

## **Towards a World Class Bus Service**

### **1 INTRODUCTION**

- 1.1 The purpose of this report is to inform the Board of the policy context for bus as a vital component of the transport network, to summarise current activities to support bus service improvements across the region, to outline the potential opportunities provided by the Transport (Scotland) Act 2019 to further enhance bus services, and to recommend a series of actions that will serve to promote a world class bus service network across the SEStran region.

### **2 POLICY CONTEXT**

- 2.1 In recent years, a series of major policy documents have headlined the central role of bus services as a vital component of the transport network. As the National Transport Strategy 2 (NTS2) stated:

*Bus is a key element of the Sustainable Travel Hierarchy. It is the dominant public transport mode, accounting for three quarters of all public transport trips. It is particularly important to areas which are not served by the rail network, including much of rural Scotland. It can be an important element in multi-modal journeys, for example, as part of the first or final mile of a longer train journey. It also tends to be more active than a car journey as travelling by bus typically involves a walk to or from the bus stop.*

*We will continue to invest in opportunities to make bus, and public transport more generally, a more attractive option for existing and new users in line with the findings of the Big Climate Conversation. Improvements will be made by investing in, for example, bus priority infrastructure to tackle the impacts of congestion on bus services and raise bus usage, including reallocating road space on parts of the motorway network to accommodate space-efficient vehicles.*

- 2.2 The national policy position has now been endorsed by the adoption of the Regional Transport Strategy:

*The bus network is at the heart of the region's public transport system. Almost half (47%) of residents of the region used a bus service at least once a month in 2019. This figure is heavily skewed by Edinburgh though – if Edinburgh residents are excluded, this figure drops to an average of 34%. However, demand has been heavily impacted by the COVID-19 pandemic. To realise our aspirations to decarbonise the region and provide sustainable, affordable access for all, bus services will need to play a pivotal role. The RTS therefore sets out a foundation that seeks to rebuild demand for buses in the wake of the pandemic and that firmly places the role of buses at the centre of the strategy.*

2.3 The Programme for Government 2022 included actions and investments intended to build back patronage following the pandemic, address climate change and provide a more equitable service particularly for young people:

- Continue the Network Support Grant to support bus services by keeping fares at more affordable levels and networks more extensive.
- £300 million for concessionary travel, making bus travel free for over 2 million people in Scotland, including all children and young people under 22, disabled people and everyone over 60.
- Introduce regulations to enable bus franchising and Bus Improvement Partnerships, giving local authorities more options to improve bus services.

2.4 In 2021 the Scottish Government decided to set up a Fair Fares Review, to ensure a sustainable and integrated approach to public transport fares. Over the last two decades, public transport costs have not only risen relative to the costs of driving, but considerably above the rate of inflation. Traveling costs more for people with disabilities, and cost is also a huge barrier to accessing public transport for low-income households. The Fair Fares Review was scheduled to report in June 2023 and was to be accompanied by a 'Vision for Public Transport'. This has now been postponed until Autumn 2023 and so there is a 'window of opportunity' to further contribute to the Review and to input into the Vision.

### **3 TRANSPORT (SCOTLAND) ACT 2019**

3.1 The scope and provisions of the Transport (Scotland) Act 2019 are wide ranging and within it provides powers which offer an ambitious new model for bus services. It provides local transport authorities with options to influence and improve bus services in their area, collectively ensuring that there are sustainable bus networks across Scotland. The Act will support local transport authorities to meet local needs and circumstances, whether they wish to pursue partnership working, local franchising or running their own bus services (1).

3.2 Amongst other provisions, the Act provides several mechanisms to improve collaborative working and enhance service delivery for bus, including:

- Facilitates the creation of a statutory partnership between a relevant authority and operator(s) to improve bus services in a specified area.
- Facilitates a local transport authority being able to provide local bus services either directly or through an arms-length company provided it contributes towards the implementation of their general policies.
- Facilitates the creation of a franchise for local bus services by a local transport authority (or authorities) in a specified designated area, either local or regional.

- Facilitates the provision of data relating to proposed changes in routes, stopping places, timetables, fares and ticketing.

3.3 While many of the provisions of the Act have yet to be supported by regulation or guidance, one aspect that has been enacted is the power for local authorities to run their own bus services by virtue of the Transport (Scotland) Act 2019 (Commencement no.5) Regulations which came into force in June 2022. Members will be aware that prior to this provision coming into force, the only local authority controlled bus service operating in the country was Lothian Buses which covers a large part of the regional network. So, in that regard, the SEStran region could be said to be in a fortunate position and ahead of the opportunities provided by the Act.

#### **4 BUS PARTNERSHIP FUND**

4.1 Although the regulations and guidance to enact the provisions in the Act have not yet been formally published, SEStran has been working closely with its constituent councils to draw in investment from the Bus Partnership Fund (BPF). The BPF is a £500m Transport Scotland capital fund for the delivery of infrastructure to tackle the impacts of congestion on bus priority and reliability. Bids can be made by partnerships working towards a Bus Service Improvement Partnership (BSIP) status. BSIPs must be collaborative, involving bus operators that provide services in a local authority or BSIP area, and other relevant partners.

4.2 SEStran has supported five bus alliance groupings to become established and supported the development of bids in the region, namely Forth Valley, Fife, Midlothian, West Lothian and Edinburgh. Funding contributions have been made to bid development costs in four partnerships. Across the region, all bids submitted have now received funding to progress some or all of their proposals. SEStran is now also contributing by providing project management services to Midlothian and Forth Valley Bus Alliance bids.

4.3 SEStran remains involved in and supportive of all the Alliances as they work through the STAG appraisal process, supported by consultants. Current activities include development of the Case for Change for each alliance, and consultation on the proposals as they develop.

Stages achieved:

- Forth Valley Bus Alliance set up and working with STAG appraisal work funding received from Transport Scotland.
- Midlothian Bus Alliance set up and working with STAG appraisal work funding received from Transport Scotland.

Next steps:

- SEStran will continue to work with all Partnerships on proposed governance structures, plans, and schemes, pending the emerging Guidance and regulations from Scottish Government.
- Contribute to match in kind discussions in all the Alliances, to explore potential SEStran contributions in areas such as real time information (RTI), digital tech pilots (MaaS & DRT) and accessibility programmes (Thistle Assistance) that SEStran supports in the region.
- Engage with Transport Scotland on issues relevant to the emerging BSIPs in the region, including governance arrangements and efficient application of STAG Appraisals which are due to be completed for Midlothian and Forth Valley Bus Alliances by end June 2023.
- Continue to convene regular region-wide meetings of Alliance project managers, including Tayside Bus Alliance, to discuss matters of common interest, ensuring a consistent approach to the development of bids and sharing best practice.
- Continue to provide project management services (funded from the Bus Partnership Fund awards for Midlothian and Forth Valley Bus Alliances).

## **5 BUS OPTIONS SCOPING STUDY**

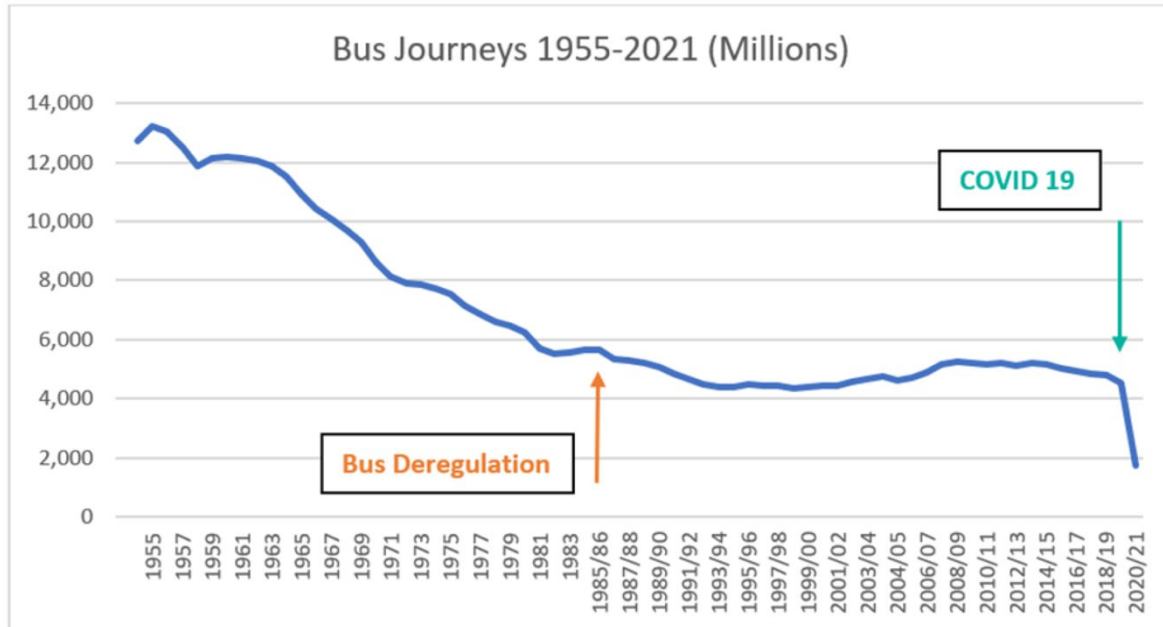
5.1 In developing their RTS, colleagues at Strathclyde Partnership for Transport (SPT) along with Glasgow City Council (GCC) commissioned a Scoping Study to explore the options and opportunities provided by the Transport (Scotland) Act 2019. The Scoping Study was reported to the SPT Partnership Board and is now in the public domain on the SPT web site (2). In summary, the conclusions of the study were:

- The region should adopt a clear set of objectives and outcomes founded on delivering a world class bus network.
- Partners delivering bus services should commit to a world class bus network that will exhibit faster journey times; affordable & integrated ticketing; accessible journey information and a greener bus fleet.
- Where access to the Bus Partnership Fund will secure significant improvements a Bus Service Improvement Partnership is recommended.
- Bus reform alone through partnership working will not deliver a world class network: additional funding and reform of funding streams will be required.
- In the longer term, a Bus Franchising Scheme has the potential to offer a 'single integrated decision maker' that can source funding and deliver a world class bus service.
- Where competition for bus service contracts is weak, local authorities should consider the formation of a municipally owned bus operator.

- 5.2 These recommendations are largely generic and not bespoke to any particular region. As noted above, SEStran is actively involved in partnership working through the five Bus Alliances and consideration of BSIP development. However, if individual BSIP development at a local level will not secure a world class bus service across the region, as the Scoping Study implies, then SEStran should consider what other actions now need to be taken to secure the objectives outlined in the adopted RTS.
- 5.3 The Scoping Study indicated that a Bus Franchising Scheme could take 7 years to bring to fruition and cost up to £15m in its implementation. There are also considerable risks in developing franchising with the requirement to receive the endorsement of an Independent Audit Panel for the business case looming high on the risk register. So, implementing a franchising scheme is not straightforward and as the TfGM (Transport for Greater Manchester) experience has illustrated, the process is susceptible to legal challenge. However, many of these hurdles have now been overcome and, subject to the publication of the requisite regulations in support of the Act, the path to a fully franchised network could be clearer.
- 5.4 In terms of immediate actions, the Scoping Study recommended that where competition for bus service contracts is weak, creating a municipally owned bus operator should be considered. In the SEStran context, the Lothian Buses model already exists and is an exemplar in this regard. It has also successfully demonstrated a capability of taking over and operating previous commercially operated services. Further expansion of a municipally controlled network, with constituent councils owning a share, could spread commercial risk, provide certainty of service provision and offer an integrated branding opportunity to residents and tourists alike.
- 5.5 The Regulations and Guidance in support of the major elements of the Transport (Scotland) Act 2019 have yet to be published and there may still be an opportunity for SEStran to influence the form and content of these. For example, where there was a strong consensus amongst participating local authorities that a Bus Franchising Scheme be pursued that the potential veto of the Independent Audit Panel is mitigated in the face of the democratic mandate. Along with other RTPs, SEStran should consider commissioning external legal advice to clarify the position with the Regulations and the potential legal challenges in taking forward the opportunities afforded by the Act.

## **6 SERVICE RISK AND UNCERTAINTY**

- 6.1 As the diagram below indicates, there was already a long-term trend of a reduction in bus patronage when the Covid pandemic hit and there was a catastrophic fall in bus users.



Statistical Data Set, UK Government, 2021

- 6.2 Recent data published by Transport Scotland indicates that the number of bus passengers is down by 40.3% from 392m in 2016/17 before Covid hit to 234m in 2021/22. Even with this reduction in passengers, bus accounts for around 75% of all public transport trips in Scotland.
- 6.3 In order to support the Scottish bus industry through the Covid pandemic, the temporary Network Support Grant Plus (NSG+) was introduced. The NSG+ rate stood at 79.4p per km until 15 August 2022, it reduced to 50.4p per km to 9 October 2022 and 39.2p per km up until 31 March 2023 when it ceased, and support reverted to the basic NSG at 14.4p per km.
- 6.4 The withdrawal of NSG+ has created an acute level of uncertainty in the bus industry. Operating costs have increased and there have been recent fare rises of 15-20 per cent. Despite this rise, some operators are forecasting a significant 10-12% loss in services. Free travel for under-22s in Scotland has resulted in increased footfall and was responsible for 45 million journeys in its first year. However, while it is recognised as support for the passenger, it is debatable how much it assists the operators as it is applied on a “no better off, no worse off” basis.
- 6.5 The Confederation of Passenger Transport (CPT Scotland), has called for a full review of funding levels for the bus sector. The CPT has pointed out that the Scottish Government pays for 7% of the bus industry’s operating costs, while it funds 80% of the rail industry’s costs which accounts for just 20% of public transport passengers. As rail has now come under public ownership, the operating risk has effectively diminished.

## 7 NATIONAL BUS TASK FORCE

- 7.1 The initial meeting of the Scottish Bus Taskforce, chaired by the previous Minister for Transport Jenny Gilruth MSP, was held on 6 October 2022. There was one further meeting and now the new Minister for Transport, when appointed, will need to decide whether and how to take the Taskforce work programme forward.
- 7.2 The Scottish Government has stated that the reason for establishing the Taskforce is the crisis facing the bus industry across Scotland, with passenger volumes yet to return to pre-Covid levels, widespread shortages of drivers impacting on service delivery and network recovery funding which came to a close on 31 March 2023. The Taskforce will seek to explore solutions to these issues and encourage progression of longer-term strategic goals to improve bus services. This is in the absence of any national bus strategy. Members of the Taskforce include Transport Scotland, the Traffic Commissioner for Scotland, Large Bus Operators, SME Bus Operator representatives, Bus Passenger representatives and Regional Transport Partnership representatives (namely SPT & HITRANS).
- 7.3 Transport Scotland prepared the Taskforce Terms of Reference which outlines the role, remit and responsibilities of the group. The Taskforce has been established with three main areas of focus, namely:
- Patronage growth;
  - Driver shortages; and
  - Community engagement.
- 7.4 Subgroups have been established on each of the above three topics with the following desired outcomes set out in the Terms of Reference:
- Set out a collaborative pathway for increasing patronage long term;
  - Co-design a pathway(s) to address driver shortages; and
  - Co-design best practice guidance for community engagement on bus networks and changes.
- 7.5 In addition, further outcomes the Taskforce seeks to achieve are stated as follows:
- Begin discussions on progressing longer term strategic goals; and
  - Establish Regional Steering Groups to support implementation of immediate actions, and to review local bus networks - giving consideration to the Transport (Scotland) Act 2019 powers and emerging travel patterns.
  - In the case of SEStran, a stand-alone regional Bus Taskforce could be established or the issues could be covered by the Integrated Mobility Forum. The view of Board members on the preferred approach would be welcome.

## **8 REGIONAL BUS STRATEGY**

- 8.1 Given the diverse range of issues outlined in this report, Members may consider that, following the mandate of the adopted RTS, it is the right time to

develop a Regional Bus Strategy. Work in developing the new RTS has reaffirmed significant concerns in terms of the efficiency, performance, affordability and overall sustainability of the bus network across the SEStran region, both presently and in the future. Such concerns have only been further compounded by more recent events, namely the cumulative impacts of the Covid 19 Pandemic, Brexit, Ukraine war and the Cost-of-Living crisis. In short, it is clear and evident that change is required in order to ensure the bus network is fit for purpose for the future.

- 8.2 Feedback received by SEStran during the RTS development process has shown a strong case and significant appetite for positive change to the bus network in order that it better meets the needs of bus users and is of suitable quality to encourage modal shift to bus, arresting historical long-term patronage decline and supporting wider economic, societal and environmental objectives. It is vitally important that the region has a bus service network that supports the aspirations in the City Deal Prosperity Framework along with the City Deal and Growth programmes.
- 8.3 As previously discussed, the Transport (Scotland) Act 2019 is not yet currently supported by published regulations and guidance. SEStran will need to ensure strong engagement with Transport Scotland as the regulations and guidance are developed over the coming year. It is also important to note that, while acknowledging the framework set by the National Transport Strategy (NTS2), there is no specific national bus strategy to act as a reference point for the development of a regional or local bus strategy.
- 8.4 The opportunities provided by the Act need to be explored in the development of the Regional Bus Strategy. At the same time, the legal status of the RTPs to exploit those opportunities needs to be established and Members should mandate officers to discuss with partners and constituent councils the option to collaborate in innovative ways via sections 10 and 14 of the Transport Act 2005 to develop and deliver a Regional Bus Strategy.
- 8.5 Section 10 allows RTPs to assume statutory transport functions from councils and/or Transport Scotland. This can be in place of them or the functions can be shared with the original function holder. There is a statutory process of consultation and approval by the Board and the Scottish Ministers involved. This power has been discussed previously by the Board some years ago in other contexts but it has never been progressed. Section 14, on the other hand, enables SEStran to deliver functions on behalf of others very flexibly, working in partnership with Councils. It is this section, for example, that allows SEStran to project manage two of the Bus Alliances in the region.
- 8.6 It is envisaged that a SEStran Regional Bus Strategy would have the following components:
  - Strategic Framework – Vision, Objectives & Policies
  - Strategic Themes – Network Plan, Data Sharing, Smart Ticketing, RTPi etc.



- Preferred Operating Model – Deregulated, BSIP, Bus Franchising or Direct Delivery
- Delivery Programme – Programme Investment Plan and Funding Strategy (BPF etc.)
- Monitoring & Evaluation Framework – Passenger Satisfaction, Network Performance etc.

8.67 It will be important to take an evidence-based, objective-led, transparent approach involving engagement and consultation in undertaking such an exercise as the development of a Regional Bus Strategy, in line with Scottish Transport Appraisal Guidance (STAG) and following the framework set by the newly adopted RTS. Crucially, an emphasis on outcomes and an unerring focus on how the strategy will improve the bus network for the passenger and all those who rely on it must be at the heart of the development of any regional bus approach.

## 9 CONCLUDING REMARKS

9.1 The importance of the bus network to the well-being of the region cannot be overstated. As indicated during the Covid pandemic when passenger numbers were decimated, it acts as a barometer of economic prosperity. In urban areas, where the presence of bus on our streets is almost ubiquitous, it provides a platform for marketing and branding of the ‘place’ that is unequalled. With an ambitious decarbonisation plan in place, it can reduce emissions and improve the health of the community. Despite the historic trend of falling patronage, still almost half of the population (47%) in parts of the SEStran region use the bus at least once a month.

9.2 However, the picture for the immediate future of the bus network looks anything but rosy. We have to deal with the world as it is and not as we would like it to be. The bus industry is in crisis. Even before the withdrawal of NSG+ bus operators were struggling to square the circle in the face of rising costs, a sluggish market in the throes of Covid recovery and the need for investment in aging fleets. It is difficult to deny the claims of CPT and operators that bus is the poor relation in transport modes with Rail receiving direct subsidy of £1.5 billion and bus a direct subsidy of £155 million.

9.3 Already services are being lost and Regional Transport Partnerships and constituent Councils are having to compensate for the withdrawal of commercial services, such as this recent example:

*“SPT has awarded a number of new subsidised service contracts in Renfrewshire and Inverclyde following the disappointing decision by McGill’s to withdraw some commercial services in these areas. Recognising the importance of some of these services for the communities they serve, SPT has now been able to find resources within its budgets to cover some of the recently withdrawn services. While the new contracted services do not all offer “like for like” services, the new contracts supplement current services and offer connections to other services in the area.”* News Release - 17 April 2023.

- 9.4 The option of ‘operator of last resort’ has now been adopted and Rail in Scotland has been brought into public ownership. It is not clear what the ‘operator of last resort’ is for the bus network. Council finances are limited and under great strain, it is unlikely that local transport authorities currently have the financial wherewithal to offer extensive subsidised services. At the national level, there does not seem to be any contingency planning in place if services start to collapse and are withdrawn over an extensive area.
- 9.5 In the face of this crisis, as the regional transport authority, SEStran needs to decide whether it is going to participate in a process of ‘managed decline’ or offer a more optimistic future for the bus network. The adopted RTS has taken the more optimistic route and called for a transformation and extension of the bus network:
- “The RTS therefore sets out a foundation that seeks to rebuild demand for buses in the wake of the pandemic and that firmly places the role of buses at the centre of the (regional) strategy.”*
- 9.6 In this context, the Transport (Scotland) Act 2019 offers opportunities to build on this foundation and provide a brighter future for the bus network. SEStran should collaborate with constituent Councils and alongside fellow RTP’s to explore the provisions of sections 10 and 14 of the Transport Act 2005 to take full advantage of those opportunities. It should follow up on the Bus Study commissioned by SPT and explore the wider options for BSIPs (Bus Service Improvement Partnerships) and Bus Franchising models to facilitate transformational change.
- 9.7 In addition, the role of municipally owned and directly delivered bus services should be fully explored. Lothian Buses is currently being operated as any other commercial operator. There are many stakeholders in the future, from bus users, transport staff to local and national taxpayers. There needs to be a strong, democratic mandate for what comes next and a strategic discussion on the future role of a municipally owned and directly delivered bus service within the region. The views of Board members on how to facilitate such a discussion would be welcome.

## **10 NEXT STEPS**

- 10.1 SEStran will continue to work with all Partnerships on proposed governance structures, plans, and schemes, pending the emerging Guidance and regulations from Scottish Government. Also, we will engage with Transport Scotland on issues relevant to the emerging BSIPs in the region, including governance arrangements and efficient application of STAG Appraisals.
- 10.2 SEStran will continue to convene regular region-wide meetings of Alliance project managers, including Tayside Bus Alliance, to discuss matters of common interest, ensuring a consistent approach to the development of bids and sharing best practice as well as continuing to provide project management services (funded from the Bus Partnership Fund awards for Midlothian and Forth Valley Bus Alliances).

- 10.3 However, as the SPT Bus Study pointed out, it is unlikely that the emerging BSIPs, (Bus Service Improvement Partnerships) even with some much-needed capital investment from the BPF (Bus Partnership Fund) will offer the transformational change that is needed and that the RTS advocates for. Therefore, the following recommendations are presented for the Partnership Board's consideration.

## 11 RECOMMENDATIONS

It is recommended that the Board:

- 11.1 Notes and supports the continuing work of SEStran to support the Bus Alliances in the region, the development of bids to the BPF and best practice in the governance of the emerging BSIPs.
- 11.2 Delegates the Partnership Director to work with constituent councils and other Regional Transport Partnerships on exploring the opportunities to facilitate a transformational change to the bus network through the opportunities provided by the Transport (Scotland) Act 2019, seeking the necessary external legal advice as and where appropriate.
- 11.3 Requests the Partnership Director to work with the CPT and bus operators in the region on developing an appropriate funding envelope that could provide for the transformational and sustainable change of the bus network in the region.
- 11.4 Opens a strategic discussion with those councils who are currently shareholders of Lothian Buses to determine the future role of a municipally owned bus company in the transformation of the bus network across the SEStran region.
- 11.5 Writes to the new Transport Minister seeking guidance on an 'operator of last resort' for the bus network and to call on him to expand the work of the Bus Taskforce and launch a national conversation on the future of the bus sector in Scotland.
- 11.6 Requests the Partnership Director to pull the various strands of work together and to develop a Regional Bus Strategy to align with the timeframe of the Regional Transport Strategy with a view to it being in place by the close of 2023.

Tom Flanagan  
**SEStran Strategic  
Advisor**  
9 June 2023

Background Papers:

1. Implementation of Part 3 (Bus Services) of the Transport (Scotland) Act 2019, Partnership Board Meeting Friday 24<sup>th</sup> September 2021.

<https://sestran.gov.uk/wp-content/uploads/2021/09/2021-09-24-Item-A7-Implementation-of-Part-3-Bus-Services-of-the-Transport-Scotland-Act-2019.pdf>

2. Glasgow & Strathclyde Transport Act Scoping Study, Options Assessment Study Final Report, Systra, 28<sup>th</sup> January 2022.

<https://www.spt.co.uk/media/hmybrt5l/bus-scoping-study-final-report-january-2022.pdf>

Policy Implications	The aspiration for a World Class Bus Service aligns with objectives in SEStran's Regional Transport Strategy and the National Transport Strategy 2.
Financial Implications	The actions proposed in the report will have no immediate financial implications, any subsequent proposals will be brought back to the Partnership Board for approval.
Equalities Implications	The proposed Regional Bus Strategy will support the equalities objectives in the Regional Transport Strategy and incorporate the outcome of Transport Scotland's Fair Fares Review to be published later in 2023.
Climate Change Implications	The aspiration for a World Class Bus Service will support and positively impact on SEStran's Climate Change objectives as outlined in the Regional Transport Strategy.