is now becoming better understood and will itself be a big transition for the LTA and operators to implement, a Franchising Scheme would present a completely different model through which bus services could be delivered. Under a Franchising model, rather than commercial operators determining bus routes, timetables, fares and quality standards and taking the revenue risk, these things would be specified by the Transport Authority and operators would be required to compete for contracts to run services in line with agreed specifications and demonstrate good value for the use of all money within the system. The purpose of the initial assessment has been to determine the significant risks that the Transport Authority might encounter in implementing franchising, whether such risks would be manageable and the extent to which a scheme might provide opportunities to deliver the region's *Vision for Bus* more effectively.

2.13 Current legislation requires that where a Mayoral Combined Authority is in place, that the elected Mayor is to take a decision as to whether a Franchising scheme should be made and implemented following consideration of a detailed, independently audited Full Business Case. The introduction of new processes to deliver Enhanced Partnership will take significant commitment from operators, Local Authorities and TfWM and provide an opportunity to address the challenges and realise the ambition and objectives set out in the report. However given the level of commitment required and nature of the threats facing the network which are outside the control of the WMCA it is recommended that a Full Franchising Assessment should now be undertaken to provide a more detailed evidence base of costs, risks and opportunities to help address the articulated concerns over the future viability, decision making, and control of large parts of the network at the same time as making buses a more attractive choice for many more people.

2.14 Development and approval of this will be in line with WMCA assurance processes (Single Assurance Framework) and legislation within the Bus Services Act 2017.

- 2.15 It is proposed that at the same time TfWM will continue to work with operators in order to deliver the proposed outputs of the EP supported by Government BSIP funding once announced. It is also noted that the region has already been successful in attracting Government funding for zero emission buses and will continue to strive to deliver towards the objectives of the *Vision for Bus* and the National Bus Strategy.
- 2.16 It is worth reiterating that this report is not seeking a decision to make or to implement a Franchising Scheme, however as a diligent Local Authority it would be prudent to consider in detail all available tools at our disposal to address the challenges ahead, especially in light of the current market risks. This will allow the Authority to develop a scheme to a point that the Mayor could agree to pursue it should delivery of objectives through an EP model prove an insurmountable challenge.

3. Financial Implications

- 3.1 £1.5m is identified through the CRSTS preparatory funding to support this work and is in line with Government recommendations on what this funding should be used for. As well as enabling the Full Franchising Assessment it will provide a platform for the development and implementation of the EP processes to support the effective Governance required of us through the National Bus Strategy.

4. Legal Implications

- 4.1 WMCA, as a Mayoral Combined Authority, has powers (subject to having regard to the Secretary of State Guidance and other criteria) under the Bus Services Act 2017, to make and implement a bus Franchising Scheme. Current legislation provides that the Mayor may, after consideration of an independently audited Full Business Case (and subject to SoS Guidance), seek to make and implement a franchising scheme under the Bus Services Act 2017. The powers to implement Enhanced Partnerships are also set out under the 2017 Act.

5. Impact on Delivery of Strategic Transport Plan

- 5.1 The current West Midlands Strategic Transport Plan “Movement for Growth”, sets out that the bus is key to ensuring these strategic objectives are met but places limited emphasis on defining a longer-term strategy for bus in the West Midlands. The delivery of Vision for Bus and the further development of Bus Policy Delivery Options will support the delivery of all 15 policies outlined in Movement for Growth.
- 5.2 TfWM is in the process of updating the current Local Transport Plan (LTP) on behalf of WMCA. The 'Reimagining the Transport System Green Paper' framed the key challenges and opportunities for transport in the region around 5 motives for change. These include the need to rapidly decarbonise and promote inclusive growth. The bus will continue to play a critical role in helping us respond to the five Motives for Change. As we look to the longer term, we will need to develop a clear view on the role of the bus in the West Midlands transport system and how bus services are delivered as part of our integrated transport strategy. The new LTP, due to be published in stages in 2022, will update the policies to promote safe, clean, efficient and economic transport to, from and within our area as well as plans to implement those policies.

6. Equalities Implications

- 6.1 Bus travel is the main means of transport for a large percentage of the population who are reliant on buses to get around. People on the lowest income centiles are much less likely to own a car and some of the most deprived wards have under 50% household car ownership. Groups much more likely to be reliant on public transport include: Single parents (primarily women); young and older people; black and minority ethnic people (minority ethnic people twice more likely to live in a household with no car ownership); people on low incomes; part-time workers; unemployed people (3/4 of jobseekers do not own a car); disabled people (only 38% of people with mobility difficulties are main drivers or have household access to a vehicle).
- 6.2 There is already an imbalance in the coverage of the bus network, with some areas served better than others and as highlighted in the paper there is significant risk that services will be further impacted in the near future which is likely to most impact the aforementioned groups. A full exploration of both Franchising and Enhanced Partnership will help determine how we are best able to deliver a network that meets the needs of all. Assessing the equality impact of both options will form an integral part of the process.

7. Geographical Area of Report's Implications

- 7.1 The challenges, opportunities and activities described are applicable to all seven constituent districts of the WMCA.

8. Schedule of Background Papers

[West Midlands Vision for Bus](#)
[National Bus Strategy: Bus Back Better](#)
[West Midlands Bus Service Improvement Plan](#)
[Bus Services Act 2017](#)