

Report to: Transport Committee

Date: 27th May 2022

Subject: **Bus Reform Assessment**

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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:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 The purpose of this report is to provide Transport Committee with a progress update on the Bus Reform Assessment and to recommend approval to the Objectives and options for consideration as part of the Bus Reform Assessment.

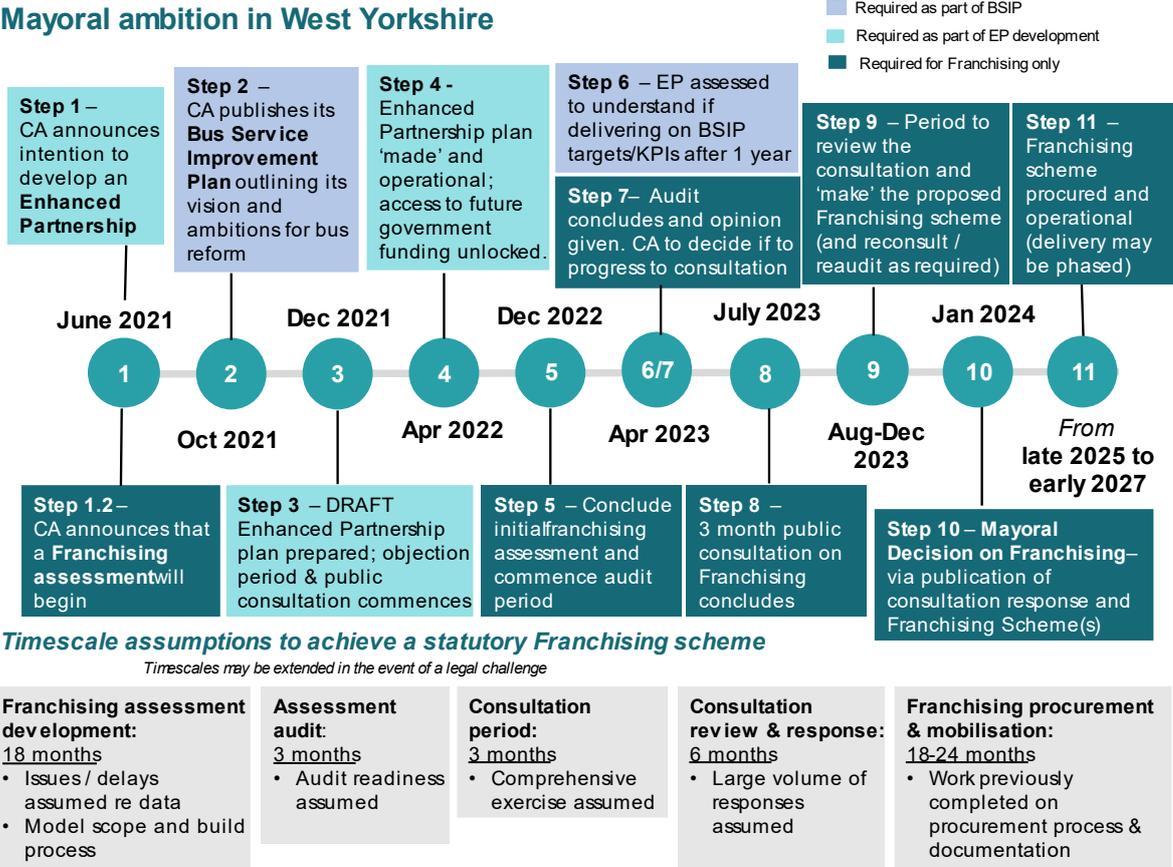
2. Information

Background

Context

- 2.1 A Notice of Intent to conduct an assessment of a Franchising scheme was issued by the Combined Authority in June 2021, as part of its programme of bus reform and in line with Mayor Brabin's pledge to 'Bring buses back under public control, introduce simpler fares, contactless ticketing and greener buses'.
- 2.2 Figure 1, below provides an overview of the Combined Authority's bus reform timelines, including development of an Enhanced Partnership and working towards a mayoral decision on Franchising in Quarter 1 2022.

Figure 1: WYCA’s bus reform roadmap



Programme overview

- 2.3 A bus reform programme has been established. The programme is currently in a ‘pre-assessment’ inception period, where alongside set up of the relevant programme management structures, officers are completing key activities which will set the strategic approach of the assessment. These are detailed in the following section of this paper.
- 2.4 An indicative budget of £4-7m has been set aside to fund the assessment, with approval to draw down an initial £1m granted by the Combined Authority committee in January 2022.

Key activities

- 2.5 Guidance from the Department for Transport (DfT) sets out the key activities that must be completed as part of the assessment in order to comply with the statutory process as legislated under the Bus Services Act (2017). These are summarised in Figure 2, below.

Figure 2: Key activities in the Franchising assessment process, as per DfT guidance



Case for Change

2.6 A Case for Change has been developed to evidence the current challenges in the bus offer across West Yorkshire. The key challenges and opportunities are summarised in Table 1.

Table 1: Challenges and opportunities for bus in West Yorkshire.

Challenges	Opportunities
<ul style="list-style-type: none"> • Declining bus use – including a higher than the national average fall in trips per person, and the impact of the Covid-19 pandemic. • Poor customer satisfaction – across a range of different service areas, over a number of years. • Increasing reliance on public sector support – including £26m budget for socially necessary support, covid support and threat of further costs/market failure as bus recovery grant ends. • A perception of poor value for money – including rising cost of bus travel and complexity of local ticketing offer. • Poor punctuality and reliability of services - with underperformance against targets, as result of road network congestion and variability in bus priority measures. • Inadequate inclusion and accessibility - compounding problems with poor access to local services and social exclusion. • Regional disparities in services – across West Yorkshire districts, particularly rural areas. 	<ul style="list-style-type: none"> • Future demand for bus in West Yorkshire <ul style="list-style-type: none"> ○ The Strategic Bus Network review identifies opportunities for growth in each district areas ○ TfN Future Travel Scenarios identifies ongoing demand for bus travel even as societal work and living patterns evolve. • Future Transport Vision and Connectivity Plan – evidences the growth opportunities across the region and the role of transport in unlocking these. <ul style="list-style-type: none"> ○ Integration with mass transit – including potential for cross subsidy and the maximisation of regional connectivity. • Supporting the inclusive growth agenda • Tackling the climate emergency • Recovery from the pandemic

Challenges	Opportunities
<ul style="list-style-type: none"> • Carbon impact and air quality - including only approx. 3% zero-emissions fleet. • Wider transport and travel challenges – including the overcapacity and underfunded local rail network further compounding the dominance of travel by car. 	

Assessment objectives

- 2.7 The next key activity requires the Combined Authority to set out the objectives it is trying to achieve through reform, independent of the proposed means to achieving them.
- 2.8 The Bus Service Improvement Plan (BSIP) – which sets out the Combined Authority’s overarching vision for the buses in the region – was approved and published by the Combined Authority in October 2021. The objectives set out in the BSIP are to:
- Establish bus as a key mode of choice for travel in West Yorkshire.
 - Establish a financially sustainable bus service.
 - Improve operational delivery to provide the passenger with a service they can feel confident in using.
 - Improve connectivity for communities, especially those facing deprivation, inequality and exclusion.
 - Ensure the bus service is integrated to deliver sustainable connectivity.
- 2.9 It is proposed to also use these objectives for the bus reform assessment, as well as an additional new objective, which is to:
- Improve environmental performance and reduction in carbon emissions of the bus network.
- 2.10 To enable the Assessment to take place, the objectives will be developed to be SMART (specific, measurable, attainable, relevant and time-based) objectives.

Bus Reform Assessment Options

- 2.11 A range of options for bus reform have been developed which the Combined Authority proposes to use as the basis for the detailed assessment. These are:
- Enhanced Partnership - as is
 - Enhanced Partnership - plus
 - Franchising – Total (Gross Cost) approach
 - Franchising – Medium (Net Cost) approach
 - Franchising – Light (shared risk) approach

- 2.12 The Combined Authority entered into an Enhanced Partnership (EP) with local bus operators in April 2022. As such, the **‘Enhanced Partnership - as is’** forms the do-minimum option.
- 2.13 Under this option, the bus system remains commercially led and operators take full revenue risk. However, the status quo does rely on a level of public sector funding support – the Combined Authority spends approximately £26m per year commissioning tendered bus services and delivering concessions in addition to investment in customer service and information (via Metro) and other projects such as capital investment works.
- 2.14 The **‘Enhanced Partnership - plus’** is a theoretical alternative whereby further commitments / concessions are made by commercial operators to run local buses in line with the Combined Authority’s own vision. This will have to be defined more clearly through engagement with operators to understand what they are likely and unlikely to agree, and the terms for this (including reciprocal funding).
- 2.15 The three variations of Franchising provide different levels of Public Sector management and revenue sharing with bus operators.
- 2.16 **‘Franchising – Total (Gross Cost)** – the Combined Authority would own all depots and vehicles, and take full ownership of the fare box revenue.
- 2.17 **‘Franchising – Medium (Net Cost)** - the Combined Authority would take full ownership of the fare box revenue but commission services from operators who would continue to own the depots and assets.
- 2.18 **‘Franchising – light (shared risk)** – the Combined Authority utilises the relevant powers to take control over the network but agrees the fares and pricing strategy with operators who take some of the profits and share the revenue risk. Operators would also continue to own the depots and assets.
- 2.19 Franchised bus systems (or similar models) exist across the world in cities such as Hong Kong, Singapore and Sydney but notably, London is the only current franchised system in operation in England. Under this system, in contrast to other areas where the local bus systems were deregulated in 1987, bus patronage has grown significantly since then.
- 2.20 Greater Manchester is the only other authority in the country to have progressed through the assessment process and formally decided to establish a Franchising scheme.
- 2.21 The Enhanced Partnership model was established under law through the Bus Services Act 2017 and is unique to England but, as per requirements of the National Bus Strategy for England (2021), most local authority areas are now

progressing towards the establishment of this arrangement with their local operators.

- 2.22 Additional options, a Voluntary Partnership Agreement (VPA) and Municipal Ownership have both been excluded from consideration as part of the detailed assessment. This is because the National Bus Strategy for England (2021) requires authorities to have moved beyond VPAs to qualify for further government funding support and the Bus Services Act 2017 legislation prohibits the establishment of any new municipally owned bus companies.
- 2.23 This report recommends that Transport Committee approves all options for delivering franchising and the Enhanced Partnership are considered as part of the Bus Reform Assessment.

Next steps

- 2.24 The next step is to proceed with the procurement of external consultancy support to complete the detailed assessment activity.
- 2.25 The proposed public engagement, to be conducted throughout the summer (see Item 6 for further details), will also be used to inform the bus reform assessment. A statutory public consultation is also required following completion of the assessment and its audit before the Mayor can make a decision on whether to proceed with Franchising.

3. Tackling the Climate Emergency Implications

- 3.1 A key aim of bus reform is to support decarbonisation of the local bus network and provide improved sustainable travel options for the region, to support West Yorkshire's response to the Climate Emergency.

4. Inclusive Growth Implications

- 4.1 A key aim of bus reform is to ensure the local bus network better support the Combined Authority's inclusive growth ambitions, including by ensuring better bus connectivity in areas of economic deprivation to major employment sites.

5. Equality and Diversity Implications

- 5.1 A key aim of bus reform is to enable the local bus system to better support Equality, Diversity and Inclusion across the region, including that is safe and accessible for all and adapted to suited individual different needs.
- 5.2 An Equality Impact Assessment has been started and will be continually considered / updated throughout the Bus Reform process.

6. Financial Implications

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

7. Legal Implications

7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

8.1 There are no staffing implications directly arising from this report.

9. External Consultees

9.1 Deloitte has been appointed to support the Combined Authority through the initial stages of the franchising process, ahead of the detailed assessment activity. Their consultation has informed some aspects of this paper.

10. Recommendations

10.1 That the Transport Committee endorses the overview of the Case for Change.

10.2 That the Transport Committee approves the bus reform objectives and options for detailed assessment.

10.3 That the Transport Committee notes the programme update and next steps.

11. Background Documents

A. 'The Bus Services Act 2017: Franchising Scheme Guidance', Department for Transport (2017).

B. 'The West Yorkshire Bus Service Improvement Plan', West Yorkshire Combined Authority (2021)

12. Appendices

None