

# Funding a better future for urban transport

## Overview

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

Government has provided additional revenue support for bus and light rail services to compensate for the effects of the pandemic from lower patronage. This Bus Recovery Grant funding has recently been extended for a further six months (until the end of the 22/23 financial year). This funding has been welcome and without it, public transport networks would not have been able to function.

The Government is also providing significant funding for bus via Bus Service Improvement Plans and the City Region Sustainable Transport Settlements. For the areas and routes that benefit, this will bring about real improvements. However, the funding available is substantially less than the £3 billion that was originally promised and not all areas and services will benefit from it.

The main immediate challenge on funding is that the Government had previously said that there would be no further additional revenue funding beyond the end of September 2022 and that *'one of the conditions ... will be that both LTAs and operators work closely together to ensure that effective and financially sustainable [our underlining] networks which cater for the needs of the local public are implemented once recovery funding ends. These will ensure a managed transition and that effective networks are provided to passengers, whilst the sector reaches a position where it no longer requires ongoing Covid-19 recovery funding.'*

Consequently, bus operators responded with plans for a further round of substantial service cuts (previous tranches of COVID funding allowed for reductions in service levels by operators of up to 20%). The Government's announcement of a further six months of funding beyond the end of September came on the deadline day for providing notice to the Traffic Commissioners of these service cuts and it is not yet clear to what extent these service withdrawals have been curtailed in different areas. As has been the case throughout the pandemic the Government has chosen to route the majority of funding to commercial operators so the extent to which the additional funding is being used to prevent service cuts is difficult to audit.

When operators cut 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. Where local transport authorities are able to sustain these services, it would result in an ever-larger proportion of the network being paid for by local transport authorities. This means that operators can then make a return on both

their commercial networks as well as a return on each of the services which local authorities are funding.

Whilst additional revenue support for bus services is being extended for the rest of the financial year the same is not true for light rail services where the additional funding stops at the end of September. This creates acute challenges for those transport authorities which are responsible for light rail services. Patronage on some of these systems remains much lower than pre-COVID and at the same time costs are rising rapidly (particularly for the electricity that powers light rail systems).

All of this is taking place at a time of wider unprecedented uncertainty for public transport including:

- The ramifications of the COVID pandemic and the cost of living crisis have not yet worked themselves through in terms of travel habits and patterns
- Widening inflationary pressures on operating costs including staffing
- Deteriorating industrial relations and service unreliability due to staff shortages

## The implications of further bus network contraction

Further shrinking of the bus network would not serve the objectives of **key government policies** for decarbonisation and levelling up, including the stated objectives of the:

- National Bus Strategy for more, cheaper, better and greener bus services. In his foreword to the bus strategy, the former Prime Minister said: *‘Just as we already have in the capital, we want main road services in cities and towns to run so often that you don’t need a timetable. We want better services in the evenings and weekends, to reflect people’s 24- hour lives and to provide safe, reliable transport for key workers.’*
- Transport Decarbonisation Plan which says: *‘...we will make buses more frequent, more reliable, more comprehensive, easier to understand and use, better co-ordinated and cheaper – improving appeal for the bus user and non-bus user – to dramatically increase passenger numbers and reduce congestion and carbon emissions.’*
- Levelling up white paper which says: *‘Local transport, particularly buses, is crucial to connect people to jobs, education and wider opportunity.’*

It 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 quintile<sup>1</sup>
- People in households without access to a car make over four times as many local bus trips as those with car access<sup>2</sup>. 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 quintile<sup>3</sup>
- 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)<sup>4</sup>
- 77% of jobseekers in British cities outside London do not have regular access to a car, van or motorbike<sup>5</sup>. 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 occupations<sup>6</sup>
- Women make more trips by bus than men, with the difference most marked outside of London<sup>7</sup>
- Outside London, young people aged 17-20 make more trips on local buses than any other age group<sup>8</sup>
- People with a disability are more likely to travel by bus than people without a disability<sup>9</sup>

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

## What should happen next?

<sup>1</sup> DfT National Travel Survey Table NTS0703 2019

<sup>2</sup> DfT Annual bus statistics: England 2019/20

<sup>3</sup> DfT National Travel Survey Table NTS0705 2019

<sup>4</sup> DfT National Travel Survey Table NTS0707 2019

<sup>5</sup> Institute for Transport Studies (2013) Buses and the Economy II: Survey of bus use amongst the unemployed

<sup>6</sup> DfT National Travel Survey Table NTS0707 2019

<sup>7</sup> DfT National Travel Survey Table NTS0601 2019

<sup>8</sup> DfT National Travel Survey Table NTS0601 2019

<sup>9</sup> DfT (2017) Disabled people's travel behaviour and attitudes to travel



## On 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 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 that funding prior to COVID was not sufficient to prevent year-on-year decline in bus use and wider inflationary pressures.
- 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.
- Devolved to those transport authorities who 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.

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