

HAVE YOUR SAY IN HOW YOUR BUSES ARE RUN: CONSULTATION BY THE GREATER MANCHESTER COMBINED AUTHORITY

EVIDENCE FROM THE CONFEDERATION OF PASSENGER TRANSPORT UK

Background

1. The Confederation of Passenger Transport (CPT) is the national trade association for the bus and coach sector in the UK and represents around 1000 bus and coach operators. We have 98 members in our North West region; 17 of those have bases in Greater Manchester, operating over 1750 buses and over 200 coaches. These members range from subsidiaries of large international companies to sole traders with a single vehicle.
2. OneBus are responding to this consultation on behalf of bus operators in Greater Manchester and we endorse their response. This submission does not seek to replicate that; instead it considers the franchising proposal from a broader, strategic level.

Summary

3. We agree with the outcomes targeted by the consultation - a joined up, integrated network, simple fares and ticketing and an improved customer experience – but believe we can get there quicker and more effectively through a partnership approach between bus operators and the GMCA:
 - There are huge transitional costs involved in the move to a franchising model, none of which deliver direct service improvements to bus passengers.
 - There is significant opportunity cost attached to the money that would be spent on the transition to franchising which will come from the public purse, including higher taxes for local residents. Taxpayers should not have to fund the cost of regulatory change.
 - A YouGov poll earlier this year found that 76% of people in Greater Manchester do not want public transport improvements to result in higher taxes.¹
 - The time taken to make the transition to franchising – with the first tranche operational in January 2022, and the last in December 2023 – could be better spent delivering real improvements to bus services for the residents of Greater Manchester.
 - A franchised model for bus services places all the risks associated with underwriting any shortfalls in fares income on the GMCA and, ultimately, the taxpayer.

¹ Peacock, M (9 October 2019) *Why is franchising the best option?* Routeone news

Delivery of outcomes

4. Bus operators agree with the outcomes that GMCA wants to deliver for bus passengers – a joined up, integrated network, simple fares and ticketing and an improved customer experience. That is why we announced earlier this year in our England-wide strategy *Moving Forward Together* that we would:
 - a. Introduce contactless, multi-operator, price-capped daily and weekly tickets by 2022 in urban areas
In Greater Manchester: OneBus recommended a two-year price freeze on multi-operator bus fares and more affordable travel for people of all ages in their partnership model for Greater Manchester. Operators in Greater Manchester have already introduced smart ticketing and contactless payments and have pioneered integrated ticketing, known as System One, whereby passengers can choose to buy tickets that are valid on any bus, bus/tram or bus/rail.
 - b. Extend discounted ticketing to apprentices and job seekers by 2021
In Greater Manchester: Bus operators already offer students and jobseekers discounted fares.
 - c. Make travel easier for customers by providing simple, comprehensive information for customers and encouraging the use of online ticketing, Mobility as a Service (MaaS) and other emerging digital platforms
In Greater Manchester: Bus passengers already have access to live bus journey information via their smartphones, can buy tickets and plan journeys via easy-to-use apps, and benefit from on-bus Wi-Fi available on most buses.
 - d. Reinvest savings made from improvements delivered through local planning and infrastructure measures
 - e. Only buy ultra-low or zero emission buses from 2025
In Greater Manchester: Operators are already committing to 450 low-emission buses over the next three years - to improve air quality – with the first 150 delivered by 2020. This investment is paid for from operator profits. Any new buses delivered under franchising would need to be funded by Government – ultimately taxpayer – funds.
5. We can deliver these improvements for passengers in Greater Manchester more effectively and efficiently through a partnership approach, and take faster, impactful action to address the biggest challenges of crippling congestion and poor air quality. We disagree with the very narrow interpretation of the potential benefits of partnership working that the GMCA has taken in its assessment.
6. It is in commercial bus operators' interests to continuously strive to improve the customer experience in order to increase passenger numbers and revenue. In fact, figures from customer watchdog Transport Focus show that bus passengers in Greater Manchester (and many other regions across the UK) are happier than those in London – the only city in the UK currently to have a franchising model in place for bus services.
7. The franchising proposal put forward by TfGM suggests shorter contracts to reduce the risk for services potentially attractive to SMEs. However, these shorter contracts lead to short term thinking and prevent long term investment decisions which are needed to deliver improved services for passengers.
8. The GMCA consultation asserts that Mobility as a Service (MaaS) would be harder to achieve with a fragmented bus market. We believe that, with the introduction of Bus Open Data, this will not be the case. It is likely that

third party suppliers will see a commercial opportunity to bring MaaS solutions forward once the data becomes readily available, as required by forthcoming legislation.

9. The franchise proposal says that fares will increase by the rate of inflation plus +1.4% every year. Forecast inflation data from the Office for Budgetary Responsibility suggests that tickets might rise by an additional 18% by the end of 2023, meaning that the price of Greater Manchester's cheaper weekly ticket (currently £19) would rise to cost more than London's (currently £21.20) under franchising. In contrast, the OneBus partnership plan offers a two-year price freeze on multi-operator bus fares, as well as more flexible and simplified tickets.
10. Under the transition proposals, the first franchised service would be operational in January 2022, and the last in December 2023. The consultation suggests that it is only then that the 'phase 2' interventions required to truly deliver a step change in service quality for passengers would begin to be implemented (see paragraph 10 for more detail). This further supports our argument that improvements for bus passengers could be delivered quicker under a partnership approach.

Consideration of the costs and benefits of franchising

11. The GMCA have forecast that it would cost £122m to move to a franchised bus service over the transition period up to 2024/25 (plus approximately £12.5m of forecast cost escalation relating primarily to travel concessions and supported services). Interest payments on borrowing are likely to add a further cost of around £46.3m over this time period. These transitional costs do not offer direct added value to the passenger (they relate to costs such as standardisation of IT and acquisition of depots). There is significant opportunity cost attached to this money which will come from the public purse and result in higher taxes for local residents. This money could be better spent to deliver on-the-ground improvements to bus services more quickly and effectively. The GMCA acknowledges that in order to really deliver improvements in bus services and arrest the decline in patronage, further investment, which they refer to as 'phase 2' interventions, will be needed beyond the transition phase, and that no funding has yet been allocated to this. If the GMCA took a partnership approach to bus services, the costs and timeframe associated with transitioning to a franchising model could effectively be bypassed and invested directly into 'phase 2' measures such as bus priority measures which would make a meaningful difference to services for passengers.
12. The GMCA state that "the Government has indicated that it will support Greater Manchester to 'deliver a London style bus system in the area' which could include revenue funding." It is imperative that Government does not fund regulatory change instead of measures which will have a direct impact on the passenger experience such as bus priority schemes and measures to tackle congestion. Evidence has shown that every £1 spent on investment in local bus priority measures can deliver up to £8 in economic benefit.² Such measures are a much more efficient and effective use of public funds.
13. Further costs arise under the franchising model for staff – it is forecast that an extra 57 TfGM staff will be required under the franchising model compared to around 6 to 8 extra staff under the partnership approach. There will also be costs associated with a range of temporary specialist consultants in areas including IT, legal and HR, and operators will need to employ more staff under franchising to manage service regulation and monitoring because of the penalty regime that will likely be in place under the contracts. We anticipate that this could be as many as 80 more posts to ensure contract compliance and 20 more for the collection of data as

² KPMG (2015) *An economic evaluation of local bus infrastructure schemes*

required by TfGM. These staff will be paid for through franchise payments as operators will have no other source of income.

14. As well as placing considerable upfront costs on the GMCA, local authorities and the taxpayer, moving to a franchised model for bus services places all the risks associated with underwriting any shortfalls in fares income on the GMCA and, ultimately, the taxpayer. Under a partnership model, that risk lies instead with commercial operators, along with strong incentives to continue to drive service improvements and increase passenger numbers.
15. Even the GMCA's own modelling (table on page 52 of the consultation document) shows that the partnership proposal has a better benefit to cost ratio (£3.66 in benefits for every pound spent) compared to franchising (£3.11 in benefits for every pound spent).
16. A YouGov poll earlier this year found that 76% of people in Greater Manchester do not want public transport improvements to result in higher taxes.³

Impact on small and medium-sized (SME) operators

17. The GMCA consultation suggests that a franchise model will benefit SMEs by making it easier for them to access the market. We believe there are a number of reasons why this may not be the case.
 - a. TfL have found it very difficult to retain SMEs – many have been taken over by larger operators, having found it difficult to continually meet the exacting standards of the TfL contracts which are easier to adhere to with a mass presence.
 - b. Like larger operators, many SMEs enjoy the flexibility of the current regime - for example being able to mix TfGM contracts with other work such as commercial services and private hire which enables them to spread the risk. They would lose some of these options in a 100% tendered environment.
 - c. The requirement for a single brand – and possible bespoke specification - of buses operating on TfGM contracts under franchising may be problematic for SMEs who tend to mix work (as mentioned in (b) above) to 'sweat the assets' and give customers (individuals and authorities) the best value for money. It is possible that, in this scenario, SME operators may decide to avoid bidding for small franchise contracts. This, in turn, could undermine other work they do that has social benefits such as providing private hire for competitive rates to local communities.
 - d. Some of the large area tenders are simply beyond the risk profile and financial capability of SMEs.
 - e. Even the smaller contracts may not be sufficient to draw in the SMEs – larger operators operating the bigger contracts can spread overheads more economically than SMEs and will therefore be in a good position to win the smaller contracts too, thus further squeezing SMEs out of the market.

Conclusion

18. We believe that a partnership approach can deliver high quality, affordable and sustainable bus services without placing huge additional costs on the taxpayer. We have seen the results of such partnerships in places like Merseyside, whose Bus Alliance has seen a 15% increase in fare-paying passengers since 2013-14 and the number of bus journeys taken by young people rise by 168%. Bristol's bus partnership has seen passenger numbers grow by 52% since 2013, and over the past seven years, Sheffield's bus partnership has delivered more than a million extra adult journeys by bus.

³ Peacock, M (9 October 2019) *Why is franchising the best option?* Routeone news

19. We urge the GMCA to reconsider its approach to improving bus services in Greater Manchester and to look again at working with bus operators to deliver real, value for money improvements for passengers and drive growth in patronage.

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