

Public transport's funding crisis – and how to fix it

Overview

In this briefing we focus on England outside London, where the majority of our membership is, given that London, Wales, Scotland and Northern Ireland have separate and specific funding issues and arrangements.

The recent Spring Budget confirmed that the DfT's budget remains broadly flat, which (given inflation and cost over runs on mega projects in particular) has led to investment in some national road schemes and HS2 being pushed back. There was also a significant reduction in projected spending on active travel.

However, the Spring Budget did not say anything about revenue support for bus services in England outside London, which runs out at the end of June. Given planning horizons for service changes, bus operators in some areas are already planning a further round of significant service cuts.

This is in the context of a wider crisis on public transport since COVID restrictions were removed:

- **Patronage** (and therefore revenue) remaining significantly below pre-pandemic levels
- Bus networks experiencing **significant service reductions** (which follows on from years of service reductions pre-pandemic).
- The **reliability of bus and rail services** can be poor due to a staff shortages in a competitive labour market; poor recruitment and retention practices; and industrial disputes relating to the cost of living crisis. In some areas, unreliability of services is becoming endemic, leading to people changing what they do and the way they travel¹
- **Higher costs** – with light rail systems particularly affected by higher electricity prices (typically triple what they were before the energy crisis)

¹ <https://www.ft.com/content/1dc7bceb-682c-4565-bfd4-f0ac51d77b0c>

Revenue support for bus and light rail

Government has provided additional revenue support for bus and light rail services to compensate for the effects of the pandemic from lower patronage. This funding has been welcome and without it, public transport networks would not have been able to function during the periods of COVID restrictions.

However:

- the conditions on the funding have allowed bus services to be reduced by up to 20% (sometimes more in practice) compared with the networks provided prior to COVID (which in themselves had been substantially reduced in scope over time)
- although public transport in London has a medium-term revenue funding settlement, the additional funding for light rail outside London has ended and will end for bus outside London at the end of June 2023. Without a funding deal for bus beyond June, there will be another wave of bus service cuts.

When operators cut bus services, local transport authorities can pay for those services to continue on a route by route basis. However, local transport authority budgets are severely constrained; competition for these services is limited (sometimes no bids at all are received); and contract costs have soared. This system also means that operators can then make a return on both their commercial networks as well as a return on each of the non-commercial services which local authorities are left to fund.

The impact of further cuts in bus networks

Further shrinking of the bus network would be detrimental for growth and decarbonisation and undermine the aims and objectives of the national bus strategy and transport decarbonisation plan (which are based on growth of public transport use) as well as the Levelling Up White Paper. It would also undermine the benefits of the recent £2 fare offer designed to promote bus use if those bus services were withdrawn immediately after the scheme ends. It would also be fundamentally unfair to the rest of England given that London has a medium term funding deal which provides protection for the local bus, light rail and heavy rail services which TfL provides.

Further contraction of the bus network would also have a **disproportionate effect on low-income households and areas, disabled people, women and ethnic minorities** as the following statistics show:

- Nearly a quarter of all households have no car or van available, rising to 45% for those in the lowest real income quintile²

² DfT National Travel Survey Table NTS0703 2019

- People in households without access to a car make over four times as many local bus trips as those with car access³. Outside London, people in the lowest income quintile make three and a half times more trips on the bus each year than those in the highest quintile⁴
- Non-White adults are more likely than White adults to live in households with no car or van. Black/African/Caribbean/Black British adults are most likely to live in households with no car or van (39% of adults, compared to 17% of White adults)⁵
- 77% of jobseekers in British cities outside London do not have regular access to a car, van or motorbike⁶. This proportion rises to 87% for jobseekers aged 18-24
- People employed in routine and manual occupations make more bus trips, and travel further on the bus, than those in managerial/professional or intermediate occupations⁷
- Women make more trips by bus than men, with the difference most marked outside of London⁸
- Outside London, young people aged 17-20 make more trips on local buses than any other age group⁹
- People with a disability are more likely to travel by bus than people without a disability¹⁰

It would also **follow on from years of pre-COVID decline in bus** services and bus use (as well as above inflation fares rises). For example, in the metropolitan areas:

- Bus patronage fell by 15% between 2009/10 and 2018/19
- Bus fares went up by 40% (above inflation) between 2005 and 2019
- Bus miles declined from 354 million in 2009/10 to 302 million in 2018/19

This decline has continued during and since the period of pandemic restrictions. Between 2018/19 (the last full year before the pandemic) and 2021/22, bus networks contracted by a further 9% in England.

³ DfT Annual bus statistics: England 2019/20

⁴ DfT National Travel Survey Table NTS0705 2019

⁵ DfT National Travel Survey Table NTS0707 2019

⁶ Institute for Transport Studies (2013) Buses and the Economy II: Survey of bus use amongst the unemployed

⁷ DfT National Travel Survey Table NTS0707 2019

⁸ DfT National Travel Survey Table NTS0601 2019

⁹ DfT National Travel Survey Table NTS0601 2019

¹⁰ DfT (2017) Disabled people's travel behaviour and attitudes to travel

The impact of rising energy prices for light rail

Although each light rail system is funded differently (and also has different energy supply contracts), typically their electricity bills have risen by a factor of three. The Government has included light rail within the current energy cap regime for business (which is in place until April 2023) but after that they are not classed as intensive energy users and are excluded from the scheme.

Capital investment in public transport

Government has made capital allocations for improvements to public transport to Mayoral Combined Authorities via City Region Sustainable Transport Settlements; capital and revenue allocations for improvements to bus services in some areas through the Bus Service Improvement Plans.

This funding is welcome and should bring about tangible improvements to public transport in the areas that benefit.

However, the rising costs of capital projects means that, in effect, transport authorities are unfortunately in the position of being able to 'do less for more'. To make the most of the available funding, transport authorities need to be given more discretion and autonomy on how the funding is spent in the round rather than being second guessed and micro managed from the centre on a project by project basis.

An uncertain future for active travel

The Government initially set out a £3.8 billion funding pot for active travel for the Cycling and Walking Investment Strategy Two period from April 2021 to March 2025. However, following a review of DfT funding this has now been cut to £3 billion. This includes a £100 million cut to the dedicated capital funding for the next two years, 50% of the original expected total.

What should happen next?

On revenue funding...

We need to put in place a long term, enhanced and devolved approach to funding local public transport services which:

- is capable of delivering the national bus strategy's aspirations for more, better, cheaper and greener bus services and for sustaining light rail systems. This will require higher levels of subsidy than was the case pre-COVID given inflationary



pressures and that funding prior to COVID was not sufficient to prevent year-on-year decline in bus use.

- is streamlined. The system of funding for buses that existed pre-COVID (and which is essentially intact) was not coordinated, efficient or linked to a coherent set of objectives. Funding models for light rail systems also varied with some not receiving any Government revenue support even where they took on the role that used to be provided by Government supported national rail services and bus services.
- is devolved to those transport authorities that wish to take responsibility for it. This would mean that subsidies could be far more effectively targeted than is possible through either a one-size fits all national approach or if it is routed to commercial operators
- includes support for light rail systems on their energy bills

On delivery of capital projects...

Capital funding streams need to be internally de-ringfenced and the process by which DfT approves and provides funding speeded up. This will allow transport authorities to get on with the job of delivering the capital schemes that best meet local needs and also allow them to prioritise (given inflation).

On staff shortages, retention and recruitment...

We need a Government response commensurate with the scale of the challenge. This should include: facilitating learning across the industry about good practice and what works; revenue settlements that facilitate pay and conditions that are attractive in a competitive labour market; and dealing with any national administrative bottlenecks which are causing delays in getting new bus drivers behind the wheel.

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