



West Midlands  
Combined Authority

## Transport Scrutiny Sub-Committee

<b>Date</b>	6 February 2023
<b>Report title</b>	Future Bus Delivery Options (Including Franchising)
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### 1. Purpose

This report is to update Transport Scrutiny Sub-Committee on measures TfWM is undertaking to address ongoing challenges in delivering bus services that meet the ambitions of the region's Vision for Bus, including ongoing Enhanced Partnership and a Full Franchising Assessment.

## 2. Background

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.”**

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.

Although TfWM commenced the outline assessment in 2019 this was paused in 2020 due to the Covid-19 pandemic. This 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.

The outline assessment was primarily completed during 2021 and concluded franchising could have the potential to better deliver the region's Vision for Bus objectives and in the long term would likely be able to better demonstrate value for public money. On this basis in January 2022 WMCA Board recommended that work should continue to deliver bus policy through Enhanced Partnership with Local Authorities and bus operators, but that this should be twin-tracked with a Full Franchising Assessment, noting the potential risks associated with Franchising but also the risks and challenges inherent in securing policy ambitions through partnership.

### **Bus Back Better**

2021 also saw the publication of the government's National Bus Strategy 'Bus Back Better'. All Transport Authorities were required to develop a Bus Service Improvement Plan (BSIP) for submission to government, with those considered most ambitious awarded funding to support their delivery. The BSIP published by TfWM was one of those which secured government funding, amounting to £88m over three years. Over recent months, TfWM has been working closely with bus operators through the Bus Alliance to put in place mechanisms to deliver the ambitious plans set out in our BSIP, including:

- ensuring all buses are low emission Euro VI by May 2023
- a three-year fares freeze
- a significant ticket simplification programme ('Bonfire of Bus Tickets')
- free or heavily discounted travel for identified cohorts to encourage long term modal shift
- a passenger charter

This is accompanied by a commitment for investment in over 100km of additional bus priority on key cross-city corridors in the region, funded through the City Region Sustainable Transport Settlement (CRSTS).

## **Enhanced Partnership**

In order to ensure delivery of these transformational activities, they are being enshrined within a statutory Enhanced Partnership (EP) Scheme for the region. This places legal obligations on the partners to deliver commitments within the EP and has been signed by WMCA, all seven districts and agreed with bus operators. If operators do not meet requirements of the partnership then sanctions may include the necessity for them to withdraw non-compliant services and TfWM is taking over registration powers from the Traffic Commissioner to ensure greater control over this. Delivery against commitments within the EP will be monitored closely, and, if achieved in full, the partnership commitments could deliver outcomes that make franchising irrelevant.

## **Delivery Challenges**

Whilst the CA Board Report in January 2022 considered the challenges in delivering bus services post-covid, the risks identified have only amplified during 2022. Many of these challenges were considered by this sub-committee in November 2022, but in summary include:

- Patronage remains below pre-covid levels, impacting revenue
- High inflation, notably fuel and wages
- Staff and driver recruitment challenges impacting service delivery
- Further reduction in number of operators bidding for TfWM contracts, with a lack of competition contributing towards escalating tender costs
- Continued uncertainty relating to ongoing government funding support
- Difficulties in negotiating agreed commitments within the Bus Service Improvement Plan, balancing the shared commitment for long-term transformation with short-term financial challenges faced by operators.

Despite these heightened risks, the importance of a comprehensive, reliable bus network is greater than ever given the role that public transport will play in delivering a future transport network that aligns with the ambition set out in the emerging Local Transport Plan. It is this dichotomy; between the short-term necessity of operators to shrink networks so that they return to acceptable levels of profitability and the long-term ambition to grow bus use to meet wider policy objectives that is being considered by Local Authorities throughout the country.

Much of the focus over the last 12 months has been to attempt to mitigate the risks to the network. As well as securing funding to deliver the BSIP, intended to grow patronage, this has been underpinned by the adoption of the regionwide Enhanced Partnership scheme.

Whilst it is always more challenging to deliver commitments on the ground than write them into a document, this does demonstrate that in principle there is a shared commitment to work collaboratively to improve and grow bus services over time and delivery towards the commitments included in the BSIP and the Enhanced Partnership will provide an important benchmark against which the effectiveness of different delivery models can be assessed.

## Full Franchising Assessment

Against this backdrop TfWM has commenced a Full Franchising Assessment. Legislation sets out a rigorous process that must be followed to ensure that robust, evidence-based decisions are made to determine whether franchising or delivery through partnership remains the most effective way of delivering bus policy in the long term.

External support has been commissioned to assist this work and governance processes are being developed to ensure sound consideration is given to decisions. Specific tasks that will need to be undertaken include:

- Consider size of future network and resource requirement. Do we want a bigger, more comprehensive network as might be suggested in the emerging LTP, and if so how would this be financed
- Consider lotting strategy, contract lengths and areas. How is the region divided up, is there to be a single operating contract for the whole region or a number of smaller contracts and how long should contracts be for
- Determine fleet and depot ownership model. It is important that there is a competitive market if there is going to be competition for franchises, needed to ensure good value for money. Should TfWM take a greater role in depot and fleet ownership to reduce the barrier for entry for new operators
- Agree ticketing strategy and where revenue risks should lie.
- Consider contractual terms, KPIs, role of Authority / operators. There will be various roles and responsibilities that could sit within either the Authority or the operator, e.g. detailed timetable planning, network management, customer services. Decisions will be required on where these activities lie and how performance against contractual requirements will be measured and rewarded
- Consider transitional arrangements ensuring service continuity & how appropriate staff capacity and capability is provided. Where staff transition between organisations how will this be managed to minimise duplication of activities for certain periods.
- Consider governance and change management processes. Who determines when there are changes to the network or services, both at an operational, tactical and strategic level, and how are such decisions taken
- Develop consultation strategy. The Bus Services Act 2017 requires robust public and stakeholder consultation to support decisions.
- Comparison of Franchising option, against challenges and opportunities with continuing to deliver in a partnership scenario.

## Timeframes

- January 2023: Consultants appointed to support detailed review of bus delivery options, including the Full Franchising Assessment
- Summer 2023: Finalise framework against which options will be assessed. This will include detailed assumptions relating to how a Franchising scheme would operate which would be used to undertake the Assessment
- December 2023: Interim (Draft) Franchising Assessment complete. This will provide an initial overview of how delivery through partnership is likely to compare to delivery through Franchising, which can be refined following consideration by stakeholders.
- June 2024: Franchising Assessment concluded for CA Approval, either to progress with external Audit as required by legislation, or continue delivery in partnership.

These timeframes have been established recognising there will be a Mayoral election in May 2024 and legislation requires that it is the mayor who should determine whether a scheme will proceed. Given the implementation time of any scheme is likely to take several years, it is preferable to have such a decision taken towards the start of a new mayoral term and not right at the end.

## **Summary**

The primary driver in assessing regulatory options for delivering bus services is to ensure the region is best able to meet its bus policy objectives, articulated in the Vision for Bus, Bus Service Improvement Plan and emerging new Local Transport Plan. There is therefore a strong focus on outcome-driven tasks to support delivery of BSIP, regardless of future regulatory approaches (e.g. network design, service performance, ticketing simplification, decarbonisation)

Mechanisms are being established, in partnership between TfWM, Local Authorities and Operators to deliver these objectives in partnership, but there is recognition that this may become increasingly challenging as external influences continue to make the commercial operation of bus services more difficult.

The Full Franchising Assessment will consider whether some of those challenges could be better addressed under a Franchising model, and whether this would give better value for the substantial public money that is supporting the network, and also allow that value to be better demonstrated.

It should be stressed that many of the challenges and risks are here to stay, regardless of the regulatory model. Franchising in itself is unlikely to be a panacea and the Assessment will consider how any scheme would need to be supported by sustainable, ongoing funding, if the region is to enjoy a bus network that meets all of its strategic needs.

### **3. Financial Implications**

£1.5m is identified through the CRSTS preparatory funding to support the preparation of the Full Franchising Assessment 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 ongoing development of Enhanced Partnership processes to support the effective Governance required of us through the National Bus Strategy, with mechanisms and outcomes being designed to align with policy objectives as far as possible and not focussed on a single regulatory approach.

### **4. Legal Implications**

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**

This work is considered fundamental in ensuring effective delivery of the Local Transport Plan. The 'Big Moves' included within the Plan outline the necessity for an extensive, affordable, attractive bus network and this work will consider how that is best achieved.

## **6. Equalities Implications**

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).

There is already an imbalance in the coverage of the bus network, with some areas served better than others and a 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**

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