

PE1626/C

Strathclyde Partnership for Transport (SPT) submission of 17 February 2017

SPT is the Regional Transport Partnership (RTP) and Public Transport Authority for the west of Scotland, with an area comprising twelve local authorities and a population of 2.14m people. SPT plays a key role in coordinating the public transport network across our area and we work closely with our constituent councils, operators and others to seek to ensure that people across Strathclyde have access to facilities and activities including healthcare, employment, education, leisure, shopping, and visiting family and friends. SPT also acts to encourage more sustainable travel through our programme of investment in a range of initiatives across all modes of transport, and, on a revenue basis, supports socially necessary bus services across the west of Scotland, including the MyBus demand responsive transport service. Further information on SPT and the services we provide is available at www.spt.co.uk.

Bus services remain, by far, the main public transport mode for people and communities across Scotland, accounting for 77%¹ of all journeys, with the Strathclyde market split in mileage terms into circa 93% commercially-operated and 7% supported by SPT. It is worth noting however, that SPT funding for socially necessary services contributes to around 30% of services in the west of Scotland in whole or in part e.g. funding for the evening or weekend elements of some bus services.

SPT has, over recent years, invested significant resources into delivering the Regional Transport Strategy Strategic Priority of 'Plan and provide a step-change for bus services, standards and infrastructure'. Indeed, this investment can be quantified at around £100m capital and revenue over recent years. Key projects and initiatives delivered include capital infrastructure improvements such as modernisation and refurbishments of Hamilton and Greenock Bus Stations and investment in over 100 modern, efficient adaptable buses, as well as continuing to deliver core revenue activities such as supporting socially necessary bus services, school transport and the MyBus demand responsive transport service.

In addition to the substantial investment undertaken in the bus network in the west of Scotland, SPT has, with Renfrewshire, Glasgow, South Ayrshire and Inverclyde Councils, and operators, delivered the first – and so far, only – Statutory Quality Partnerships (SQPs) in Scotland, demonstrating its commitment to working in partnership with public and private sector organisations to deliver positive change for bus for communities across Strathclyde. These SQPs have proven to deliver benefits, not just in terms of the quality of the bus offer, but also including, for example, significant improvements in air quality.

Yet even with this investment from SPT, and the efforts of others, the bus market of the west of Scotland is in a worrying position, as evidenced by the following statistics:

¹ Source: National Transport Strategy, 2016.

- Bus patronage in the west of Scotland reduced by 49m passengers in the period 2004/05 to 2014/15².
- The bus network in the west of Scotland has shrunk by 24m kilometres over the period 2004/05 to 2014/15.

There is no single reason for this significant and worrying fall. The impact of the financial crisis of 2007-08, cheap car deals, out of town/internet shopping, easy access to free or low-cost parking, and the growth in rail patronage in Scotland over the same period (29m, 45%)³ will all have contributed to the reduction in bus passenger numbers. The shrinking of the bus network has also obviously played a major role – over the same 10 year period, bus kilometres have decreased by 24 million (15%)⁴. In essence, a fundamental issue remains that passengers can't use the bus if there isn't one to use.

Furthermore, there are other statistics which give grave cause for concern as to the future of the bus market: operating costs per passenger over the last 10 years have gone up by 35%⁵; the number of operators in the west of Scotland has reduced from around 120 five years ago to about 60 now; and, while 45% of operators revenue comes from central or local government subsidy⁶, all government support for bus services has decreased by 15% over the 5 years to 2014/15⁷. For comparison, 56.1% of the rail industry in Scotland's income comes from government sources.⁸ Lastly, the age profile of the bus fleet in the west of Scotland is concerning with its reliance on older diesel engine propulsion. This is both in terms of the generally poor standard of the offering and its performance against engine emission standards. The cost of bringing the fleet up to a reasonable standard to support air quality and carbon reduction requirements and better meet passenger needs, will be substantial. Indeed, it is likely that future emission and carbon reduction standards will become increasingly stringent requiring significantly more investment by the industry than is being witnessed at present.

In addition, congestion in our towns and cities is significantly impacting the attractiveness of bus – bus speeds in Glasgow are declining at a rate of 1.5% per annum, worse than London, Edinburgh and Manchester. Passengers will continue to drift away from bus if their journey is getting slower. It is also worth remembering that a slow running (or idling) bus is a polluting bus; whereas a bus running at optimal city running speed will be 'cleaner' in terms of air quality and carbon emissions.

² Source: Scottish Transport Statistics No. 34, 2015. Note that STS defines the region as 'South West and Strathclyde' and figures relate to the following council areas: East Ayrshire, East Dunbartonshire, East Renfrewshire, Inverclyde, Glasgow City, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire, West Dunbartonshire and Dumfries & Galloway.

³ Source: Scottish Transport Statistics No. 34, 2015.

⁴ Source: Scottish Transport Statistics No. 34, 2015. Figures refer to 'South West and Strathclyde'.

⁵ Source: Scottish Transport Statistics No. 34, 2015. Operating costs per vehicle kilometre for local bus services.

⁶ Source: Scottish Transport Statistics No. 34, 2015.

⁷ Source: Scottish Transport Statistics No. 34, 2015. At 2014/15 prices.

⁸ Source: Office of Rail and Road: GB rail industry financial information 2014/15.

Notwithstanding the above, it is important to remember the vital role bus plays in UK society. A recent report by the Urban Transport Group⁹ noted the following:

- More people access high streets by bus than by any other mode in the UK, bringing a combined retail and leisure spend of £27.2bn
- In British cities outside London, 77% of jobseekers do not have regular access to a car, van or motorbike
- Public support for socially necessary bus services can generate benefit in excess of £3 for every £1 of public money spent
- In UK metropolitan areas, bus networks generate an estimated £2.5bn in economic benefits against public funding of £0.5bn, and
- The best used bus services in urban centres may be reducing carbon emissions from road transport by 75% or more.

So while the decline in bus use in the west of Scotland is worrying, bus remains the most flexible, value for money, economically viable public transport option available. That is why SPT has recently established a proposal to create the Strathclyde Bus Alliance (SBA). Major operators in our area are supportive of the proposal and SPT is in the process of formally seeking the support of our constituent councils and others for the SBA. The SBA would be based on current Statutory Quality Partnership legislation, and would have two clear priorities:

- Arrest decline in bus patronage in the west of Scotland by 2020
- Achieve 3% year on year growth post-2020.

The key initial themes for the SBA to focus on are noted below:

- Delivering a comprehensive network
- Maximising network performance and standards
- Integrating the network
- Promoting the network
- Ensuring a safe and secure network
- Delivering a greener network

SPT anticipate that, subject to the endorsement of partners, the initial meetings of the SBA will take place over mid-2017.

In summary, SPT is of the firm belief that for the current west of Scotland bus market, the status quo is not an option. Direct action is required in order to turn the market back around before it spirals into a permanent and terminal decline. Initiatives such as the SBA are intended to be a first step towards addressing that issue.

⁹ The Urban Transport Group was formerly known as PTEG. The report is "Making the connections: The cross-sector benefits of supporting bus services", available at <http://www.urbantransportgroup.org/system/files/general-docs/10210%20Pteg%20Benefits%20of%20the%20bus%20web%20FINAL.pdf>

SPT response to the Petition

The wording of the petition can be split into two separate points which we will seek to address in turn, namely:

1. *“Calling on the Scottish Parliament to urge the Scottish Government to legislate to regulate bus services in Scotland...”; and*
2. *“...to carry out an inquiry into the benefits of bringing bus services into common ownership”.*

It is worth highlighting that legislation already exists to allow some form of regulation within Scotland – the Transport (Scotland) Act 2001 provides the basis for the creation of Statutory Quality Contracts (QC) which, should they be introduced in an area, give the control over the provision of services to the public transport authority. Notwithstanding this, it is also worth highlighting that in the 16 years of the Act's existence, no QC's have been established in Scotland. While there are those who may argue that this is due to the fact that the market-led solutions provided by private sector operators has been sufficient enough to have negated the need for a QC to be pursued, the evidence of decline noted earlier in this response would appear to contradict this. More likely is the fact that the process for implementing a QC is very challenging and the risks associated with pursuing one are of a scale that has so far stopped any public transport authority from doing so. Central to this is the perception that “market failure” must be demonstrated prior to a QC being pursued. While it would be for others to define how “market failure” could be quantified, SPT would highlight the earlier statistics we noted about the current state of the bus market in the west of Scotland – 49m passengers down in the last 10 years, 24m km lost from the bus network – and emphasise that, no matter whether this constitutes market failure or not, the west of Scotland bus market is in dire need of assistance to turn things round.

So while there is a mechanism for some form of regulation in Scotland, it has so far proved unworkable and could therefore be described as not being fit for purpose in today's market. However, the principle of having some form of ‘regulation’ available remains valid, provided it is workable. Indeed, this is currently being pursued in England through the emerging Bus Bill which includes an option to pursue franchising of an area's bus market should authorities wish to do so and provided various criteria are met. Interestingly, the ‘test’ for triggering the option of pursuing franchising through the Bus Bill has been simplified to be a ‘public interest test’. While we await the detail of what is in the legislation in England, this approach appears to be affording a more workable solution than is currently available in Scotland.

In principle, therefore, SPT is supportive of there being a legislative option for some form of regulation/franchising of the bus market as a measure of last resort – *“to legislate to regulate”* as the petition suggests. Undoubtedly, a more effective regulatory regime for bus could indeed deliver a more comprehensive, integrated transport network across Scotland should complete, full re-regulation occur. However, more detail and clarity on the proposals is required, as dependent on the model chosen, it could mean significant cost to the public purse, could be open to

significant – and lengthy – legal challenge, and could stifle investment and innovation by commercial bus operators. Notwithstanding this, it is reasonable to suggest that organisations such as SPT could deliver a more balanced network with greater powers of direction, seeking to encourage greater market stimulation and investment by the private sector while pursuing a reasonable, shared risk return for the public purse.

The most obvious example of “bus regulation” in the UK is London, and there is significant evidence of the positive effects on the bus market of this, in contrast with the rest of the UK. A briefing by PTEG (now the Urban Transport Group) on “Bus Franchising”¹⁰ explains what is in essence a two-tier system:

“Bus services outside London were deregulated in 1986. Since then, there have been two systems of bus provision – one for London and one for the rest of Britain. In London, Transport for London (TfL) (accountable to the Mayor) specifies what bus services are to be provided. TfL decides the routes, timetables and fares. The services themselves are operated under contract by private companies through a competitive tendering process. In the rest of the country, it’s a free market meaning that anyone (subject to minimum safety and operating standards) can operate bus services. Bus operators are free to run whatever services they like, the fares they will charge and the vehicles they will use. This results in an uncoordinated network with a confusing array of ticketing options. Although in theory it is a competitive market, in reality most bus services are now provided by five large companies who rarely compete against each other (Arriva, First, Go-Ahead, National Express and Stagecoach). Operators focus on the most profitable journeys, with local transport authorities having to pay operators to run journeys and some routes that are socially necessary. Under this two-tier system, buses in London have thrived. Since 1986/87, patronage in London has doubled (up 99%), mileage has increased by 75% and fare increases have been lower than the city regions. But outside London, bus patronage is declining.”

In relation to the second point of the Petition – regarding an inquiry into bringing buses into common ownership – again, SPT would welcome the opportunity to be involved in any analysis in this regard. SPT has for some years been at the forefront of bus policy development in the west of Scotland. Our “Ten Point Plan for Bus” showed a viable potential alternative which could provide the basis for improved bus services without the need for significant legislative change, could achieve improved value for money, and could maintain and grow a stronger partnership approach across the industry. Furthermore, as noted above, SPT’s proposal for the Strathclyde Bus Alliance builds on the Ten Point Plan and offers a first step solution for addressing the current issues in the bus market. SPT has also undertaken a preliminary investigation into ‘quality contracts/franchising’ as a way of delivering bus services where the commercial market is failing. At this stage, while acknowledging that significant further analysis would need to be undertaken to fully assess the costs and benefits of adopting some form of franchising model, there could be potential to deliver a more holistic and comprehensive bus network in specific areas or on

¹⁰ The full briefing is available at <http://www.urbantransportgroup.org/system/files/general-docs/Bus%20franchising%20briefing.pdf>

particular corridors through some form of franchising should legislative change occur (thereby mitigating other issues such as TUPE implications and pensions liability) and appropriate, albeit potentially significant, funding be made available.

It is worth highlighting that the phrase “common ownership” mentioned in the petition would need to be clearly defined as part of the Inquiry. Would this be private or public common ownership, or a mix of both? Would it relate to vehicles, bus stations, depots, bus stops/shelters, information, data? There are many options in relation to a potential franchising, common ownership or regulatory model, and it also must be remembered that “one size does not necessarily fit all” across Scotland – in contrast to the west of Scotland, the bus market in the Edinburgh and the Lothians is thriving. Similarly, a range of options means a range of costs, and consideration must be given to the affordability of any model, particularly given the current state of the market in the west of Scotland.

At any rate, the opportunity exists through the national Bus Stakeholders Group, convened and chaired by the Transport Minister, to pursue the suggested Inquiry, and indeed, the proposed Transport Bill due later in this Parliamentary session could prove to be the output for the outcomes of any such Inquiry.

In principle, it would be difficult for SPT to be against the proposals, namely to provide an option for some form of regulation – “*to legislate to regulate*” – and for a national Inquiry, but they must be seen within the current context. For example, SPT’s promotion of the Strathclyde Bus Alliance is, in essence, a ‘last chance saloon’ for the industry to grab this collaborative approach; should they fail to do so, the public sector must be ready and enabled to step in. Having said that, it is important to note that until other issues are subject to complete revision (such as parking policy in our towns and cities), things will get worse, so councils and organisations such as SPT must play their part too. For example, public transport priorities must be built into the early stages of the planning system, with proper recognition of buses, not only as social provision, important though this is, but also as an enabler of economic growth and regeneration. Finally, and regardless of the regulatory model adopted, there needs to be recognition that going forward this sector must be better funded and prioritised by National and Local Government alike.

SPT’s Strategy and Programmes Committee will consider this further at its meeting on 17 March 2017.