



**CAMBRIDGESHIRE & PETERBOROUGH**  
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## Strategic bus delivery options review

Mayoral Bus Task Force  
Briefing 3 December 2019

v0.4 25 November 2019





# Background/context

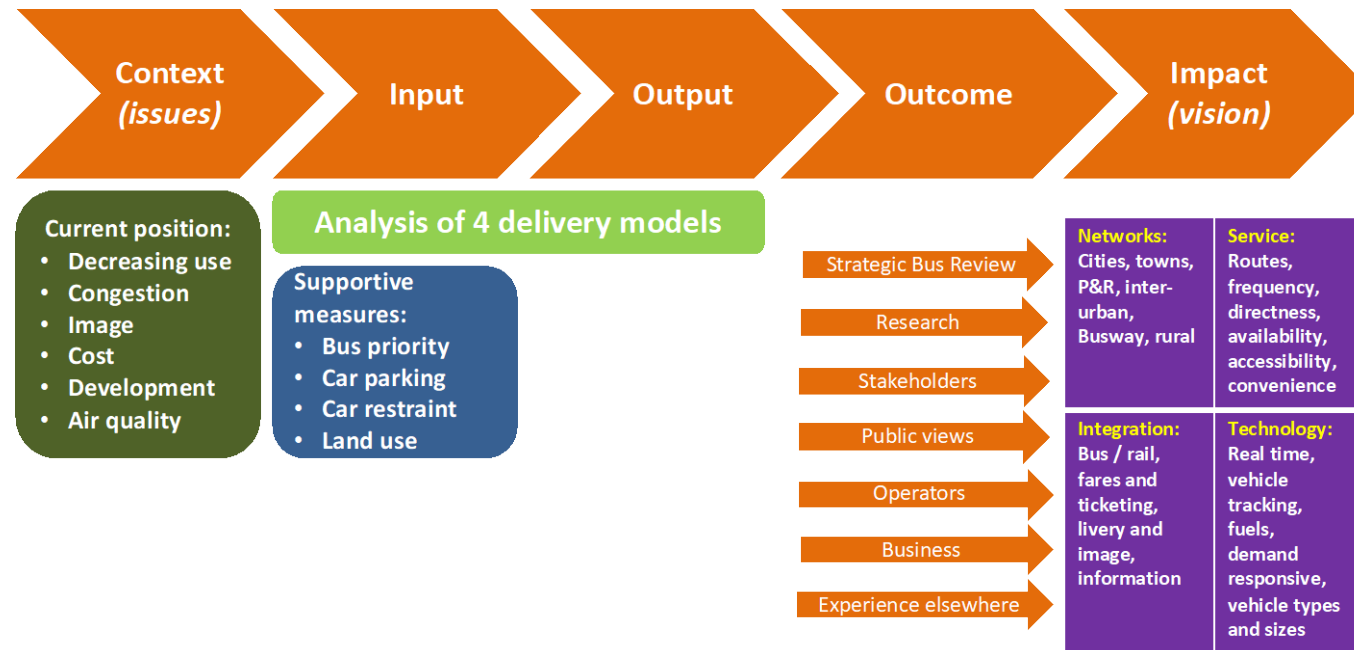
- Bus Service Act 2017 granted powers to Combined Authorities to set up new environments for the delivery of bus services – alternatives to the free market that has existed since 1986. Three principal options:
  - Advanced Quality Partnerships
  - Enhanced Partnerships
  - Franchising
- Strategic Bus Review completed by Systra in late 2018 and taken at CPCA Board in January 2019
- CPCA Board sanctioned the establishment of the Bus Reform Programme, including development of a brief to commission a Business Case to explore the strategic options for bus delivery available in the Bus Service Act 2017 (detailed in subsequent slides)
- Following a competitive tendering exercise Integrated Transport Planning (ITP) were commissioned in October to develop business cases for alternative strategic bus delivery models, comparing them with the status quo (free market)
- ITP started work in early October



# Option evaluation

Options will be evaluated against a background of:

- Continuing population and economic growth in the region – consistent with assumptions underpinning the Local Transport Plan
- Possible/likely trends in the wider economy, eg emissions reductions
- A vision for buses that reflects CPCA’s ambitions and passenger expectations
- Development of the CAM





# Option 1: No change (Free market)

- Operators free to set up services on whatever route(s) they wish
- Equally free to terminate existing services
- Operators likely to seek subsidies from local authority to cover unprofitable routes
- Local authority has no control (and only limited influence) over routes, fares, frequencies on commercial services
- Operators take a short-term perspective – will be unlikely (for example) to lay on bus services to new developments until there is sufficient demand for them to make a profit



# Option2: Advanced Quality Partnership Scheme (AQPS)

- Development of previous Quality Partnership concept
- Authority commits to take steps to support local bus services and in exchange the bus operators are required to meet specific local standards. Commitments are legally binding and enforceable.
- Usually apply to a specific route or corridor, but it is possible for an AQPS to cover a wide geographical area, such as an entire local authority or city region.
- Outcomes could include:
  - Better buses
  - Minimum service frequency
  - Improved passenger information
  - Route or area branding and/or marketing
  - Smart cards and contactless payments
  - Better transport connections
  - Low emissions buses
  - Maximum fares for given routes or services.
- But Authority cannot dictate bus routes or frequencies (Competition & Markets Authority competition rules)



# Option 3: Enhanced Partnership (EP)

- New concept – untried and some ideas still evolving
- Agreement between a local transport authority and the majority of their local bus operators to work together to improve local bus services.
- Includes a clear vision of the improvements that the EP is aiming for (known as an EP plan) and accompanying actions to achieve them.
- Sets out the operational requirements for services in the area, eg:
  - Vehicle specifications
  - Branding
  - Payment methods
  - Ticketing structure
  - Real-time information requirements
  - Route requirements, eg frequency of services, timetables.
- Scope could be anything from a specific route to the whole CPCA region.
- Authority cannot dictate bus routes or frequencies (Competition & Markets Authority competition rules)

# Option 4: Franchising



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- As operated in London by TfL and in many European countries
- Local authority determines the details of the services to be provided – where they run, when they run and standards of services
- Bus operators provide their services under contract to the local authority – let by competitive tender
- Also gives Local Authority the power to decide:
  - The types of ticket available including discounts for apprentices or other passengers
  - What types of payment are accepted
  - What information is available to passengers
  - What sorts of buses must be used – including emissions standards or technologies
- May deliver better value to users through competitive tendering for franchises
- Gives Local Government the central funding for bus services that is currently provided directly to operators under Bus Service Operator Grants (BSOG)
- Could enable a more strategic view, focusing services where they are most needed rather than where the best commercial opportunity may be
- Creates effective competition to run bus services - little on-road competition today since Stagecoach run ~85% of all services
- Local Government able to join up planning of local transport services, including school and health (subject to NHS agreement) transport
- Allows/encourages commercial bidders for franchises to innovate
- Still need to recognise CMA constraints, in particular to avoid barriers to entry



# External experience

- **Greater Manchester:** Franchising proposal currently out to public consultation – their programme running about 1 year ahead of CPCA. Focusing on how buses should support the entire long-term transport strategy – what role do buses play in realising the 20-30 year vision? Have committed £11.5m to preparing the case.
- **Liverpool City Region:** Existing Bus Alliance with Arriva and Stagecoach. In April 2018, the LCR Combined Authority agreed to proceed with examination of three options – retaining the existing bus alliance, enhanced partnerships and franchising. ‘Big Bus Debate’ - outcomes yet to be published.
- **Sheffield City Region:** Recent announcement of review of delivery options for an improved bus network- expected to report towards end 2019.
- **West Midlands:** Existing enhanced bus partnership arrangement. WMCA set out in 2017 the conditions under which pursuing a bus franchising model would be justified. In the short term are focusing on developing existing Enhanced Partnership in time for Commonwealth Games in 2022 but are evaluating other options in parallel.
- **West of England Combined Authority:** Will keep the option of franchising available but not actively looking at franchising since bus patronage increasing following a recently signed partnership agreement. Recent petition led by member of public to require the CA to consider franchising.
- **Tees Valley:** In July 2019 agreed to explore further a new partnership agreement with bus operators
- **Netherlands:** Widespread use of franchising across the public transport sector – focus on high standards of service, innovation by operators and integration between different modes

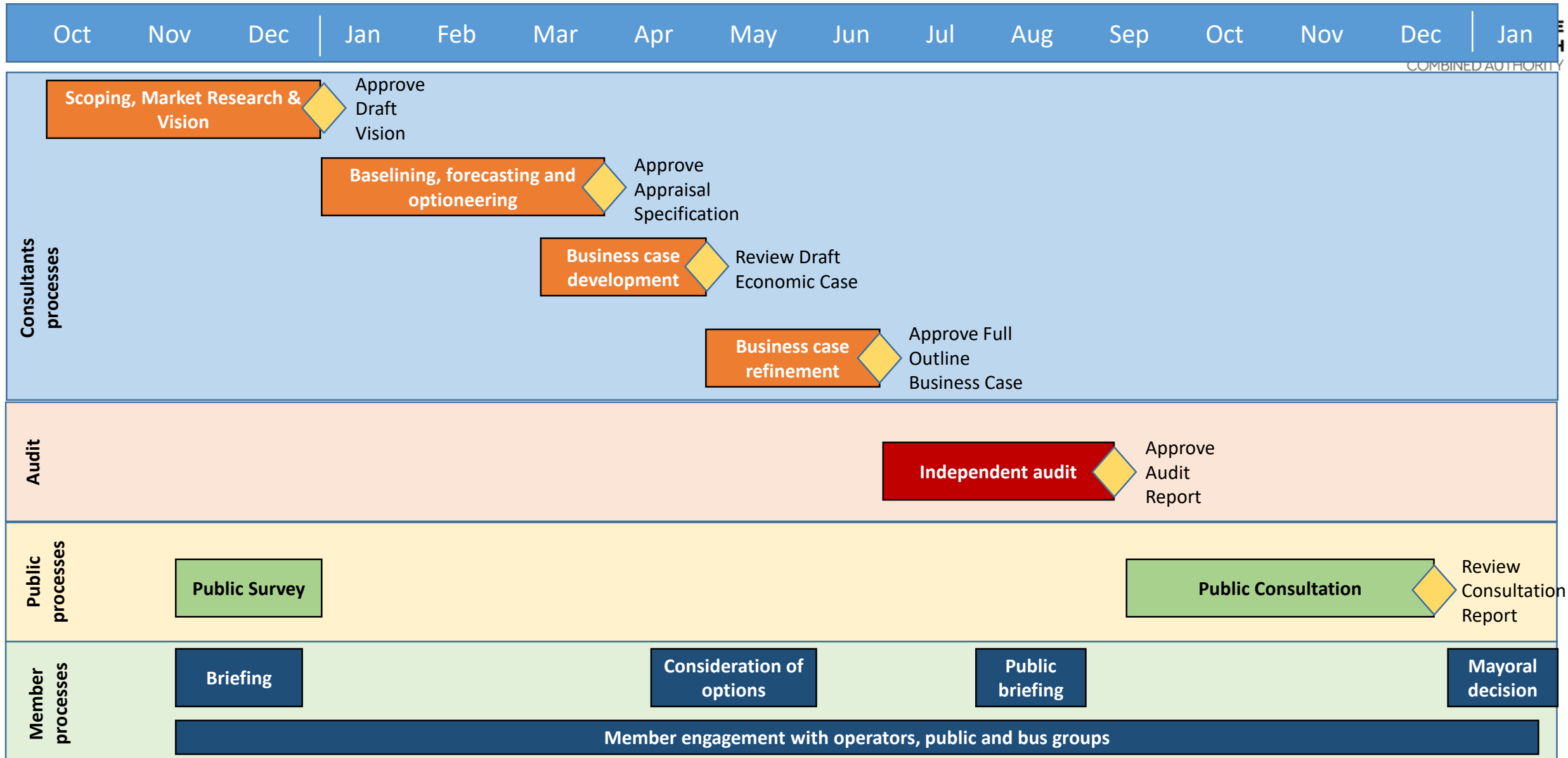




# Issues to be addressed

- **Diverse nature of CPCA region:** Unlike most CA regions, Cambridgeshire and Peterborough has large sparsely populated rural areas that are uneconomic for operators to service without substantial subsidy
- **Subsidies:** Maintaining even the current level of subsidy is challenging – increasing service standards to minimum levels likely to require substantially more subsidy
- **Cross-subsidisation:** Operator profits are not large and even if redistributed in full to unprofitable routes would have only limited impact on rural bus provision
- **CAM:** The CAM will need to be fed by bus services from surrounding areas – can this be delivered without franchising?
- **Operator management:** Operators may resist any proposed change that will threaten their profitability, and may sacrifice ridership to maintain profit. May also launch legal challenge to proposals to franchise.
- **State aid and competition:** Competition & Markets Authority may take an interest in any future scheme - state aid issues will need to be addressed
- **Cross-boundary services:** Will need a system of permits to allow cross-border services in a franchising environment
- **Scale of investment in franchising scheme:** Back office staff plus investment in depots/buses. Possible need for compulsory purchase of depots to enable level playing field for bidders for franchises.
- **Pensions:** Possible need to address pensions issues if staff TUPE'd from operators to CPCA

# Bus Reform Task Force Forward Plan





# Current status of CPCA programme

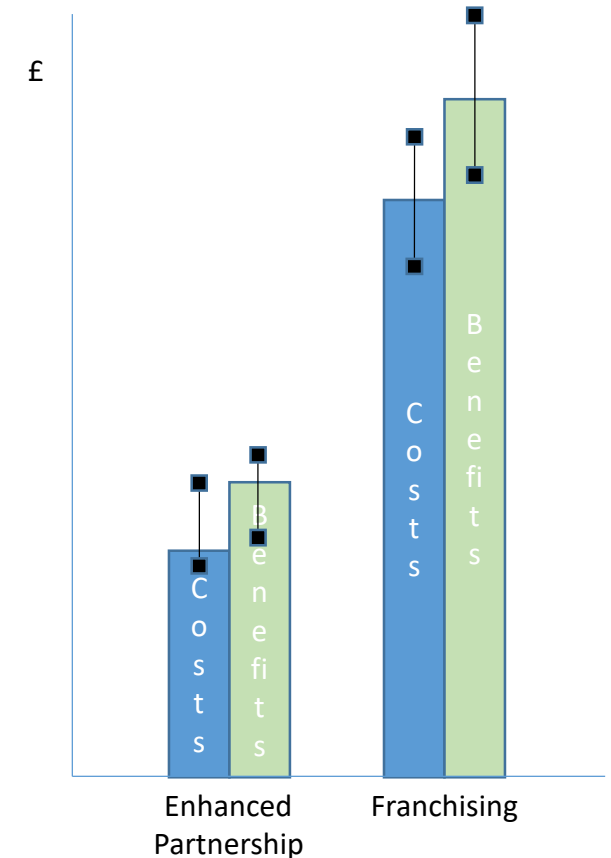
- Survey of bus users and non-users under way – to complete mid-December and report early in New Year
- Meetings held with a range of stakeholders, including:
  - Bus operators
  - Local Authorities to District level
  - Bus user groups
- Review of external experience under way, including feed in from Local Transport Plan and TfGM consultation documentation
- Work on draft vision started – to be delivered early January



# Possible outcome

- **Strategic Case:** Franchising may be the only option to fully deliver the outcomes desired by the CA. Could have closest fit with growth ambitions – enables bus services to be delivered to new developments before they are populated. Enhanced Partnership may deliver a substantial portion of objectives. Advanced Quality Partnerships may not deliver desired outcomes.
- **Economic Case:** Benefit/Cost ratio of Enhanced Partnership might be better than for Franchising (see diagram). Based on TfGM experience costs, potential benefits and risks may be higher for Franchising than Enhanced Partnership. But Franchising may enable cross-subsidisation between profitable urban routes and unprofitable rural routes.
- **Commercial case:** Risk that there will be insufficient operator interest to sustain the Franchising model. Need to consider who is operator of last resort in Franchising scenario in event of default by a franchisee
- **Financial case:** Franchising may need a substantially greater cash injection than other options. How will this be sourced?
- **Management case:** Need for substantial back office operation in CPCA to plan and manage routes, undertake franchising tendering, deal with customer issues. Could be up to 50 staff at current level of patronage. Possible need to TUPE transfer staff from CCC, PCC into CPCA/TfCP under any scenario

Illustrative comparison of economic cases





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# Way forward

- Key milestones:
  - Draft strategic/economic/financial cases available for discussion April 2020
  - Final Full OBC end June 2020
  - Independent Audit July/August 2020
  - Public consultation September-December 2020
  - Final decision early 2021
- Need to consider scope and timing of:
  - Briefing members in CCC, PCC, Districts ahead of discussion on draft business case in April/May 2020
  - Timing of public announcement of intended direction of travel



# Quick win projects

The following initiatives are in the early stages of being defined:

- 1. 3-year minimum contracts for contracted services:** Provide a more certain financial environment for operators of contracted bus services, thereby enabling them to better plan investment (for example in new buses)
- 2. Optimisation of contracted services:** Reduce costs and/or improve services by reviewing and rationalising the entirety of public sector-funded services within the CPCA area, with particular focus on contracted services
- 3. Provide better information:** Increase bus ridership through the provision of better information on bus routes, timetables, facilities (eg wifi) and other matters that have been highlighted by previous research as being obstacles to bus use, particularly by those who do not regularly use the bus
- 4. Improved bus stop signage:** To ensure that bus stops in the region have a bus stop flag and a timetable case, thereby facilitating bus usage. To be trialled along selected routes.
- 5. Marketing the bus:** Work with operators to promote the use of the bus instead of the car as the preferred mode of transport across the CPCA area, encouraging people who do not currently use the bus to use it in preference to other modes of transport and increase bus ridership. To be trialled along selected routes.