

Purpose

1. To provide background to the current bus market, how it is currently operated, and by whom.
2. To inform members of Birmingham City Council Sustainability and Transport Scrutiny Committee about the changes to legislation within the Bus Services Act 2017 and the potential impacts and opportunities on the West Midlands Bus Services.
3. To update the Birmingham Sustainability and Transport Scrutiny Committee on the work undertaken to assess the current impacts and opportunities associated with the legislation.

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Background - Regional and Strategic Context for Bus

The West Midlands Strategic Economic Plan (SEP) anticipates and commits the region to achieving an increase of some 500,000 new jobs in the region by 2030 underpinned by an increased population of 542,000 people. The SEP estimates that to accommodate the growing population, the West Midlands housing stock will need to increase by

around 215,000 homes, 50,000 more homes than are currently allowed for in all relevant Local Plans collated together. To accommodate the new jobs, the SEP anticipates that 1,600 hectares of brownfield land will need to be remediated, equivalent to remediating an area the size of 11 Longbridge manufacturing sites.

As a result there is a significant level of investment required into road and passenger transport infrastructure in order to accommodate this projected growth and to also deliver the aspirations of the region around reducing congestion, improving air quality and improving the public realm.

In addition there are a number of high profile events planned for the region including:

- Introduction of Birmingham CAZ (2020);
- Coventry City of Culture (2021);
- Commonwealth Games (2022); and
- the construction and opening of HS2 including 2 new stations in the region.

These planned improvements, associated changes in policy and required growth of the wider public transport network will have an impact on the buses in the region. It is likely that demand will change on the bus network as these schemes influence modal choice. This will be a threat and an opportunity for bus as a mode.

There will be a greater requirement for bus to form a part of an integrated transport system which enables mode agnostic mass movement of people in an efficient manner, changing the role of

traditional bus to assist in feeding fixed nodes on the network.

This includes:

- The introduction of Sprint initially on up to 3 existing high frequency bus routes in the region for 2022 followed by a further 4 routes for 2026.
- Increased capacity and availability of park & ride in the region giving the opportunity for a change in travel demand.
- A program of Metro expansion including but not limited to; CSQ and Edgbaston Extension; Wolverhampton Extension; Digbeth and Birmingham Eastside; Wednesbury to Brierley Hill.
- Opening of new rail lines and stations including Walsall to Wolverhampton, Kings Norton to Birmingham City Centre; Walsall to Aldridge.
- Development of Very Light Rail (VLR) in Coventry with an aspiration for a metro style service to be running on-street as a demonstration project by 2021.

In addition to the above, how people are travelling and accessing transit opportunities is also changing with increasing levels of use of Uber / PHV, MaaS and an emerging market in innovative Demand Responsive Transport style services. There are a number of trials under way in the West Midlands and other city regions to test the concept and possible opportunity.

Background – West Midlands Bus Market and Legislation

Since buses were deregulated by the 1985 Transport Act commercial operators decide what services they operate, at what frequency and at what cost to the passenger. The role of the transport authority is to provide subsidised services in places and locations that require a bus service where commercial operators do not deem this to be viable. For the last three decades this has been a key role of the transport authority which currently spends approximately £8.3m per annum currently providing these services, representing around 9% of bus miles in the region.

The market in the West Midlands remains wholly deregulated as per the 1985 Transport Act which was established to promote competition in the market, as opposed to a London style system where operators compete for the market by bidding against each other to operate set services and standards as specified by Transport for London.

The 2000 Transport Act and the Local Transport Act 2009 both provided opportunities for local authorities to introduce new styles of partnerships and recognise the growing importance of planning and managing a network in a joined up way, with transport authorities having a greater influence and input over what it wanted the network to look like and how it operates. The West Midlands was instrumental in using some of this legislation to bring multiple operators together to define a network, and allow stronger localised partnerships to be formed between 2010 and 2015, but often without the clear involvement of the local authority.

During this time the region introduced several multi-lateral agreements with many bus operators and in 2012 also introduced the UK's largest

Statutory Quality Partnership Scheme (SQPS) in Birmingham City Centre which has been extremely successful in managing services where there is limited kerbspace. This agreement also includes allocating slots to bus operators as TfWM does across its 12 bus stations, and setting minimum air quality standards which have successfully raised vehicle investment levels.

Approximately 91% of the network is provided on a commercial basis with operators taking full financial risk; the remaining 9% is operated under contract to TfWM as the tendering transport authority. There has been reduced competition in the commercial and tendered markets and the market share of NXWM is now around 93% of passengers across the region, operating around 83% of bus miles. The second largest operator, Diamond Bus (owned by Rotalla) carries 3.6% of passengers and operate around 250 vehicles. Accessible Transport Group (ATG) are next biggest with 2.5%, largely on subsidised routes. The remaining 20 operators account for just 1% of passengers.

When NXWM withdraw from some commercial services it is becoming increasingly difficult to find a number of competitive bidders as the number of operators has shrunk dramatically over the past 2 years. Diamond Bus have purchased 2 commercial operators (Central Buses & Hanson's) and also subsumed Arriva operations from their Wednesbury depot into their network. This reduced level of competition is driving up costs in the market and increases reliance on a smaller number of operators at a time when new operators do not seem to be developing in the local market.

However, we do know that NXWM commit to levels of network coverage that would not happen in the event that they did not operate such an extensive area of the network, or if it were to be a franchised network. There are loss making journeys which they operate and some services which make a loss, but generate more customers into the wider network. This dominance therefore provides positives for passengers who are generally able to use a single operator for most journeys making fares relatively simple to understand and use across the region. It has also meant that network planning and coverage is easier to control and manage rather than having to coordinate competing operators. Partners from elsewhere have commented on the host of Platinum route improvements across the region, which continue to expand and how some feel that there are more impressive than many London bus services.

West Midlands Bus Alliance

In 2015 the then ITA entered into a more formal partnership with the bus operators of the West Midlands known as the West Midlands Bus Alliance. The Bus Alliance strengthened the previous more localised partnerships, and the previous partnership with National Express West Midlands (NXWM) was turned into a wider Alliance with all operators.

Governance of the Alliance was established with an independent chair from Transport Focus, which has increased the emphasis on customer outcomes and integration. The Alliance has representation of all bus operators with NXWM, Diamond and Claribel's representing large, medium and small operators respectively. Crucially the Alliance also has wider representation from the DfT, West Midlands Police,

local highway authorities, local authority transport teams, Transport Delivery Committee representation, and the Confederation for Passenger Transport.

The Bus Alliance has clear Terms of Reference and was established to oversee a set of commitments and work areas between 2015 and 2020. The key market pledges and commitments are based on a series of themes including;

- Network Resilience and Congestion
- Air Quality
- Fares & Ticketing
- Identity
- Network Development and Access
- Customer Charter
- Safety and Security

The ITA took the decision to support the Bus Alliance in a report on Bus Governance on 16th July 2015. The report also included a recommendation to note a specific 'ask' for Bus Franchising may be considered as part of the emerging Combined Authority proposals to Government and that this will also be considered within the then Buses Bill which the ITA was responding to.

Providing the public sector are effective within the Bus Alliance then this can help push innovation from bus operators including limiting fare rises across the region, a method than has been successful over recent years. This requires the Bus Alliance to be well established to challenge the market and push for innovation. An example of pushing operators harder has been the Sprint market sounding exercise over recent months where operators have presented world class proposals when there is a chance to align private

investment to such a large public sector investment in infrastructure and highway priority. Regardless of who operates buses and under what model infrastructure support including journey time priority will be a key requirement to maximise investment and customer use. Increased journey times have been documented in many areas as one of the most challenging obstacles to bus service improvements across the United Kingdom.

The Bus Services Act 2017

The Bus Services Act 2017 gives powers to Mayoral Combined Authorities to franchise bus services within a given area subject to a process and assessment, broadly in line with Treasury Green Book requirements, but not exactly.

The Act includes a series of additional powers to enable the creation of a new style of partnership known as Enhanced Partnership (EP). This type of partnership requires the cooperation of bus operators and is written in such a way that, in areas where there is one dominant operator, that operator cannot veto an EP. DfT are currently consulting on transport authorities becoming the registration authority for services operating within an EP area.

There are also enhancements to the Advanced Quality Partnership Schemes (AQPS) that include strengthening of commitments to quality, but also to allow a more devolved approach to selecting what is included in the Partnership Agreement.

The West Midlands already has two AQPS schemes in Birmingham city centre and Solihull town centre, with a third in Wolverhampton city centre from

November 2018 which is being used to help improve air quality standards for buses, amongst other things. Coventry have requested an SQPS with a view to implementation as soon as 2019.

In addition to the legislation on the operation of services, there are also opportunities associated with data provision and accessing better and easier data from bus operators.

Although the Act was implemented ahead of the Mayoral elections in 2017, formal guidance has only been emerging through 2017 and into 2018 for different elements of the Act, which has made it harder for regional authorities to consider the true value and opportunity of each element of the legislation. Whilst many elements of the Act have not been tested yet the guidance has permitted TfWM to undertake a high level assessment against what the Act contains.

In January 2018 leaders asked TfWM to consider the options available within the Act. Changing the market position from its current status is not one that has been tried or tested anywhere to date. TfWM have been in high level discussions with other authorities to understand the potential benefits and risks.

TfWM has considered in high level some of the key risks including, but not limited to:-

- The timetable associated with a franchising assessment, development plan and implementation.
- Consideration for the costs, resource and process requirements.
- Legal issues associated with franchising.

- Depot and land procurement requirements.
- Clear reasoning for choosing an alternative delivery model.
- Fully assessing the potential for the EP which is equally new legislation and is designed to achieve a greater influence over the network.
- The likely impact of disrupter services in the region associated with Demand Responsive Transport, the role of the taxi, car share and autonomous vehicles.

Vision for Bus

Further to the information in this briefing note TfWM will present the recently approved principles of the Vision for Bus to the committee at the forthcoming meeting.