

To: Council

On: 28 April 2022

Report by: Lead Officer

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

1. Summary

- 1.1 As part of the annual programme of activity for 2018/19, the Audit, Risk and Scrutiny Board agreed to undertake a review on bus deregulation and the effect on transport services within Renfrewshire.
- 1.2 This report summarises the scope and findings of the review, which have been presented to meetings of the Audit, Risk and Scrutiny Board over the last two years, incorporating a pause during the outbreak of the Covid-19 pandemic. Reports presented to the Board are appended as background papers.
- 1.3 The findings of the review demonstrate that the bus industry is in a state of flux as a result of the pandemic and provisions of the new Transport (Scotland) Act 2019. Despite this, there are a number of opportunities for the Council to work in partnership with Strathclyde Partnership for Transport, commercial operators and local communities to promote, strengthen and enhance bus services across Renfrewshire.
- 1.4 The report was approved by the meeting of the Audit, Risk & Scrutiny Board at their meeting held on 21 March 2022 when it was agreed that it be forwarded to the Council for approval.

- 1.5 Subsequent to the meeting of the Board, McGills Buses contacted the Chief Executive indicating that there was a factual error in paragraph 4.2 at the third bullet, which states that

“The majority of bus services in Scotland are operated on a commercial basis by privately owned operators. Transport Scotland subsidises a proportion of the costs of the bus network (around 44%) through a Bus Service Operators Grant (BSOG) and payments made to operators under the national concessionary bus travel scheme (NCT).”

McGills advised that the BSOG amounts to around to 10% of operator costs nationally and around 7% of their costs.

Members are asked to note that the reference to 44% figure does not relate solely to the BSOG, but is the proportion of operators’ revenue made up from various elements. This section of the report should have read

“The majority of bus services in Scotland are operated on a commercial basis by privately owned operators. 44% of operator revenue nationally comes from Local or Central Government Transport Scotland through concessionary travel reimbursement, Bus Service Operators Grant (BSOG) or supported services.”

2. Recommendations

2.1 Council is asked to:-

- (i) Note the review outcomes, subject to the change to paragraph 4.2 as noted at 1.5 above, and
- (ii) Approve the recommendations of the Board’s review as set out in section 6 of this report.

3. Background

3.1 The Audit, Risk and Scrutiny Board of 27 August 2018 agreed that a review on the topic of bus deregulation would form part of its annual programme of activity for 2018/19.

3.2 The purpose of the review was to evaluate the effectiveness of current or proposed legislation in providing bus services to the public, enabling consideration of any proposals regarding changes in the legislative framework.

- 3.3 The scope of the review firstly considered legislation and available information on bus deregulation, before gathering views from statutory bodies, commercial operators, community groups and stakeholders. The municipal model operated by Lothian Buses to the east of Scotland was also considered to inform the review.
- 3.4 A final stage of the review considered the impacts of the Covid-19 pandemic on the bus industry and future service provision.

4. **Key Findings**

- 4.1 Progress reports were presented to the Board at each stage of the review. The key findings from each stage are summarised below.

Review of Legislation – 26 August 2019

- 4.2 The outcomes of this stage of the review provided the Board with a summary of the legislative framework governing bus services, key trends and academic research.
- The Transport Act 1985 introduced the deregulated market within the British bus industry. This limited transport authorities to subsidy of socially necessary bus services, provision of infrastructure and the creation of statutory partnerships to deliver improvements to services.
 - The Transport (Scotland) Act 2019 became law on 15 November 2019 and is now the central legislation governing bus services in Scotland. The Act updates statutory partnership models and introduces powers to allow a transport authority to provide bus services, subject to a number of tests and criteria.
 - The majority of bus services in Scotland are operated on a commercial basis by privately owned operators. Transport Scotland subsidises a proportion of the costs of the bus network (around 44%) through a Bus Service Operators Grant (BSOG) and payments made to operators under the national concessionary bus travel scheme (NCT).
 - The general trend of bus service patronage is decline. While 74% of all public transport journeys were made by bus in 2017/18, the number of journeys has decreased by 20% from 2007/8. Factors contributing to this decline include increased car ownership, improved rail services, changing employment patterns and growth in online services.

Transport Authority and Commercial Operator – 23 September 2019

4.3 The outcomes of this stage of the review provided the Board with a summary of the views of the Regional Transport Authority, Strathclyde Partnership for Transport (SPT) and commercial operator McGill's Buses.

- Buses offer significant flexibility as a transport mode and are capable of quickly adjusting to changing circumstances. They have a significant role to play in daily lives and are the mode of transport most likely to be used by those on lower incomes.
- Public sector investment in infrastructure supporting bus services is limited and often orientated to road and rail enhancements. Policies such as providing free parking encourage car use and add to growing congestion. McGill's consider congestion to be one of the most significant factors affecting the running of services.
- In this context a stronger emphasis on policies and infrastructure investment to promote sustainable transport, augmented by stronger partnerships between operators and authorities, would support improvements to bus services.

Stakeholders and Community Groups – 4 November 2019

4.4 The outcomes of this stage of the review provided the Board with a summary of the views of community representatives and key stakeholders, including Bus Users Scotland, Unite the Union and Lochwinnoch Community Council.

- Congestion and journey times are key issues which influence the attractiveness of bus as a transport mode. Innovations such as real time information and contactless payment are positive and increase the simplicity and attractiveness of bus use.
- Buses are a social and economic necessity, providing residents with the ability to access vital services such as health centres, shopping, schools and workplaces across Renfrewshire. Bus services are often limited and have contracted in terms of scale and frequency in recent years. The impact of this may be significant on the most vulnerable, such as the elderly population or those on lower incomes.
- Greater transparency in the use of public sector funding and decisions made by commercial operators would be helpful. The views of bus users and communities are paramount and the opportunity for these groups to be involved in the process of service delivery would be welcome.

- To improve services, the potential for Renfrewshire Council to consider powers within the Transport (Scotland) Act 2019, including municipal services, should be investigated.

Lothian Buses and Unite the Union – 20 January 2020

4.5 The outcomes of this stage of the review provided the Board with a summary of the municipal model of operation run by Lothian Buses to the east of Scotland. The Board also received additional information from Unite the Union in relation to the Transport (Scotland) Act 2019.

- Lothian Buses are the only municipal operator in Scotland, owned by the City of Edinburgh Council and adjacent local authorities. Lothian have a fleet of 850 buses and carry around 120M passengers per annum.
- Lothian operates as an arm's length company. While in public ownership, the view and strategy of the company is determined on a commercial basis. As such, the company compete with and may act on a similar basis to private operators.
- A number of factors have contributed to Lothian's success and are not considered by the company to be directly related to public sector ownership. These include significant population growth to the east of Scotland, the lack of a competing rail network and the promotion of policies and infrastructure which support bus operation, such as bus priority lanes and parking charges.
- Lothian face similar pressures to other operators and patronage dropped by 1.6% in 2018 as a result of issues such as congestion and changes to travel patterns related to employment and retail trends.
- Unite the Union consider that the deregulated system benefits large operators and that public ownership is the most appropriate mechanism for the bus system to operate in the interests of passengers. Unite support use of franchising powers within the Transport (Scotland) Act 2019 as an initial step towards public ownership.
- Views on franchising are mixed. The Society of Chief Transportation Officers in Scotland (SCOTS) are supportive but consider that the process is complex, while the Confederation of Passenger Transport (CPT Scotland) and Lothian Buses consider that statutory partnerships would support more effective outcomes.

Impact of the Pandemic on Bus Industry – 25 October 2021

- 4.6 This stage of the review updated the Board with a summary on the operation of bus services during the pandemic and the early stages of recovery, developments over this period and progress in relation to the bus service provisions of the Transport (Scotland) Act 2019.
- During initial lockdown restrictions in March 2020 bus services were reduced to around 40% of normal operations, with patronage declining to 15% of pre covid levels. Passenger numbers have since recovered to around 60-70% but longer term projections are unclear, given uncertainties relating to the impact of the pandemic on retail and office sectors.
 - The Scottish Government supported operation of the bus network during the pandemic through emergency grant funding, in view of the significantly reduced demand for services and associated impact on revenues. Transport Scotland forecast that £120M was provided to operators in 2020/21 and forecast a further £88M in 2021/22.¹
 - The Scottish Government Bus Partnership Fund, which seeks to support transport authorities to work in partnership with operators to deliver bus priority measures, was launched in late 2020. A bid from Glasgow City Region in spring 2021 secured £3.655M from the fund, of which £2M will support the delivery of measures within Renfrewshire.
- 4.7 Further changes to grant support for bus services have now commenced. The Young Persons Free Travel Bus Scheme was introduced on 31 January 2022 and extends free travel to those between 5 and 21, in addition to those over 60 via the existing National Concessionary Bus Travel Scheme.
- 4.8 A new grant framework for bus services will also commence in April 2022. The Network Support Grant will replace the existing Bus Service Operators Grant (BSOG) and continue to include temporary additional financial support during Covid-19 recovery. Conditions of the new grant system include commitments from operators to consult with relevant transport authorities on timetabling, service patterns and levels of provision.²

5 SPT - Bus Options Scoping Study

¹ <https://www.transport.gov.scot/public-transport/buses/covid-19-support-grant/>

² <https://www.transport.gov.scot/public-transport/buses/network-support-grant/>

- 5.1 In February 2022 SPT published the outcomes of a study on the applicability of the bus provisions within the Transport (Scotland) Act 2019³. The study sets out a range of options to achieve the desired outcome of a world class bus system within the Glasgow City region.
- 5.2 The study states that changes to governance of bus services alone cannot achieve the desired outcome and that a significant increase in funding and reform of existing funding streams are required. The study also notes the interconnectivity of the bus network within Glasgow City Region and that as a result, any reform of services would be most appropriately considered on a regional basis.
- 5.3 A range of reform options are considered within the study, aligned to powers within the Transport (Scotland) Act 2019. The study concludes that measures such as franchising and municipal ownership may be suitable for delivery of transformational change, but are subject to significant development costs and financial risk to local transport authorities.
- 5.4 In view of this the study recommends a range of steps to develop proposals further, including a detailed review of the bus network within each SPT local authority area, discussions with Transport Scotland and Executive Officers and Elected Members within Glasgow City Region.

6 Recommendations

- 6.1 Bus services play a significant role in daily lives and provide linkages to vital services, often for the most vulnerable. They offer significant flexibility as part of a sustainable transport system which reduces congestion, improves air quality and in turn supports the Council's response to climate change.
- 6.2 A key finding emerging from the review is the decline of bus patronage, as a result of factors such as increased car ownership, changing employment patterns and growth in online services. The impact of the pandemic has further affected patronage and the longer term implications are not yet clear.
- 6.3 In view of this, measures which seek to arrest further decline and support growth in patronage and service provision should be prioritised in the short term. The £2M of Bus Partnership funding recently secured for the delivery of bus priority measures within Renfrewshire is a significant and positive step.

³ https://www.spt.co.uk/media/vh5prl5y/sp180222_agenda11.pdf

- 6.4 Aligned to these measures, further investigation of the powers and ownership models within the Transport (Scotland) Act 2019, in partnership with SPT and in view of the Options Scoping Study, should be considered to support longer term aspirations for transformational change.
- 6.5 In this context, the key recommendations from the review and to be considered by the Council are set out below.
- (i) Embed and strongly promote sustainable transport modes, particularly bus services, as a key element of the Council's corporate policy and wider strategies. This will require the consideration of policies and proposals which seek to actively discourage use of private cars in favour of public transport.
 - (ii) Build upon and maintain regular dialogue with operators to support the smooth operation of bus services and consider scope for improvements. This may for example include a review of programmed roadworks and alternative routes, supporting a reduction in congestion affecting bus services, improving reliability and in turn consumer confidence.
 - (iii) Continue to explore opportunities to invest in infrastructure which would support policies promoting public transport, for example priority bus lanes and traffic management measures which favour bus services, such as priority traffic signal operation, complementing the emerging Bus Partnership Fund proposals for Renfrewshire.
 - (iv) Engage with both bus and rail operators to consider opportunities to more effectively integrate transport modes and provide a stronger public transport network across Renfrewshire.
 - (v) Commit in partnership with SPT to using all of the regulatory power within the Transport (Scotland) Act 2019 to prioritise municipal operation.

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. **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
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List of Background Papers

- a) Audit Risk and Scrutiny Board, 28/5/19 (Bus Deregulation Report 1)
 - b) Audit Risk and Scrutiny Board, 26/8/19 (Bus Deregulation Report 2)
 - c) Audit Risk and Scrutiny Board, 23/9/19 (Bus Deregulation Report 3)
 - d) Audit Risk and Scrutiny Board, 4/11/19 (Bus Deregulation Report 4)
 - e) Audit Risk and Scrutiny Board, 20/1/20 (Bus Deregulation Report 5)
 - f) Audit Risk and Scrutiny Board, 16/3/20 (Bus Deregulation Report 6)
 - g) Audit Risk and Scrutiny Board, 24/8/20 (Bus Deregulation Report 7)
 - h) Audit Risk and Scrutiny Board, 25/10/21 (Bus Deregulation Report 8)
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