

To: Audit, Risk and Scrutiny Board

On: 26 August 2019

Report by: Lead Officer

Heading: Review of Bus Deregulation and Effect on Transport Services in Renfrewshire

1. Summary

- 1.1 The Audit, Risk and Scrutiny Board of 28 May 2019 agreed the purpose and scope of a review on bus deregulation and the effect on transport services within Renfrewshire. This report provides an update on progress and information which has been prepared for the Board to date.
-

2. Recommendations

- 2.1 It is recommended that the Board:

- (i) Notes progress of the review;
 - (ii) Notes the information presented at this stage of the review;
 - (iii) Notes the next steps of the review.
-

3. Background

- 3.1 The report approved by the Board on 28 May 2019 set out the context for the review and steps to be undertaken. The first stage is consideration of relevant

legislation and information available on the delivery of bus services at local and national levels.

4 Progress to Date

- 4.1 The Lead Officer has progressed the first stage of the review in accordance with the scope approved by the Board. The outcomes of this stage are presented within this report and referenced accordingly.
- 4.2 To inform this stage of the review, the Lead Officer has held discussions with McGill's Buses, Strathclyde Partnership for Transport (SPT) and Bus Users Scotland. Discussions with community representatives and stakeholders such as Unite Trade Union are anticipated to be held as the review progresses.

5 Bus Services in Scotland

- 5.1 A general understanding of the provision of bus services in Scotland is helpful in setting a context for the review. Key points are summarised below:-
- The majority of bus services in Scotland are provided on a commercial basis by privately owned operators. The major exception is Lothian Buses, which remains in public ownership but acts as a commercial body.
 - Bus operators are subject to regulation to ensure vehicles meet safety and environmental standards, operators and their drivers are suitably qualified, services are operated punctually and that appropriate passenger information is available.
 - This regulation is overseen by the Traffic Commissioner for Scotland, an independent statutory regulator, with the support of the Driver and Vehicle Standards Agency, part of the UK Department for Transport.
 - Transport Scotland subsidises a proportion of the overall costs of the bus network through a Bus Service Operators Grant (BSOG) and the national concessionary bus travel scheme (NCT).
 - Services that would not otherwise be viable receive additional financial support from local transport authorities (in Renfrewshire, SPT) to meet social needs in line with their local transport strategies and plans.

6 Legislation

Existing Legislation

- 6.1 The Transport Act 1985 introduced the deregulated market within the British bus industry and remains the central legislation today. Under the provisions of the Act regional transport authorities have limited scope in delivery of services¹:-
- Subsidy of bus services deemed socially necessary that cannot be provided on a commercial basis;
 - Provision of infrastructure, for example bus stops, lanes and passenger information;
 - Authority to create Statutory Quality Partnerships and Bus Quality Contracts.
- 6.2 Quality Partnerships involve an agreement between a local authority, regional transport authority and bus operators which seek to deliver improvements securing better services – for example improved infrastructure or vehicle service improvements. A Statutory Quality Bus Partnership was introduced for Paisley Town Centre in 2011 and has now lapsed.
- 6.3 Quality contracts involve a more formal arrangement where the authority prepares a scheme which identifies the scope, standard and facilities required to deliver services in a specific area. The authority then grants an operator an exclusive right to run services in that area. To date no quality contract schemes have been implemented².

Emerging Legislation

- 6.4 The Transport (Scotland) Bill was published by the Scottish Government in June 2018 and proposes changes to the powers available to local transport authorities to provide and regulate bus services. In summary, these are:-
- Provision of services by local authorities
 - Bus Service Improvement Partnerships (BSIPS)
 - Local Service Franchises
 - Information relating to services
- 6.5 The most significant changes within the Bill relate to provision of the services by local authorities and information relating to services. In particular, the Bill

¹ Scottish Parliament (2018) Transport (Scotland) Bill: Buses, SPICe Briefing, p6

² Transport Scotland (2017) 'Local Bus Services in Scotland – Improving the Framework for Delivery', p20

introduces powers to allow a transport authority to provide local bus services. In addition, powers are proposed to allow an authority to seek information from operators on services where these are to be varied or cancelled, providing an opportunity for alternatives to be considered.

- 6.6 The proposals for BSIPS and Local Service Franchising introduce updated models of quality partnerships and quality contracts to support authorities in working with operators to improve service provision. This includes for example, new powers to consider frequency and fares as part of partnerships.
- 6.7 It should be noted that the proposed powers identified above are subject to a number of tests and criteria. The Transport (Scotland) Bill is currently being considered by the Scottish Parliament and members should be aware that provisions for new powers may change in this context.

7 Bus Services in Scotland - Key Trends

- 7.1 Understanding current trends in relation to bus services in Scotland is also important in providing a context for the review. *Scottish Transport Statistics*³ provides detail in relation to several key indices including journeys, fares and operating costs.

- 7.2 Headline figures include:-

- 74% of all public transport journeys in Scotland were made by bus in 2017/18 (388M). This compares with 19% for rail. A third of bus journeys were made under the NCT scheme.
- The general trend of patronage is one of decline. The number of bus journeys has decreased by 1.5% from 2017/18 and by 8% over the last 5 years, with a drop of 20% from peak in 2007/8.
- Operator revenue totalled £684M in 2017/18, a decrease of 2% on the previous year. Passenger fares provide 56% of revenue, with the remainder from local/central government funding. Adjusting for inflation, revenue is 5% less than 5 years ago.
- Fares have increased by 11% in real terms (adjusting for the effects of inflation) the last 5 years. During the same period, central/local government funding has decreased by 11%.

³ Transport Scotland (2019) Scottish Transport Statistics No. 37, 2018 Edition, p56-59

- 7.3 A report by KPMG for Confederation of Passenger Transport (Scotland)⁴ suggests that there are a number of factors contributing to decline in passenger numbers. These include increasing car ownership, changing employment patterns (working from home, flexible hours, self employment) and growth in online services and home delivery options.
- 7.4 Alternatives to bus travel, for example improved rail services, an increased number of taxi licences and trips by cycle, are also considered to contribute to a decline in patronage. Traffic congestion which impacts upon journey times is also considered to be a significant factor.
- 7.5 While the report notes that price/quality of services play a role in patronage, alternatives to bus travel are considered to have the most significant impact. The latter is particularly relevant in the Glasgow and Clyde Valley region, where an extensive rail network is a strong alternative.

8 Deregulation – Research

- 8.1 A review of available information has included research papers and academic reports. A brief summary is provided below, although it should be noted that the topic is complex and subject to a range of differing views.
- 8.2 A number of academic commentators suggest that the initial key impact of deregulation was increased competition between operators, as they sought to gain a foothold in the market. Reports from Strathclyde and Napier Universities^{5 6} highlight ‘bus wars’ and fierce competition which led to an increase in supply in the short term, but often a duplication of services. The reports suggest that this led to issues with congestion and a subsequent impact on air quality.
- 8.3 The Napier University report suggests that a subsequent impact was a period of contraction, with a series of mergers and acquisition between companies, leading to a small number of larger operators providing services. The report suggests that this has led to a situation where reduced competition exists, in contrast to the original spirit of legislation.
- 8.4 A further impact is that of innovation. The KPMG report identified in paragraph 7.3 above suggests that the introduction of technology such as contactless payments and real time information has been utilised by operators to influence customer behaviour and stimulate demand for services.

⁴ KPMG (2017) ‘Trends in Scottish Bus Patronage: Report to CPT (Scotland)’

⁵ Farrington John and Mackay Tony (1987) ‘Bus Regulation in Scotland: A Review of the First Six Months, Strathclyde University, p67-69

⁶ Cowie, Jonathan (2018) ‘The Scottish Bus Industry – Just a Bunch of Profiteering Opportunists?’, Napier University p1-2.

- 8.5 A report by community interest company Transport for Quality of Life⁷ suggests that an impact of deregulation has been to reduce the ability to deliver bus services which meet social and environmental needs. This is based on their view that bus networks operated are based on demand and income generation. It should be noted however that such an approach appears to remain even where services are provided by a municipally owned company such as Lothian Buses.⁸
- 8.6 A key conclusion from both the Napier University and KPMG reports is that to arrest the decline in bus patronage, debate on the delivery of services requires to reach beyond regulation and consider policies and initiatives which would support public transport, improving services and in turn the attractiveness of bus as a sustainable transport mode.

9 Next Steps

- 9.1 In line with the scope approved by the Board of 28 May 2019, the next stage of the review will focus on considering the perspectives of the regional transport authority (SPT) and commercial bus operators. In this context, members will receive evidence from SPT and McGill's Buses at the Board meeting of 23 September 2019.
- 9.2 The Council's Director of Environment and Infrastructure Services, with responsibility for transport, will also be invited to the meeting.

Implications of the Report

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community/Council Planning** – None
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None

⁷ TfQL (2016) 'Building a World Class Bus System for Britain', TfQL, London.

⁸ McKenzie, Jamie (2019) 'Bus Passengers Angered As Lothian Announce Cut in Service', Edinburgh Evening News, 10 June.

7. **Equality & Human Rights - None**

- (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety - None**

9. **Procurement - None**

10. **Risk - None**

11. **Privacy Impact - None**

12. **Cosla Policy Position - None**

13. **Climate Risk - none**

List of Background Papers

- a) none
-

Author: Jamie Mackie
Place Making Team Leader, Communities, Housing and Planning Services

Tel. 0141 618 7841, email: jamie.mackie@renfrewshire.gov.uk