Consultation response

House of Commons Transport Select Committee inquiry into Reforming Public Transport after the Pandemic

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1. Introduction

1.1. The Urban Transport Group (UTG) represents the seven largest city region strategic transport bodies in England, which, between them, serve over twenty million people in Greater Manchester (Transport for Greater Manchester), London (Transport for London), the Liverpool City Region (Merseytravel), Tyne and Wear (Nexus), the Sheffield City Region (South Yorkshire Passenger Transport Executive), the West Midlands (Transport for West Midlands) and West Yorkshire (West Yorkshire Combined Authority). This response is on behalf of our full members.

1.2. We also have the following associate members: Tees Valley Combined Authority, Strathclyde Partnership for Transport, West of England Combined Authority, Translink, Transport for Wales and Nottingham City Council.

2. The use of public transport and the way that people choose to travel

2.1. The necessity of a lockdown in response to the COVID-19 pandemic has plunged the UK into a recession whilst also potentially triggering or accelerating longer term structural changes in the economy and in how and where people work. It led to a dramatic reduction in public transport use during lockdown, and a much slower return to buses, trams and trains than to the car in the period since. How the pandemic will unfold is unclear, with the potential for more lockdowns of differing scales and uncertainty for local economies and the transport networks that underpin them.

2.2. Government messaging on avoiding public transport during the lockdown proved effective and has been a factor in creating what has been a car-led recovery in travel. With revenue from fares decimated, public transport has needed life support in the form of emergency funding packages from Government. However, the short-term nature of these funding packages makes long-term planning challenging. There is concern that if additional funding is withdrawn whilst patronage is still depressed, then cutbacks will be inevitable. Patronage is likely to be lower than it was pre-pandemic for some time given the impacts of a recession, more home working, and the shift to the car. The pandemic is also set against a backdrop of steady decline in bus use which began before this crisis.

2.3. A green and just recovery will be impossible without public transport. The pandemic has brought home how reliant we are on key workers, many of whom do not have access to a car and need public transport to get to work. Cutting public transport would place their jobs in jeopardy at a time of rising unemployment. It also risks severing areas of high unemployment from areas where jobs are available. A car-led recovery would also lead to urban centres being throttled by traffic congestion.

3. The decarbonisation of transport and the capability to meet net zero carbon emissions targets by 2050

3.1. Climate change is happening now and the more extreme weather conditions it brings are already impacting on our urban areas. Transport is the largest source of UK greenhouse gas emissions and a sector of the economy where progress on reducing emissions has been poor. As the Government's own document, 'Decarbonising Transport: Setting the Challenge'

says: *'The scale of the challenge demands a step change in both the breadth and scale of ambition and we have a duty to act quickly and decisively to reduce emissions.'* [1] The Government also said that as part of its plan for achieving this: *'Public transport and active travel will be the natural first choice for our daily activities. We will use our cars less and be able to rely on a convenient, cost-effective and coherent public transport network.'* [2]

3.2.   These ambitions are welcome. However, we start from a challenging position:

- Public transport's share of trips is low (outside of commuting into larger urban centres). Bus use and bus networks overall have also been in year-on-year decline.

- Cycling levels remain low in general, at about 2% of trips in 2019[3].

- The car continues to dominate trip share (61% of trips in 2019)[4] with many urban geographies and local economies having been redesigned in a car dependent way in recent decades.

- Significant investment in all vehicle fleets (and the infrastructure for the supply of decarbonised fuel sources) will be required if the urban vehicle fleet is to be decarbonised.

- The fiscal and taxation framework for transport does not always favour or promote low carbon choices.

3.3.   Given this starting point, and the scale of modal shift and investment in zero emission vehicles that will be required if the Government's decarbonisation plans are to be achieved, it is clear that incremental policy change will be insufficient.

3.4.   Instead there will need to be:

- Significant long-term capital and revenue investment in public transport as well as in measures supporting greater take up of active travel (see section four).

- Fully funded and empowered city region transport authorities (see section five) to encourage modal shift; enable the decarbonisation of urban vehicle fleets; and organise road space in a way which encourages active travel and public transport and discourages more carbon intensive modes.

- A review by Government of key policies, most notably, the balance of overall transport capital spend (including the significant investment in road capacity via the national roads programme); its wider fiscal, pricing and taxation policies on transport; the transport appraisal framework; and the planning framework.

3.5.   In addition, much of our transport infrastructure was not designed for the more extreme weather conditions we are increasingly experiencing. Without further investment in enhancing the resilience of our transport networks, we face higher levels of disruption and risk to travellers and to staff.

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[1] DfT (2020) Decarbonising Transport: Setting the Challenge
[2] Ibid.
[3] DfT statistics TSGB0103 Average number of trips, stages, miles and time spent travelling by main mode 2019
[4] DfT statistics TSGB0103 Average number of trips, stages, miles and time spent travelling by main mode 2019

4. Central and local government transport priorities, finances and funding for public transport

Transitioning from 'patch and mend' COVID-19 funding support for public transport

4.1. With the sudden and unprecedented scale of the COVID-19 crisis it is not surprising that measures were taken to close the funding gap in the early stages of the lockdown that sought to patch and mend existing structures. This funding has been welcome and has enabled the wheels of public transport to keep turning.

4.2. However, six months on, now is the time to move towards more robust funding arrangements which also provide the foundations for realising the Government's ambitions for urban transport including:

- Investing £5 billion in additional support for active travel and buses to improve bus services across the country and support a major increase in journeys made by bike.
- Decarbonising urban transport.
- Plugging more communities back into the rail network through a programme of line and station re-openings.
- Investing in the renewal and expansion of urban light and heavy rail networks.

4.3. The current approach to additional COVID-19 funding does not provide the right basis for this transition nor is it efficient or financially and legally robust. It also adds a further layer of complexity and inefficiency to the way in which local transport is funded. The case for reform is therefore strong.

4.4. The main weaknesses in the way additional COVID-19 funding has been provided in England are that:

- It is usually short term.
- It is mode-by-mode (with different criteria, end dates and arrangements for each).

4.5. Meanwhile, Merseytravel has had no additional funding support for the devolved Merseyrail Electrics franchise.

4.6. For transport authorities this means:

- Medium / long-term integrated planning across modes is not possible.
- Considerable time and resource is spent on managing funding uncertainty rather than on preparing for the challenges ahead.

4.7. There are particular problems with the current format for bus funding which has become very complex. In essence it relies on local and national Government continuing to provide subsidy for BSOG and concessionary fares reimbursement at pre-COVID rates (i.e. paying for journeys which are not being made), supplementing this with a specific grant in support of services which are currently being provided. For example, by the end of July the six Metropolitan areas alone had spent £71.8 million reimbursing operators for concessionary journeys that had not been made.

4.8. This system:

- Provides inadequate protection to passengers from fare rises, service reductions and low quality standards that any operator may seek to introduce.

- Leaves urban transport authorities (with populations equivalent to those of small countries) unable to coordinate and plan public transport networks as a whole because buses, light rail and heavy rail are all being funded in different ways (and with varying degrees of transport authority influence) at a time when socially distanced capacity across those networks is becoming stretched by the return to schools and work.

- Is not legally robust in that national government is asking local government to reimburse bus companies for concessionary journeys that are not being made.

- Is not sustainable in terms of the likelihood of all local authorities continuing to make payments for services that are not being provided. Especially given they are also under-funded for wider COVID-19 impacts on their finances.

- Is predicated on a complex and untested system of overpayments, audits and clawbacks from multiple operators by national government.

4.9. As bus networks return to closer to their normal extent, the Government's approach to bus funding brings the risk of operators withdrawing to a much smaller core commercial network. This would mean either marginal services not being provided or local authorities having to find funding to maintain them. It also risks continuing fare increases and fragmentation of the public transport offer as a whole.

4.10. UTG has put an alternative proposition to the DfT which is that all the public subsidy for bus should be routed via city region transport authorities who would then use it to buy the networks of services from private operators that best meet the needs of communities and which deliver simple and affordable fares.

4.11. This would allow Local Transport Authorities to:

- Work with bus operators to define a suitable network that meets demand in a highly constrained social distancing environment and to adjust services depending on patronage trends.

- Better integrate bus services with local rail and mass transit systems.

- Provide simpler and more integrated fares irrespective of operator and mode.

- Ensure a sound basis for transition to the operating model which an individual transport authority deems most appropriate when a stable 'new normal' arrives. This could be consolidated arrangements with existing operators, franchising of networks of services on the London model, or direct provision.

4.12. In many ways this would replicate on a local basis the Emergency Measures Agreements that the Government is using to maintain national rail services which it controls (introduced on the same day as the lockdown began).

Wider weaknesses in the way that transport in the city regions is funded

4.13. Even before the COVID-19 funding crisis there were significant problems with the way in which local transport in the city regions has been funded.

Revenue funding

4.14. Transport revenue funding was one of the main victims of the deficit cutting measures of recent years. Yet, it is a highly effective form of public spending in itself as well as for ensuring the efficient delivery of capital schemes (including paying for the planners and staff that develop and implement them) and for sustaining public transport provision, especially bus services.

4.15. Another critical factor in relation to revenue funding is the rising cost of the national concessionary travel scheme. This is a statutory scheme mandated by national government, where the costs are driven by factors outside of local government's control (ridership and fares levels) but which local government must fund. With overall revenue funding for local transport cut back, spending on this mandatory scheme squeezes out discretionary spending on retaining the skilled staff necessary to develop and implement capital schemes as well as spending on other key services such as socially necessary bus provision.

4.16. City region transport authorities are also reliant on a levy from District Councils. As District Councils own budgets have been cut this has led to them reducing levy payments. For example, over the past decade, the Tyne and Wear transport levy has been cut by over 20%. At £59m, it is now £15m less than it was in 2010. Had the levy increased in line with inflation, it would now be over £100m.

4.17. The additional cost of meeting the COVID-19 crisis is substantially increasing local authority costs which additional Government funding is not keeping pace with. This could feed through into further levy reductions with significant consequences for public transport support and investment.

Competition funding

4.18. The proliferation of competition funding creates additional pressures on declining revenue funding because of uncertainty around when funding competitions will emerge, what they will cover, and whether a local authority's bid will be successful. Bidding for grant funding has a non-negligible cost and creates unpredictable peaks and troughs in workloads which are difficult to resource and plan for. We explore this in our 2020 report 'The Local Transport Lottery – the costs and inefficiencies of excessive reliance on competition funding.'[5]

4.19. The main findings of the report are that:

- The costs of competition funding are high in absolute terms (the costs of bidding for the Transforming Cities Fund is in the region of £1 million for some authorities).

- The unpredictability and short-term nature of excessive reliance on competition funding can distort priorities, with sub-optimal projects being brought forward because they meet competition criteria rather than because they would be the best scheme overall.

- The constant, unpredictable churn of competition funding disrupts and distracts from the task of developing and implementing longer-term integrated planning and delivery and from building up a pipeline of schemes.

- The number of small competitive pots has increased dramatically over recent years, increasing the burden on transport authorities for relatively small gains.

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[5] https://www.urbantransportgroup.org/resources/types/reports/local-transport-lottery-costs-and-inefficiencies-funding-local-transport

- The need to respond quickly to ad-hoc competitions leads to higher consultancy spend, taking funding away from supporting, developing and maintaining in-house staff and expertise.

The need for fully funded transport authorities

4.20. As set out above, if the Government's wider aspirations for public transport, active travel, decarbonisation and levelling up are to be met then there will need to be a significant uplift in capital and revenue funding for transport authorities.

4.21. To achieve this efficiently, we need to move away from short-term competition funding and towards the long-term funding deals that national road and rail currently enjoys.

4.22. Long-term funding certainty allows a considered approach to ranking and delivering priorities; it means that businesses and investors in city regions can plan ahead with more confidence; it allows expertise and capability in the planning and delivery of schemes to be built up and retained; and it reduces the inefficiencies inherent in oscillating between 'feast and famine' for contractors and suppliers.

4.23. The need for longer-term and more stable funding settlements for local transport in cities is a key recommendation of the National Infrastructure Commission's National Infrastructure Assessment[6].

5. The devolution of transport policymaking powers and responsibilities

5.1. Transport authorities outside London need to have the flexibilities and powers necessary to move rapidly, at scale and in a coordinated way to underpin a wider green and just recovery from COVID-19 in the city regions.

5.2. On bus, this means existing bus subsidy funding flows should be routed via transport authorities as set out above. This, alongside some limited modifications of existing buses legislation would provide a solid basis for a later transition to either a consolidated partnership arrangement with existing operators, franchising of networks of bus services (similar to the London model) or direct provision.

5.3. On rail it means extending to more places the benefits that devolution of responsibilities for the contracting of rail services has already brought to places like London and Merseyside where investment, passenger satisfaction and performance have all improved[7].

5.4. In London, Transport for London has responsibility for key roads, the provision of a fully integrated public transport network as well as taxi and Private Hire Vehicle licencing[8]. This is not the case for England's other city regions but is an option which should be available to them.

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[6] National Infrastructure Commission (2018) National Infrastructure Assessment
https://www.nic.org.uk/assessment/national-infrastructure-assessment/
[7] UTG (2017) 'Rail Devolution Works'
https://www.urbantransportgroup.org/resources/types/reports/rail-devolution-works
[8] See UTG (2017) 'Taxi! Issues and Options for City Region Taxi and Private Hire Vehicle Policy' available here: https://www.urbantransportgroup.org/resources/types/reports/taxi-issues-and-options-city-region-taxi-and-private-hire-vehicle-policy

5.5. With these reforms, other city regions would be able to enjoy the same essential ingredients of success that London has. A single integrated public transport network, with simple and smart ticketing, planned and overseen by a single accountable body.

6. Innovation and technological reform within transport

6.1. New technologies and business models offer a host of opportunities including greater consumer choice; better informed decisions by travellers and transport authorities; decarbonisation of urban vehicle fleets at pace; and more efficient provision of transport networks and services.

6.2. For these benefits to be realised we need a framework from Government that:

- Provides greater long-term funding certainty for transport authorities, giving them the confidence, space and resources to innovate.

- Gives cities and transport authorities agility to manage the potential impacts of transport innovations, providing them with opportunities to encourage these where they support wider goals but also set limits should new services be detrimental to these.

- Sets national minimum standards in critical areas such as safety, accessibility, data sharing and environmental requirements and provides local areas with flexibility to set standards that exceed the national baseline, depending on local priorities.

- Ensures innovation is consistent with wider safety, health, inclusion and environmental protection imperatives.