

**Report to:** West Yorkshire Combined Authority

**Date:** 6 February 2020

**Subject:** **Future Bus Options**

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| Is this a key decision?   | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny?                                       | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Does the report contain confidential or exempt information or appendices?               | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: |   |

## 1. Purpose of this report

- 1.1 To provide an update to the Combined Authority about the sale of First West Yorkshire Ltd including, but not limited to, potentially participating in the sale.
- 1.2 To recommend that the Combined Authority undertakes preparatory works to understand the implications of pursuing franchising should a devolution deal be secured.

## 2. Information

### Background

- 2.1 The bus is the biggest public transport mover of people in West Yorkshire and has a critical role in the transport network: it is essential for providing access to jobs and training. However, in line with national trends, there is declining patronage: in 2017/18, 147.8 million journeys were made on local buses in West Yorkshire, which represents a decrease of 21 million journeys (12.6%) since 2009/10. This disconnect between the central role of the bus and the declining patronage means there is a real need to understand and deliver

interventions that could provide a different and more attractive offer to the customer.

- 2.2 On 29 May 2019 First Group PLC made an announcement to shareholders that it is “pursuing structural alternatives to separate our First Bus operations from the Group” as part of a process of re-structuring the company. At the time a sale process was expected in early 2020.
- 2.3 On 16 December 2019, First plc announced a change in its disposal strategy for its companies in North America and that, for First Bus, it had commenced a “comprehensive efficiency programme .... prior to any launch of a formal sale process”. Should a sale proceed, it will now much be later than expected.
- 2.4 Earlier in 2019, Deutsche Bahn (DB) indicated its intentions to dispose of its Arriva business in the UK by means of a private sale. However, on 6 December, DB announced its plans to float shares in the company over a three year period starting in May 2020.
- 2.5 A change of ownership of both First and Arriva could signal a change in the level of service provided in West Yorkshire. Protecting, developing and improving the bus network for West Yorkshire residents is an overriding key objective of the Combined Authority. The West Yorkshire Bus Strategy 2040 sets out the vision, objectives and bus policies for the Region<sup>1</sup>. It sets out the target to grow bus patronage by 25% in the decade up to 2027. A reliable, affordable bus network is essential to enable people to access education and employment opportunities. It is central to the key objectives of driving inclusive growth and tackling the climate emergency.
- 2.6 At its meeting on 10 October 2019, the Combined Authority resolved to explore options arising from the sale of First West Yorkshire Ltd and to commission legal and technical advice in this regard. It also delegated to the Managing Director of the Combined Authority, in consultation with the Chair of the Combined Authority, to engage with the process of the sale referring any significant decisions arising from this to the Combined Authority.
- 2.7 The Combined Authority should only embark on any model if that furthers the overall bus strategy aims to support passenger numbers and through that secure the wider goals of inclusivity and carbon reduction.

#### Active Participation in the Sale of First West Yorkshire Ltd

- 2.8 Anticipating the Combined Authority’s need, technical and legal support has been commissioned, in order to:
  - Understand and consider the strategic objectives for any participation
  - Assess the options available and the likely scale of resource required to deliver an option.
  - Understand the legal implications of possible next steps and how these vary by option to ensure value for money.

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<sup>1</sup> <https://www.westyorks-ca.gov.uk/improving-transport/bus-strategy/>

- Undertake market due diligence.

- 2.9 Whilst the legal and technical advice was commissioned in response to the particular circumstances of the sale of the bus companies, the brief was broader, to identify the options available to Combined Authority to influence the provision of the region's bus services. To date, a draft options report has been prepared and only a portion of the funding allocated has been spent.
- 2.10 Should the sale process proceed; further costs would be incurred in analysing the information that First would share with bidders and providing bidding advice to the Combined Authority.

#### Preparatory Work for Franchising

- 2.11 The route to bus franchising is easier for Mayoral Combined Authorities and this option will feature in the context of continued conversations regarding a devolution deal for this region. It is proposed that the Combined Authority undertakes some scoping works to understand the requirements for delivering bus services in West Yorkshire through a franchising model. This includes learning from the experiences of Greater Manchester in developing bus franchising and the emerging position in Merseyside. As the sale of First is delayed, it is proposed that this early scoping work will be delivered using both internal and external resources already agreed to respond to the sale of First.
- 2.12 In actively looking at options to acquire elements of local bus operations, consideration will also be given to how other publicly funded transport such as that provided in the health and social care sectors might be integrated.

#### West Yorkshire Bus Alliance

- 2.13 Whilst it is proposed to continue to explore structural options to support the local bus service, it is important to maintain the impetus of improvement through the Bus Alliance and the investment in bus infrastructure in capital programmes. It is recommended that the Combined Authority remains committed to the on-going partnership work with bus operators for the benefit of West Yorkshire communities. This partnership helps to ensure communities get the best from the net £70 million of public funding that goes into buses in West Yorkshire each year.

### **3. Clean Growth Implications**

- 3.1. The report identifies the work currently ongoing to develop the bus network in West Yorkshire. Improving the bus offer to customers should increase bus patronage, encouraging modal shift to clean public transport and thereby reducing carbon emissions by reducing car use.
- 3.2. Delivering bus services through a different model of ownership or franchising could help tackle the climate emergency by providing the opportunity to influence the fleet and increase the proportion of low or zero emission buses.

#### **4. Inclusive Growth Implications**

- 4.1 The bus is vitally important to ensure accessibility for employment and training opportunities. DfT's Inclusive Transport Strategy highlights the importance of connectivity for those with disabilities, allowing access to social networks, employment and education.

#### **5. Financial Implications**

- 5.1. At its meeting on 10 October 2019, the Combined Authority approved expenditure of up to £200,000 on technical advice to inform the Authority's options in response to the current situation. Given the potential sale of First West Yorkshire Ltd has been delayed, it is proposed to use part of the funding approved in October 2019 to scope the process and implications of adopting bus franchising powers. Further funding would be required to progress franchising and / or acquisition.

#### **6. Legal Implications**

- 6.1. There are no legal implications directly arising from this report.

#### **7. Staffing Implications**

- 7.1. There are no staffing implications directly arising from this report.

#### **8. External Consultees**

- 8.1. No external consultations have been undertaken.

#### **9. Recommendations**

- 9.1. That the Combined Authority notes the current position with regard to the potential sale of First West Yorkshire and endorses continuing work to identify the options available should the sale process proceed.
- 9.2. That a further report be presented to the Combined Authority setting out the process and implications of adopting bus franchising powers.

#### **10. Background Documents**

- 10.1. The West Yorkshire Bus Strategy 2040.

#### **11. Appendices**

- 11.1. None.