

Report
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The Covid-19 Funding Gap: The Case for Continuing Support for Urban Public Transport

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Executive Summary

Overview

Covid has led to unprecedented impacts on the way we travel. The decision to implement a 'lockdown' and as part of that advise people not to travel by public transport led to a precipitous decline in use of buses, tram and light rail, and the national rail network. Patronage dropped to a fraction of its pre-Covid levels. Government has had to step in and provide financial support.

The Government's support has allowed public transport:

- To continue to run through the height of the pandemic lockdown, enabling key workers to travel to and from work
- To operate at the reduced vehicle capacities that are a consequence of social distancing requirements
- Services to return towards pre-Covid levels in advance of the return of patronage

The Government's current support scheme for local buses is on-going and has an eight week notice period. Tram and light rail systems are funded until 26th October. Focussing on local public transport – local buses and tram/light rail system – the Urban Transport Group (UTG) asked Steer to consider three questions:

- Is there a case for on-going financial support for local public transport?
- If so, how long may such support be needed?
- What options are there for providing such support and how do these compare to current arrangements?

Our finding is that there is a need for on-going public support. As a minimum, consideration must be given to how such support will be provided between now and the end of financial year 2021/22, that is to the end of March 2022. Local transport authorities' ability to act is constrained. The question is not to whether Treasury support is needed, but what shape and form that support should be. Funding to the end of March 2022 would align the time horizon for support for local public transport with the Emergency Recovery Management Agreements (ERMAs) for the national railway, which were announced on 21st September.

Public Transport Pre-Covid

In the year ending 31st March 2019, 4.8 billion bus journeys were made in Great Britain. This is more than the number of journeys made on the national rail network and London Underground added together. In England outside London, 2.121 billion journeys were made by bus. A further 124 million journeys were made by tram and light rail.

For many, bus is the only mode of public transport available to them. The young, the elderly and working age women have the highest propensity to use bus. Bus use is greatest by people in the least well-off quintile of the population and the propensity to use bus declines with household income. Typical bus users are the same groups as the people who have experienced the greatest impacts of the pandemic-induced recession.

Reflecting their focus on travel to and from city centres, tram/light rail users tend to be better off than bus users and they make greater use of tram/light rail for commuting. By providing much-needed capacity, tram/light rail systems have supported and facilitated the growth experienced in recent years in the hearts of England's city-regions.

Local public transport brings huge positive economic, social and environmental benefits. This is why supporting growth in bus and tram/light rail patronage is a focus of central and local government transport policy and capital programmes.

Public Transport During Covid

Local public transport patronage plummeted with lockdown. At the end of March, it was around a tenth of its pre-Covid levels. By the end of August, patronage had grown, but was still less than half its pre-Covid levels. As expected, early indications are that the return to school in September has led to further growth. However, public transport continues to operate with social distancing restrictions. This means that a typical double-decker bus is restricted to carrying about half its seating capacity and can carry no standing passengers. As long as social distancing is in place, the peak capacity of local public transport networks will be less than pre-Covid peak demand. There will be no way that operators can operate pre-Covid networks and get pre-Covid farebox revenue. To avoid service cuts, on-going public support will be needed.

Future Public Transport Demand

Informed by the economic outlook and thinking about how local public transport patronage may respond to different drivers of demand, we have put forward two demand scenarios, both of which assume on-going Government support.

In a plausible Best Case Scenario, we postulate that:

- There will be a relatively rapid resolution of the Covid crisis with the restrictions largely relaxed by mid 2021 (inherent to this assumption is that the UK will be an early adopter of a vaccine allowing social distancing requirements to be relaxed).
- Local public transport demand will return to no more than 85% of its pre-Covid levels.
- This level of demand would be reached 12 months after the end of the national lockdown, so mid 2021.
- There would be a steady and gradual increase in demand over this period.
- After that and with no further policy intervention, there would be a return to trend, which is on-going decline for bus perhaps tempered in the short to medium term by an increase in employment as the economy recovers, and modest aggregate growth for tram/light rail.

In a plausible Worst Case Scenario, we postulate that:

- There would be on-going Covid related restrictions throughout 2021.
- Local public transport demand will return to 65% of its pre-Covid levels.
- This level of demand would be reached 18 months after the end of the national lockdown, that is late 2021.
- After that and with no further policy intervention, there would be a return to trend, which is on-going decline for bus and modest aggregate growth for tram/light rail.
- Aggregate demand will fluctuate with large swings in local areas as different scales of lockdown restrictions are imposed and then relaxed.

We have also considered what would happen if Government support is curtailed. In either scenario:

- Bus miles would reduce, that is travellers would face a reduction in service, which would further reduce patronage.

- There will be pressure to increase fares. Fare increases would also have a negative impact on patronage.
- While there will be increasing pressure on local transport authorities to step in and procure socially necessary services, available budgets place a tangible limit on their ability to act.
- Light rail/tram revenues would reduce. There is, however, limited opportunity to scale back such services and reduce costs. Either a step change reduction in service is required, or there will be material shortfalls in revenue meaning that the pre-Covid positive operating surpluses generated by most systems will be reversed. For fixed track systems such as light rail or tram, it is very challenging to escape on-going costs.

In either scenario, should Government support cease different communities and different locations will experience differential impacts:

- The sectors of the economy most immediately affected by the downturn include food and beverage, hospitality and accommodation and the retail sectors.
- These sectors make up large proportions of town and city centre employment.
- They also have a workforce with a high preponderance of younger people and women of all ages, with low wages and many part-time positions, as well as more staff on zero-hours/'gig economy' contracts.
- It is those most deprived areas that are likely to bear the brunt of loss of income and/or job losses.
- Workers in the sectors most immediately affected have a high propensity to use local public transport for their journeys to work and given low car availability, for other journeys too. This is also true for the customers of these sectors – it is town and city centres that have the highest public transport mode share.

In summary, local public transport faces a situation where its core demand has been disproportionately affected by the pandemic-induced recession, while at the same time provision of local public transport is particularly important if these people are to be able to return to employment. Maintaining local public transport supply is therefore integral to the post-pandemic recovery.

Furthermore, before the pandemic at a national and local level supporting growth in local public transport was seen as integral to:

- Supporting local economic growth and the further growth of employment and economic activity in town and city centres, all as part of the levelling up agenda;
- Securing compliance with legal obligations to improve air quality by providing less polluting alternatives to car travel;
- The path to carbon 'net zero'.

There are two further points to note that are applicable to both scenarios:

- Experience is that once public transport demand is lost, it can be very challenging to recover the position. The (re)introduction of a new public transport service always leads to an upward step change in costs in advance of revenue – costs increase quickly, while revenue increases gradually. On top of this, when public transport services are removed, people change their behaviour – they go to different shopping destinations, their leisure habits change and in extremis, they change job or simply drop out of the labour market altogether. Such changes in habit are hard to reverse.

- There is a path dependency. Regardless of the desired end state policy makers would like local public transport to provide and what markets they would like it to serve, the eventual outcome will be strongly influenced by decisions taken now.

A Cliff Edge End to Financial Support

Minimum bus mileage reductions of between 30% and 40% would be likely should CBSSG and other support be withdrawn in full. Potentially it could be greater than this.

This would come about through:

- withdrawal of evening services;
- withdrawal of marginal services;
- withdrawal of infrequent services; and
- frequency reductions on many services (e.g. reducing a 30 minute service to hourly, reducing a 5 minute service to 10 minutes).

Such a scenario would be very likely to leave large areas of the country with no bus services.

For light rail and tram systems the effect of withdrawal of financial support is starker still. Temporary mothballing does not save significant sums and the savings made by service level reductions are even more marginal. Cessation of operations, or complete closure would still see local authorities with significant legacy costs and debts.

The Case for Continuing Support

Long term public support will be needed if local public transport services are to be maintained. This will be needed for at least as long as social distancing requirements are in place and potentially until the economy has recovered to its pre-Covid state or longer. Local transport authorities' ability to act is constrained. The question is not whether Treasury support is needed, but what shape and form that support should be and how long it should last.

The support provided to date has allowed local public transport to continue to run through the height of the pandemic lockdown, enabling key workers to travel to and from work; for public transport to operate with the reduced vehicle capacity that is a consequence social distancing requirements; and, to allow services to return towards pre-Covid levels in advance of the return of patronage.

Looking ahead, we propose four objectives to form a basis to develop and assess options for on-going financial support of local public transport. These are:

1. To maximise local public transport's contribution to Covid recovery
2. To put local public transport in the best place post-Covid to support longer term policy objectives including those set out in the Department for Transport's *A Better Deal for Bus Users* and in local policies
3. To maximise local public transport demand post Covid (an implication of 1 and 2)
4. To exit the Covid crisis with local public transport on a sound financial footing

Any future approach to supporting local public transport needs to have sufficient flexibility to cope with a range of potential short-term futures, illustrated by our plausible Best and Worst Case scenarios, and to allow local public transport to adapt to the post-Covid world. We have put forward three broad options for future funding for both bus and tram/light rail.

For local bus services, our options are:

1. **Option 1: Maintain the existing Coronavirus Bus Services Support Grant (CBSSG)**, a continuation of CBSSG on a rolling eight week notice period.
2. **Option 2: Evolve CBSSG**, the same broad principles as the current system, but with certainty of funding over a longer time horizon and for FY 21/22 a revised approach to the current system to ENCTS payments. A decision on any settlement for 2022/23 would be made for the end of calendar year 2021.
3. **Option 3: Reform CBSSG**, a development of Option 2 that devolves monies and the administration of the grant to those local transport authorities willing and able to do so. The goal here is to bring funding closer to local decision making and the local market, enabling local bus services to be part of cross-sectoral area-wide recovery strategies.

As with local bus, we have identified three broad options for tram/light rail. However, because each tram/light rail system has unique contractual arrangements and with these approaches to revenue risk and financing obligations, we have not developed the options beyond generic principles.

The tram/light rail options are:

1. **Option 1: Maintain Current Arrangements**, a continuation of the rolling cycle of time-limited support
2. **Option 2: Evolve Current Approach**, a similar approach to now, but a settlement first for the rest of this financial year and then for all of 2021/22. As with our bus Option 2, a decision on any settlement for 2022/23 would be made for the end of calendar year 2021, which in effect gives three months' notice of any change and allows some opportunity for LTAs to adjust their budgets for 2022/23
3. **Option 3: On-going Support**, on-going subsidy arrangement comparable to the support that Tyne & Wear Metro receives, based on a long term worst case view and agreed minimum service level. Integral to this would be a refund mechanism if revenue exceeds expectation. To reduce on-going costs and liabilities, Treasury to work with the Public Works Loan Board (PWLB) and all tram/light rail LTAs to refinance their capital debts to take advantage of historically low interest rates.

While this report is focused on local bus and tram/light rail, it is noted that in the Liverpool City Region the Merseyrail rail concession is an integral part of its public transport network. In contrast to bus and tram/light rail elsewhere, Merseytravel's exposure to financial risk associated with the devolved Merseyrail concession has yet to be addressed.

Before any alternative to the existing arrangements can be adopted, there will be a need for more detailed financial assessment and engagement with the industry and local transport authorities.

1 Introduction

- 1.1 Covid¹ has led to unprecedented impacts on the way we travel. The decision to ‘lockdown’ society and as part of that advise people not to travel by public transport led to a precipitous decline in use of buses, light rail and the national rail network. Patronage dropped to a fraction of its pre-Covid levels. Government has had to step in and provide financial support.
- 1.2 The Urban Transport Group (UTG) asked Steer to consider the case for continuing public financial support of the on-going day-to-day operation of local public transport. Local public transport comprises local bus networks and tram/light rail systems. We do not consider longer distance coach services or national rail.
- 1.3 The questions we were asked to consider are:
 - Is there a case for on-going financial support for local public transport?
 - If so, how long may such support be needed?
 - What options are there for providing such support and how does these compare to current arrangements?
- 1.4 We find that there is a need for on-going public support. As a minimum, consideration needs to be given to how such support will be provided between now and the end of financial year 2021/22, that is to the end of March 2022. Local transport authorities’ ability to act is constrained. The question is not to whether Treasury support is needed, but what shape and form that support should be. Funding to the end of March 2022 would align the time horizon for support for local public transport with the Emergency Recovery Management Agreements (ERMAs) for the national railway, which were announced on 21st September. We set out a number of options about how this can be achieved.
- 1.5 The way we have gone about coming to this view is:
 - First, we looked at local public transport pre-Covid: how many people used local public transport, what are their characteristics and what economic and societal benefits does this use bring. To help frame our consideration of the future, we go on to consider how local public transport is provided and where it sits within national and local transport policies, plans and programmes. This is Chapter 2 of our report.
 - In Chapter 3, we describe what has happened to public transport patronage during the Covid crisis and how Government has stepped in to keep the network running.
 - Then in Chapter 4 we look to the future. We consider the economic outlook, as well as put forward two scenarios for future local public transport patronage.
 - In Chapters 5 and 6, we address the questions that we have been asked to consider.

¹ Severe Acute Respiratory Syndrome Coronavirus-2 (SARS-CoV-2) is the name given to the 2019 novel coronavirus. COVID-19 is the name given to the disease associated with the virus. Reflecting common usage, for this report we call both the virus and the disease it causes “Covid”.

1.6 This report also has three Appendices:

- Appendix A provides further context by looking at the history of local public transport provision
- Appendix B sets out legal measures and tools available to local transport authorities
- Appendix C considers what lessons can be learnt from New Zealand and Australia about the future use of public transport as the pandemic progresses

1.7 We gratefully acknowledge the input to this work from the UTG and its members, in particular the provision of local data and case studies. This said, the responsibility for any errors or omissions is ours and ours alone.

2 Public Transport Pre Covid

Introduction

- 2.1 In this Chapter we look at public transport pre-Covid, with a particular focus on the English metropolitan areas. We consider how many people used public transport, their socio-economic characteristics and why they were taking public transport journeys. We also describe how public transport was provided and the prevailing policy environment at a local and national level.

Public Transport Use Pre Covid²

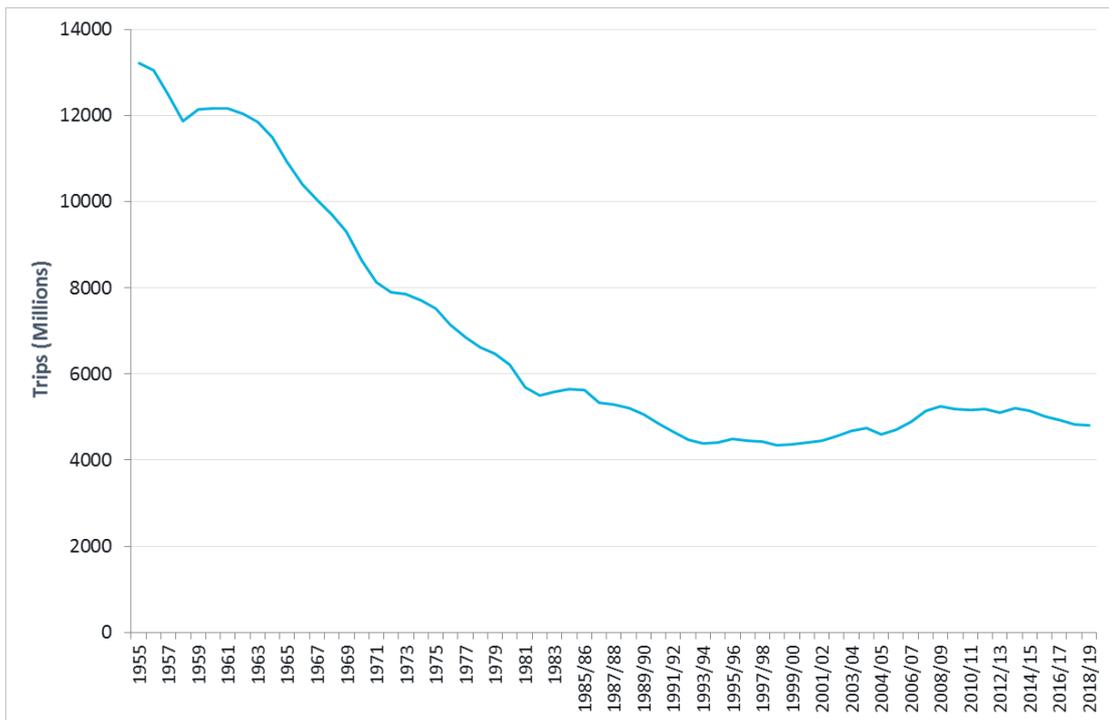
Bus

- 2.2 In the year ending 31st March 2019, 4.8 billion bus journeys were made in Great Britain. This is more than the number of journeys made on the national rail network and London Underground added together. For many, bus is the only mode of public transport available to them.
- 2.3 Of these 4.8 billion journeys made by bus:³
- 2.198 billion were made in London. As we set out later, bus services in London are provided differently to those elsewhere in Britain.
 - 908 million were made in metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne & Wear, West Midlands, West Yorkshire)
 - 1.213 billion were made elsewhere in England
 - 482 million were made in Scotland and Wales. Bus policy is a devolved matter and Scottish and Welsh Government policy is not considered in this report.
- 2.4 While bus is the most utilised mode of public transport, bus passenger numbers have experienced a steady decline over the last seven decades (see Figure 2.1). This is in contrast with the national rail network which, after twenty-five years of growth, pre-Covid carried more people than at any time and London Underground which has experienced a decade of patronage growth before a modest decline in the year to March 2019. In aggregate, the country's light rail networks have also experienced growth as their networks have been expanded.

² In this section, all annual patronage numbers are quoted to March 2019. Even before the announcement of the Covid 'lockdown' on March 23rd, patronage in the last weeks of March 2020 was affected by people responding to the Government's advice on social distancing and to 'work from home if you can'.

³ Data Source: BUS0103

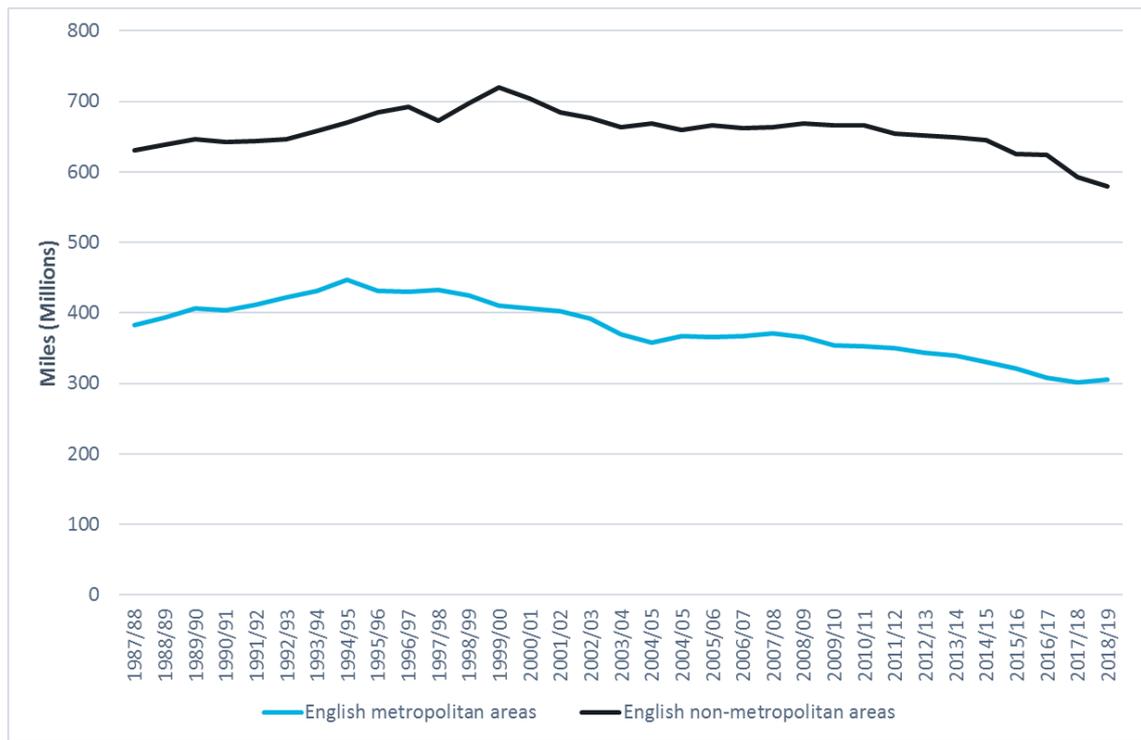
Figure 2.1: Bus Patronage – 1955 to the Present Day



Data Source: Department for Transport Bus Statistics Table BUS0101

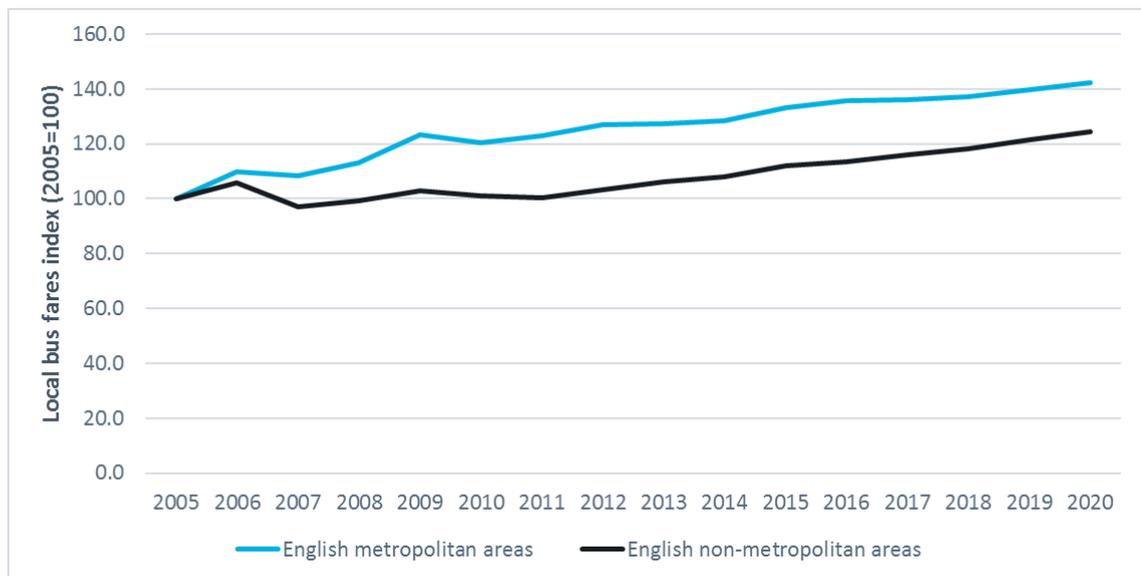
2.5 The reasons why bus passenger numbers have declined are deep-rooted. Greater household disposal income, greater car ownership and driving licence holding have made car a more available option. Changing patterns of employment and economic activity makes car a more attractive option, or in many cases the only travel option. Lower demand has led to a reduced bus network in scale and geographic coverage. This is illustrated by looking at bus vehicle kilometres, a measure of the annual passenger service distance travelled by buses (see Figure 2.2). Greater traffic congestion adds to costs as bus operators’ principal assets (buses, drivers) are used less effectively. This, with other increased unit operating costs combined with lower bus demand have led to real-terms fares increases as operators seek to maintain their profit margins. This is illustrated by Figure 2.3 which shows how bus fares have increased in real terms over recent years. Reduced bus network coverage leads to bus services being less attractive or bus simply not being available at all. Together with higher fares, this further reduces passenger numbers leading to a negative feedback, the so-called vicious circle of decline.

Figure 2.2: Bus Vehicle Miles – 1987 to the Present Day



Data Source: Department for Transport Bus Statistics Table BUS0205

Figure 2.3: Bus Fares Index – 2005 to Present Day



Data Source: Department for Transport Bus Statistics Table BUS0405b

2.6 Notwithstanding the long-term decline in bus patronage and the reduction in the coverage of the network, bus remains the country’s most well utilised mode of public transport. Because of its economic importance (below), as well as the contribution that well-used public transport can make to environmental goals including carbon net-zero, local authorities across the country are pushing forward with plans and programmes aimed at increasing bus use. In addition, there is evidence of changing travel behaviours and changing attitudes to different

modes, particularly amongst the young where car ownership and driving licence holding is now less prevalent than it has been and there is a greater willingness to use transport modes that are considered more sustainable.⁴

- 2.7 Towns and cities including Brighton, Bristol, Reading and Southampton have each experienced growth in bus use in recent years.⁵ What these places have in common is a buoyant economy, a dynamic local bus company management and an effective partnership between the local authorities and bus operators. Other factors include, but are not limited to, simple fares (e.g. flat fares), high quality and well-maintained fleets, a focus on customer service, limited town/city centre parking, limited urban rail network (and no light rail provision), congested local roads but bus priority measures, and a buoyant local economy.

Light Rail Tram

- 2.8 In England outside London, in the 12 months to 31st March 2019 124.4 million journeys were made by light rail and tram.⁶ Use of light rail and trams has been increasing over the last twenty years reflecting the expansion of these networks which makes them a viable travel option for a greater number of people, as well as the growth in employment and economic activity in the city centres that they typically serve. Details of the scale of light rail and tram networks outside London are set out later in this section.

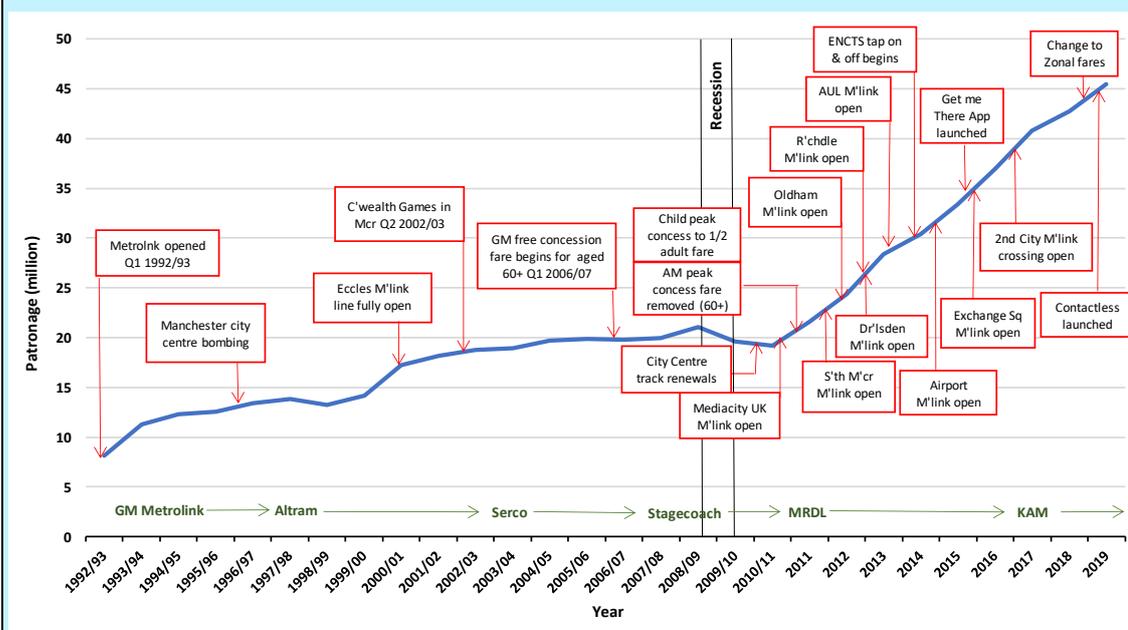
⁴ Chatterjee, K., Goodwin, P., Schwanen, T., Clark, B., Jain, J., Melia, S., Middleton, J., Plyushteva, A., Ricci, M., Santos, G. and Stokes, G. (2018). *Young People's Travel – What's Changed and Why? Review and Analysis. Report to Department for Transport.* UWE Bristol, UK.

⁵ Table 1, *What's Driving Bus Patronage Change?*, Urban Transport Group

⁶ LRT0101. A further 150.5 million journeys were made on Docklands Light Rail and London Tramlink and 7.5 million on Edinburgh Trams.

Case Study: Manchester Metrolink

Manchester Metrolink is the most well used light rail system outside London. In the 12 months to the end of March 2019, it carried 43.7 million passengers. In that year, 120 trams operated over a 97 km network with 93 stops. Since then, in March 2020 and just before the Covid lockdown, the network's Trafford Park line opened, extending the network to 102 km and 99 stops. Immediately before the Covid crisis, patronage had risen to a rolling annual estimate of 45.6 million and with the opening of the Trafford Park extension and strong underlying growth, patronage was expected to continue to grow.



Manchester Metrolink serves a number of corridors that are not served by Greater Manchester's rail network. It offers journeys that are markedly faster than bus alternatives. In three of the corridors it serves (Altrincham, Bury, Oldham/Rochdale), Metrolink replaced conventional rail services, boosting patronage at lower unit costs. The network also links Eccles/Salford Quays/Media City to central Manchester and its rail stations, as well as serving Manchester Airport (the nation's biggest international airport outside London), Didsbury and Ashton-under-Lyne.

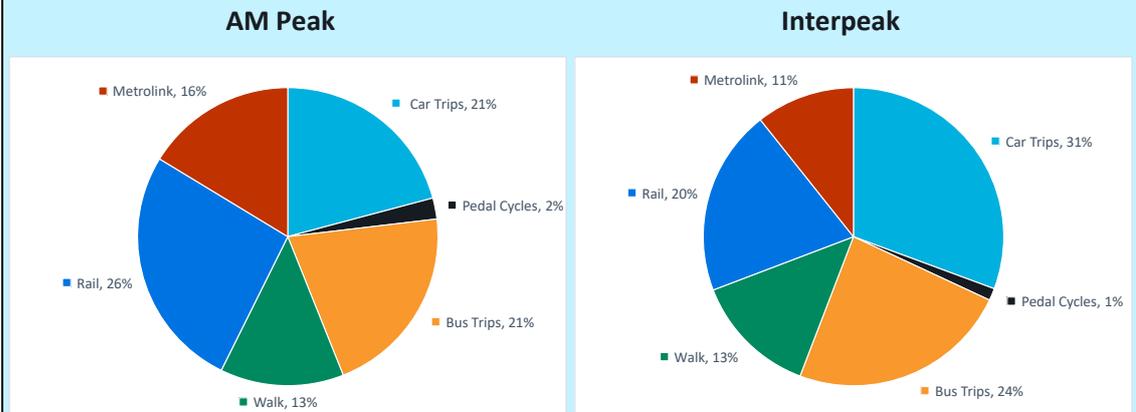
Under the Phase 3 expansion programme, almost two-thirds of the network has been added since the MediaCity extension opened in 2010. This also saw a new signalling system installed, a new depot added and a new fleet of rolling stock. The capital programme, including the most recent addition (Trafford Park Line), was just under £2 bn and was delivered ahead of time and to challenging budgets. Funding was a mix of local funding (borrowings at a Greater Manchester level) and capital grants. Over the same 10 year period, Metrolink was able to generate enough revenue from the farebox to cover operating and maintenance costs, with a sufficient surplus to service the finance costs of the capital programme. Until the pandemic this was a very successful operating model for Greater Manchester.



In February 2019, in the morning peak period (07.30 – 09.30), Metrolink carried 16.3% of all people who travelled into central Manchester. In the off-peak (10.00 – 12.00) the equivalent figure was 10.6%. By providing connectivity not offered by rail and journey times more attractive than bus, especially for medium and longer distance journeys within the city region,

Metrolink contributes to a public transport mode share to the city centre in excess of 60% peak period and more than 50% in the off peak.

Figure 2.4: Mode Share for trips into Manchester City Centre



Metrolink has been instrumental in supporting employment growth and population in Manchester city centre in a way that has minimised growth in car commuting, as well as underpinning the regeneration and development of Salford Quays/Media City.

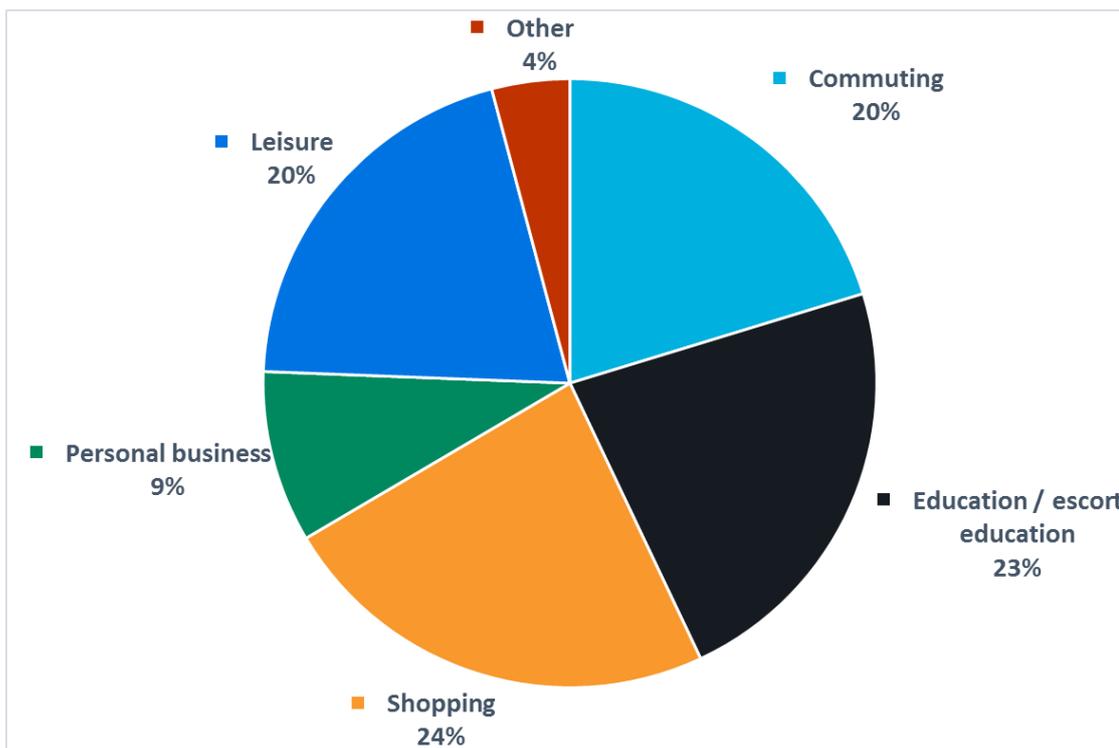
Data Sources: LRT0101 (patronage), TfGM Transport Statistics Report 2024 (mode shares), TfGM (network description)

Who uses Public Transport

Bus

- 2.9 The reasons why people travel by bus are set out in Figure 2.5. Outside London, a fifth of all bus trips are for commuting and a quarter are trips to and from school or tertiary education. A further quarter of trips are for shopping. As set out below when we look at the economic importance of bus, large segments of the community are reliant on bus to get to work or to get to school or college. Bus use supports the High Street, particularly in our larger towns and cities.

Figure 2.5: Why People Travel by Bus (Outside London)



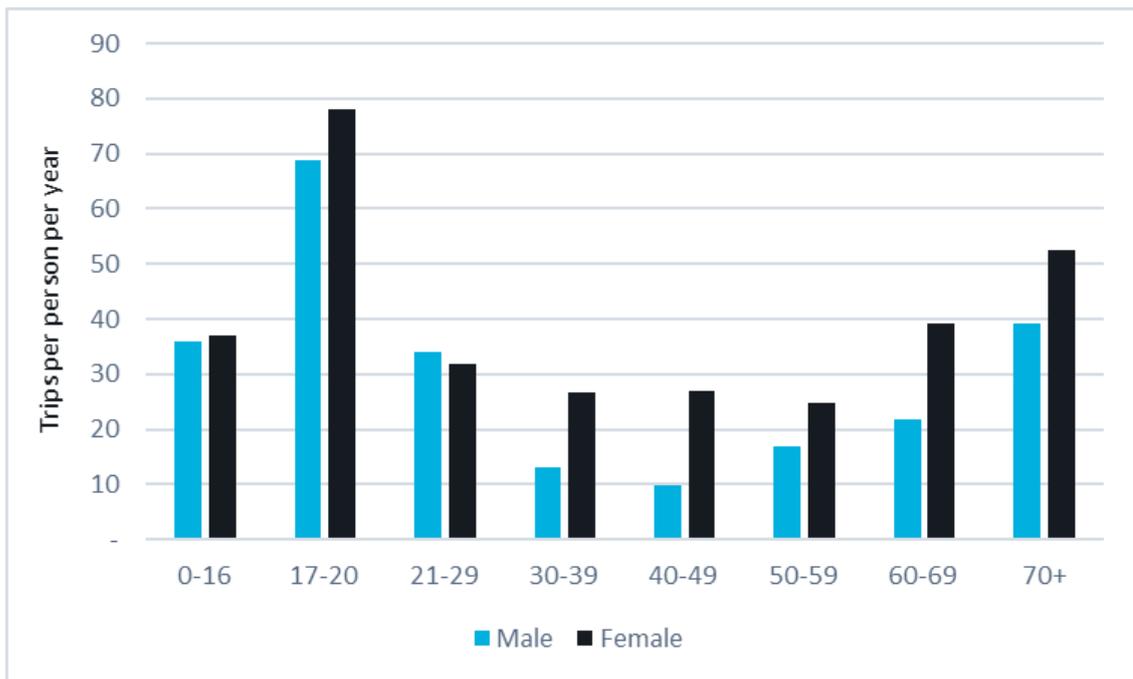
Data Source: National Travel Survey Table NTS0409

2.10 The largest users of bus are the youngest and oldest in society. Figure 2.6 shows the propensity to use bus by men and women in different age groups. On average, those under 30 and over 60 are more frequent bus users than those between 30 and 60. In England outside London, 28% of all bus journeys were made by people were elderly or disabled concessionary journeys.⁷ It can also be clearly be seen from the figure that women use bus much more often than men, irrespective of age. Outside London, 58% of bus trips are made by women and 42% by men.⁸

⁷ DfT (2019) *Annual Bus Statistics: England 2018/19*

⁸ Steer calculations using NTS (NTS 0601) and ONS mid-year population estimates. This approach produces an estimate of bus use that is less than that in the DfT’s annual Bus Statistics data set, but is considered adequate to give an indication of the composition of the bus market.

Figure 2.6: Propensity to Use Bus (by Age)

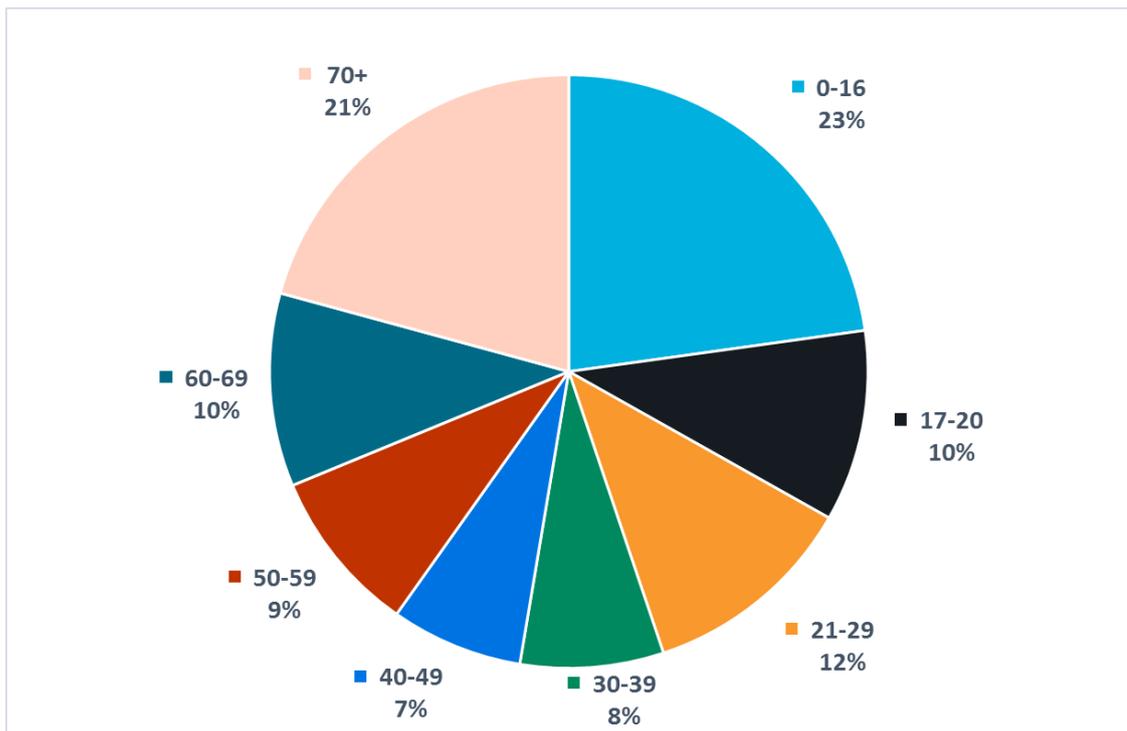


Data Source: National Travel Survey Table NTS0601

2.11 The importance of bus to the younger and the older in society is further illustrated in Figure 2.7, which shows the share of total bus trips outside London made by people in different age groups. A third of all bus trips are made by the under twenties and a fifth by the over seventies. A third of all bus trips outside London are made by working age women.⁹ Figure 2.8 and Figure 2.9 show the age breakdown by gender.

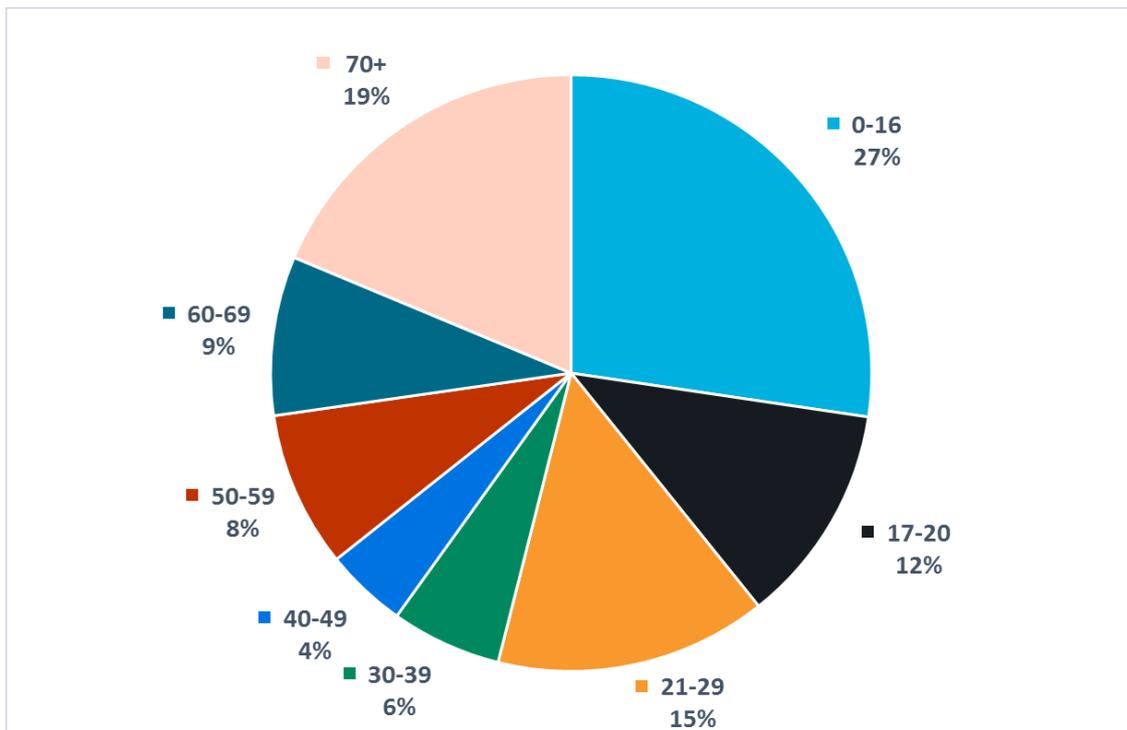
⁹ To match data readily available, this has been defined as women between 17 and 70.

Figure 2.7: Bus trips made by age brackets (Full population)



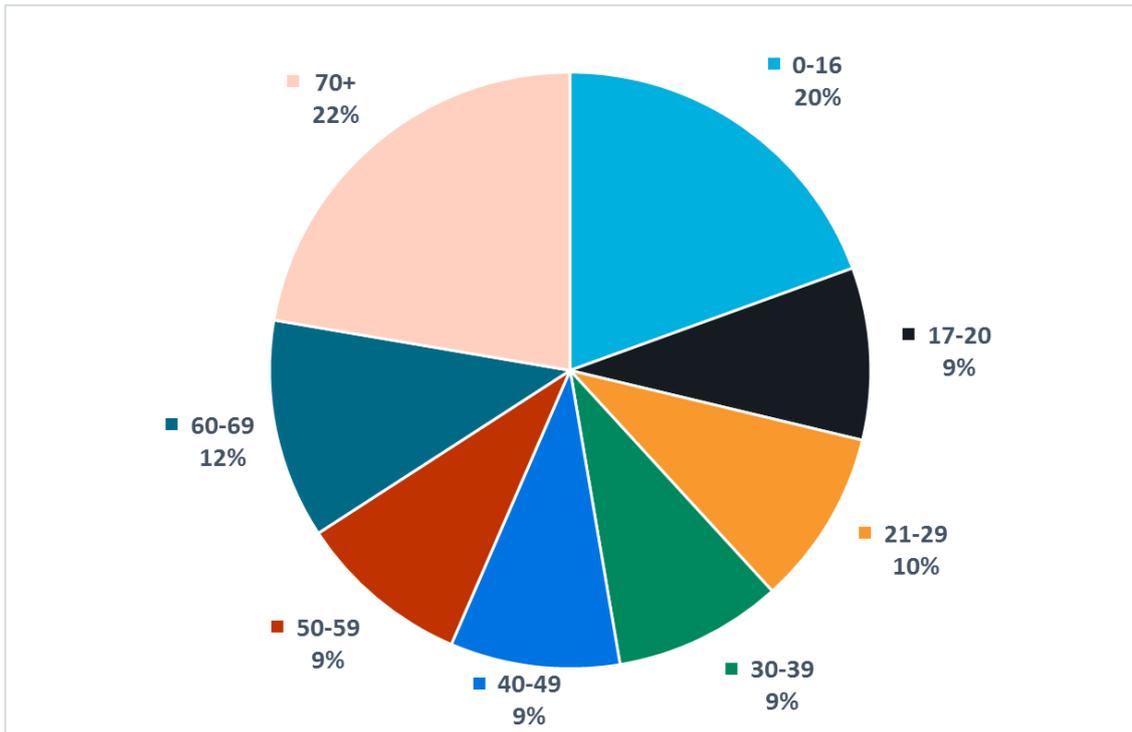
Data Source: [National Travel Survey Table NTS0601 and ONS Interactive Population Pyramid]

Figure 2.8: Bus trips made by age brackets (Male)



Data Source: National Travel Survey Table NTS0601 and ONS Interactive Population Pyramid

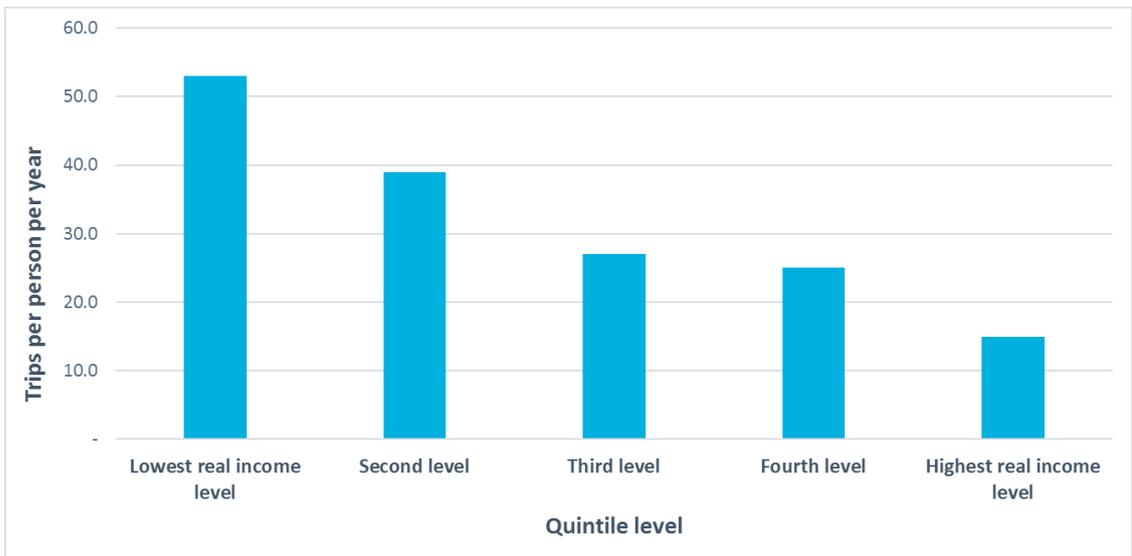
Figure 2.9: Bus trips made by age brackets (Female)



Data Source: National Travel Survey Table NTS0601 and ONS Interactive Population Pyramid

2.12 Figure 2.10, which displays bus use by income quintile, shows how bus use declines by income. Those in the lowest income quintile make the highest number of bus trips per person, while those in the highest income quintile make the lowest number.

Figure 2.10: Bus trips by income quintile



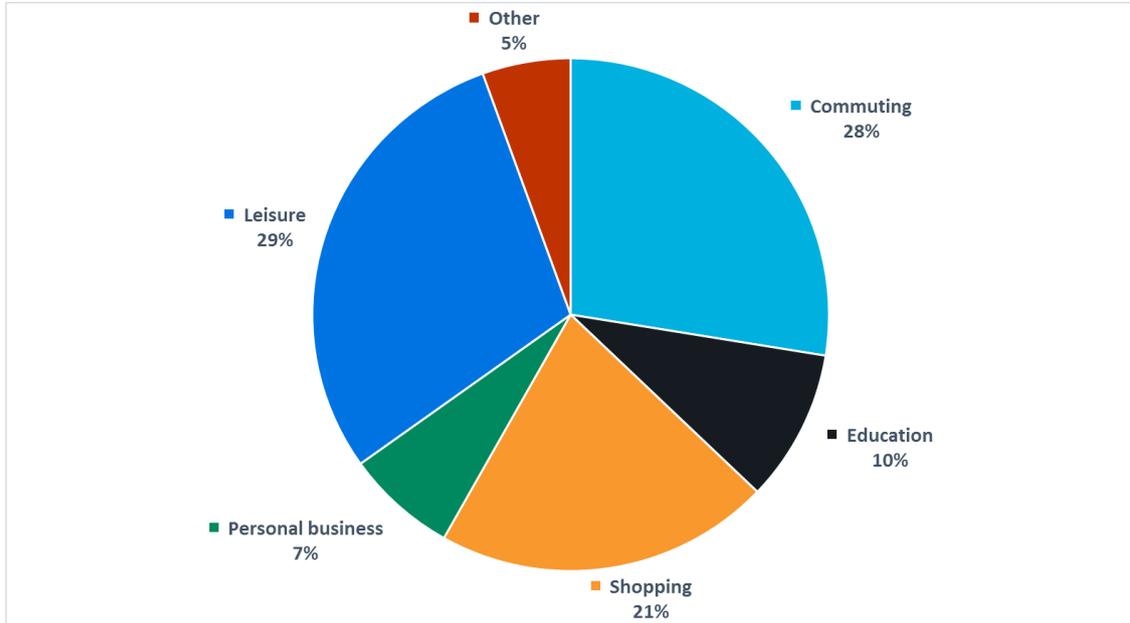
Data Source: National Travel Survey Table NTS0705

Tram

2.13 The reasons why people travel by tram are shown in Figure 2.11. Together, commuting to work and journeys to education account for around 40% of all tram journeys. Compared with

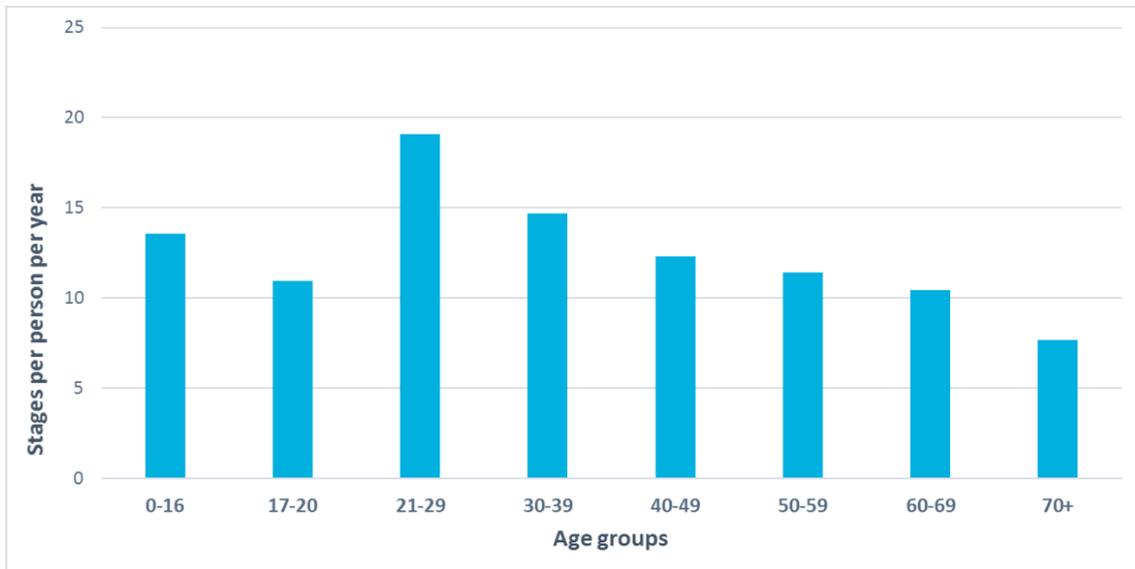
bus, commuting trips make up a larger share of all trips and whereas journeys to education make up a smaller share. This reflects that tram networks are focussed on the centres of the conurbations that they serve, which are the largest centres of employment in their areas. In addition, they are also the largest centres for retail and the leisure industry.

Figure 2.11: Why People Travel by Tram (Outside London)



Data Source: DfT Light Rail and Tram Statistics Table LRT0401a

Figure 2.12: Propensity to Use Tram (by Age)

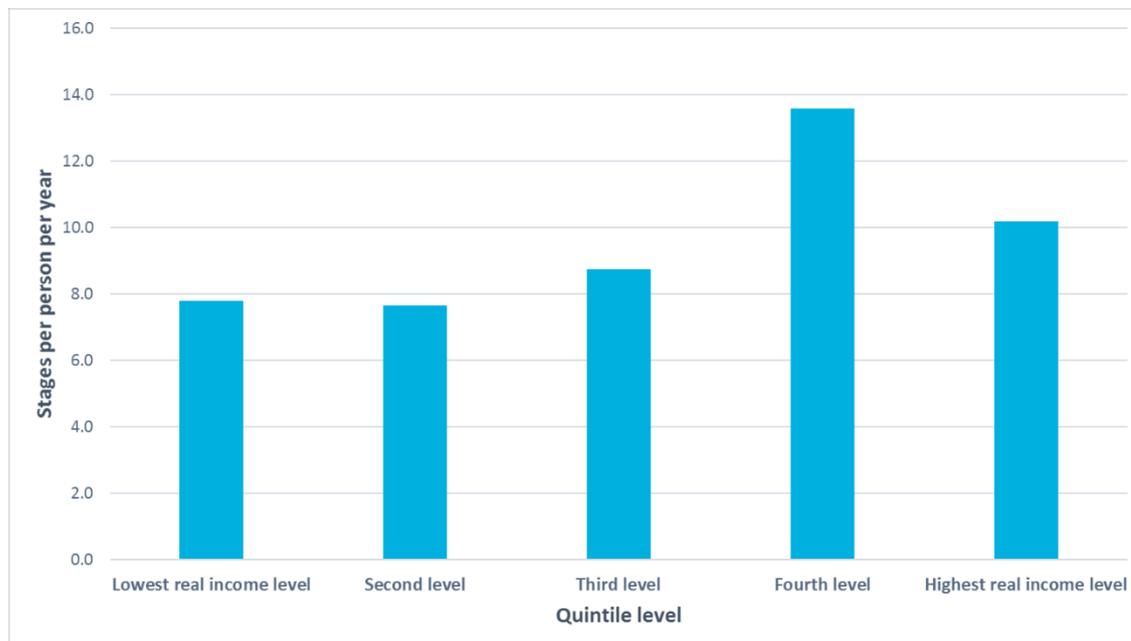


Data Source: DfT Light Rail and Tram Statistics Table LRT 0401b

2.14 The younger in society have a greater propensity to use tram than the older, with those in the 20 to 40 age bracket having the greatest propensity (Figure 2.12). Also, tram tends to be used more by the better off (Figure 2.13). Both these facts reflect the city centre markets that tram

serves well – city centres have the highest concentration of better paid knowledge intensive jobs. Men make 54% of tram journeys and women 46%.¹⁰

Figure 2.13: Propensity to Use Tram (By Household Income)



Data Source: DfT Light Rail and Tram Statistics Table LRT 0401f

The Importance of Local Public Transport

- 2.15 A body of research undertaken in recent years has established the importance of local public transport in general and bus in particular. This has included work commissioned by Greener Journeys¹¹ and by the Urban Transport Group (or its predecessor the Passenger Transport Executive Group).¹² What this work shows unequivocally is that as well as bringing immediate economic benefits to its users, the provision of local public transport has a much wider positive economic, social and environmental benefit.

¹⁰ DfT Light Rail and Tram Statistics Table LRT0401c

¹¹ For example:

Mackie P, Laird J and Johnson D (2012) *Buses and Economic Growth*, ITS Leeds

Mackie P, Laird J and Shires J (2014) *Buses and the Economy II*, ITS Leeds (plus six supporting technical reports)

KPMG (2016) *A Study of the Value of Local Bus services to Society*

KPMG (2017) *The 'True Value' of Local Bus Services*

¹² For example:

PTEG (2013) *The Case for The Urban Bus: The Economic and Social Value of Bus Networks in the Metropolitan Areas*

PTEG (2014) *Making the Connections: The Cross-Sector Benefits of Supporting Bus Services*

Why Bus Matters

The bus matters economically because ...

- More people commute to work by bus than all other forms of public transport combined. Bus commuters generate £73.5 billion in economic output every year.
- Compared to car trips, a greater proportion of bus trips are linked to economically productive activities – for example, 42% of bus trips are for work or education purposes, whereas the equivalent figure for car trips is 24%.
- More people access the high street by bus than any other mode, and people use the bus to make shopping and leisure trips to a value of £31 billion.
- In 2018/18 the bus industry had a revenue in excess of £5.46 billion, much of which is ploughed back into regional economies.
- 1 in 10 bus commuters would be forced to look for another job or give up work altogether if they could no longer travel to work by bus.
- 400,000 workers are in better, more productive jobs as a direct result of the bus, and the additional economic output they produce is £460 million per annum.

It matters socially because ...

- Nearly half of households on the lowest incomes do not have access to a car. Bus use rises as income falls.
- 64% of jobseekers either have no access to a vehicle or cannot drive.
- Young people are amongst the biggest users of bus services – outside London 17-20 year olds make over twice as many bus trips as the average person in Great Britain.
- Nearly 30% of over 60s use the bus at least once a week.
- 60% of disabled people have no car in the household.

It matters environmentally because ...

- Each double decker bus can take 75 cars off the road, reducing congestion and improving air quality.
- If drivers switched just one car journey a month to bus or coach, it would mean one billion fewer car journeys and a saving of 2 million tonnes of CO₂.
- The best used bus services in urban centres may be reducing carbon emissions from road transport by as much as 75%.

Source: Developed from PTEG (2013) *A Better Deal for the Bus from the Spending Review* ¹³Data sources are set out in the PTEG report. Data drawn from NTS has been updated to 2019 numbers. Monetary values have been updated to 2019 prices.

How PT services are provided

Bus Services

- 2.16 Outside London, bus services are provided in a deregulated environment as established by the 1985 Transport Act and introduced in October 1986:

¹³ National Travel Survey data quoted in the PTEG report has been updated using 2019 survey results. GVA values have been updated to a 2019 price base by application of the GDP deflator.

- Operators are permitted to run bus services when and where they like (subject to a short notice period)¹⁴ with no restrictions over fares. These services can compete with those of other operators, or other public transport services (e.g. rail or tram). These “commercial” services operate without any subsidy other than the Bus Services Operator Grant (BSOG) (originally a rebate of fuel tax, but now contains other elements).
- Local Transport Authorities (LTA) can procure bus services to fill gaps not met by “commercial” services. The procurement has to be by competitive tender (unless the cost is very small). Services can be procured on a net or gross cost basis.

2.17 By the year 2000, it was clear that, whilst deregulation had brought a degree of innovation in bus service provision:

- There had been a continuing decline in aggregate bus use, though the changes in patronage varied between different areas.
- There was a marked reduction in the levels of “on the road” competition, with many bus users having no choice of operator at the time of travel.
- Ownership had consolidated such that the lion’s share of bus service provision outside London was in the hands of five groups, three of which were notably bigger than the other two. There was little “on the road” competition between firms owned by these groups meaning that one group tended to dominate a particular geographic market.
- The number of bus services (or part services) that were not being provided commercially was rising, placing an increased demand on local authority finances.
- Fare levels had consistently risen above the rate of inflation.
- Multi-operator tickets had either been withdrawn or had risen in relative price such that their use reduced significantly. This particularly disadvantaged two groups of bus users:
 - those who made journeys that required interchange en route between services provided by different operators; and
 - those whose service was provided by different operators at different times of day (for example, when the evening service had been procured by the LTA from a different operator than that which provided day-time services commercially).
- There were questions around the effectiveness of the application of competition law to the bus industry:
 - it inhibited multi-operator ticketing (as this could be viewed as a cartel);
 - its application had not prevented larger companies taking over, or competing with smaller ones to the extent that they withdrew from the market; and
 - it was applied by study of the bus market alone, not regarding the private car as a competitive choice.
- It proved very difficult to promote light rail schemes alongside effective redesign of the bus network to complement the scheme. For example, in Sheffield, Supertram revenues were negatively affected by bus competition.
- The efficacy of bus services continued to be afflicted by growing levels of urban traffic congestion. Misalignment of ends and means between bus operators and highways’ authorities made it difficult to cost effectively design and deliver bus priority schemes.

¹⁴ The specific length of notice has varied over the years since 1986 and is now different between England and the devolved legislatures of Wales and Scotland.

- Retrenchment of rural bus services in recent years where mileage has reduced by 11% between 2011/12 and 2018/19.¹⁵
- Budgetary challenges for local authorities making it difficult to afford to provide supported local bus services when competing for funds with statutory requirements (such as social services and education) – in 2018/19, there were 12 local authorities in which there were no supported bus services¹⁶ and a further 13 in which less than 5% of bus mileage was in the form of supported bus services.

2.18 The last point can be seen in Metropolitan areas where an overall 13% reduction in bus mileage between 2011/12 and 2018/19 is made up of a 32% reduction in supported mileage and a 9% reduction in commercial mileage.¹⁵

2.19 To redress this, there have been a series of Acts of Parliament (2000,¹⁷ 2008¹⁸ and 2017¹⁹) which have amended some aspects of deregulation. In general, these have:

- sought to permit and encourage formal partnerships between operators and LTAs to deliver schemes and measures that would encourage growth in bus use, in particular by encouraging modal change from the car;
- made it easier to design and deliver multi-operator ticketing; and
- allowed LTAs, in specified circumstances, to suspend deregulation in a defined area and replace it with a procured bus network.

2.20 Over this period, bus regulatory legislation was devolved, so while the 2000 Act covered England, Scotland and Wales; the 2008 Act only covered England and Wales; and the 2017 Act only applies in England. As a consequence, legislation in the home nations has diverged with similar, but subtly different approaches being taken in each jurisdiction. Bus service provision in London and Northern Ireland continues to operate in a regulated environment, with the bus operators in the latter being state-owned.

2.21 A more comprehensive review of how the provision of bus services has evolved over time can be found in Appendix A.

Schools Services

2.22 The rights of children to free transport to and from school is covered by the 1996 Education Act (as subsequently amended) and full guidance is issued by the DfE.²⁰ In simple terms the Act provides that free transport for 5-16 year olds is to be provided if their nearest suitable school is beyond 2 or 3 miles (if below the age of 8 or aged between 8 and 16 respectively). Certain categories of pupil have enhanced rights to travel or travel arrangements (e.g. to be accompanied).

¹⁵ Calculated using DfT bus statistics bus0207.ods

¹⁶ Zero miles recorded in DfT bus statistics bus0208.ods

¹⁷ Transport Act

¹⁸ Local Transport Act

¹⁹ Bus Services Act

²⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/575323/Home_to_school_travel_and_transport_guidance.pdf

- 2.23 Whilst most transport provided is by bus, other modes (e.g. taxi or train) can be used where available and when appropriate. Travel can be provided by a dedicated service (usually a bus or taxi) or by travelling on timetabled services provided at the appropriate times of day.
- 2.24 Local Education Authorities fund this travel either by procuring dedicated services (usually through competitive tendering) or by purchasing season tickets for regular timetabled services.
- 2.25 Particularly in rural areas, but not uncommon elsewhere, the practical effect is that much local bus provision of all types is built around school services of one kind or another.
- 2.26 In some authority areas, school bus services are provided for children who do not qualify for free travel, and so pay a fare. Some are commercially provided, others are tendered by the local transport authority.

Other Local Transport

- 2.27 As well as conventional bus and light rail services, local transport can be provided in other ways. In some cities, suburban rail plays an important part in the travel mix. At the opposite end of the spectrum, in other areas, Demand Responsive Transport (DRT) is provided as there is insufficient demand for regular timetabled services.
- 2.28 Lower cost services are provided in some areas by Community Transport operators. Subject to meeting a number of conditions, Community Transport licences can be issued to various kinds of not for profit organisation to enable the operation of, usually, smaller vehicles often driven by volunteers. A number of very rural bus services are provided this way.

Bus Service Operator Grant (BSOG)

- 2.29 BSOG is a grant paid directly to bus operators by DfT. In effect, it is a repayment of much of the diesel fuel duty that would be paid on fuel bought conventionally. Additional repayments are made for services meeting certain standards, such as using smart card enabled ticket machines.
- 2.30 It is payable for most local bus services. For commercial services it is paid to the operator, for tendered services it is paid to the tendering authority. BSOG for London services is wrapped up in the general TfL financial settlement.
- 2.31 In 2018/19, £194m was paid to English bus operators and £55m to English local transport authorities.²¹

English National Concessionary Travel Scheme

- 2.32 From 1st April 2008, pension age English residents and eligible disabled people are entitled to free bus travel on qualifying bus services between 09:30 and 23:00 weekdays and at any time weekends and public holidays.
- 2.33 Bus operators carry such passengers without charging them a fare and are compensated using a formula based, in principle, on a proportion of the revenue foregone. They are only paid a proportion on the assumption that were the passengers paying their fares they would make fewer journeys. The proportional reduction is generally known as the generation factor.

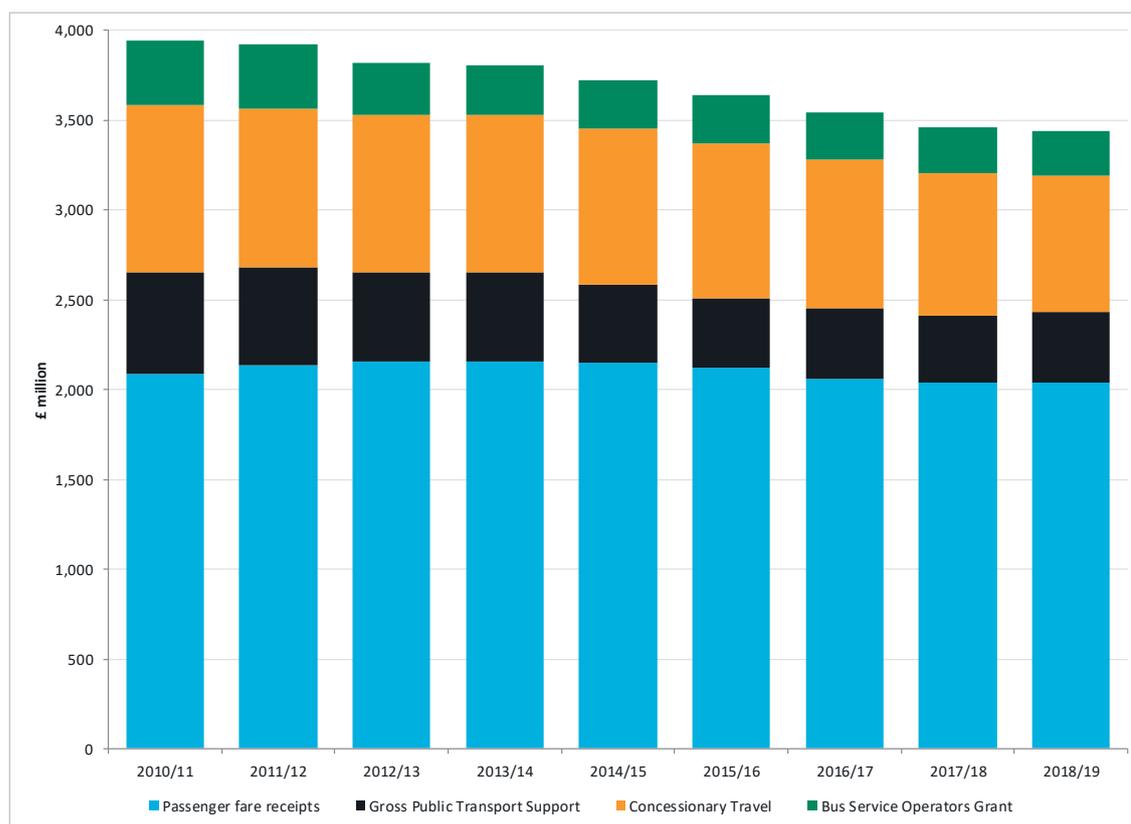
²¹ <https://www.gov.uk/government/collections/bus-services-grants-and-funding>

- 2.34 In 2018/19 £981m was paid in concessionary fare reimbursement, made up of £218m for London, £304m in metropolitan areas and £458m elsewhere.²²
- 2.35 In real terms, the amount paid out has fallen in recent years, due to a combination of reductions in passenger numbers and the rise in pension age.
- 2.36 In some areas, local authorities have opted to extend the provision of concessionary travel and fund these locally. Such extensions might consist of:
 - Adding light rail or heavy rail free or reduced travel
 - Extending the time availability of free or reduced travel
 - Extending the applicable age range
 - Adding other categories of user qualifying for free or reduced fare travel – e.g. children and young adults

Bus Company Revenues

- 2.37 For English bus services outside London, the public sector contributed (pre-Covid) around 41% of local bus service revenue in 2018/19. This proportion has fallen from around 47% in 2010/11. The breakdown is shown in:

Figure 2.14: Breakdown of English (non-London) bus revenue (2018/19 prices)



Source: DfT bus statistics bus0501.ods

- 2.38 This shows that real passenger fare revenue element has remained broadly static over this period, while other funding sources have reduced.

²² DfT Bus statistics bus0502.ods

Case Study: Bus Service provision in the West Midlands

The West Midlands, where the local transport authority is Transport for West Midlands, is served by a comprehensive network of bus services.

The largest operator is National Express with two subsidiaries, West Midlands and Coventry. Between them they operate around 80% of the bus mileage in the area. Other major operators are Diamond Bus (a Rotala group company), Arriva (particularly to the north and north east of the county) and Stagecoach (mainly around Coventry).

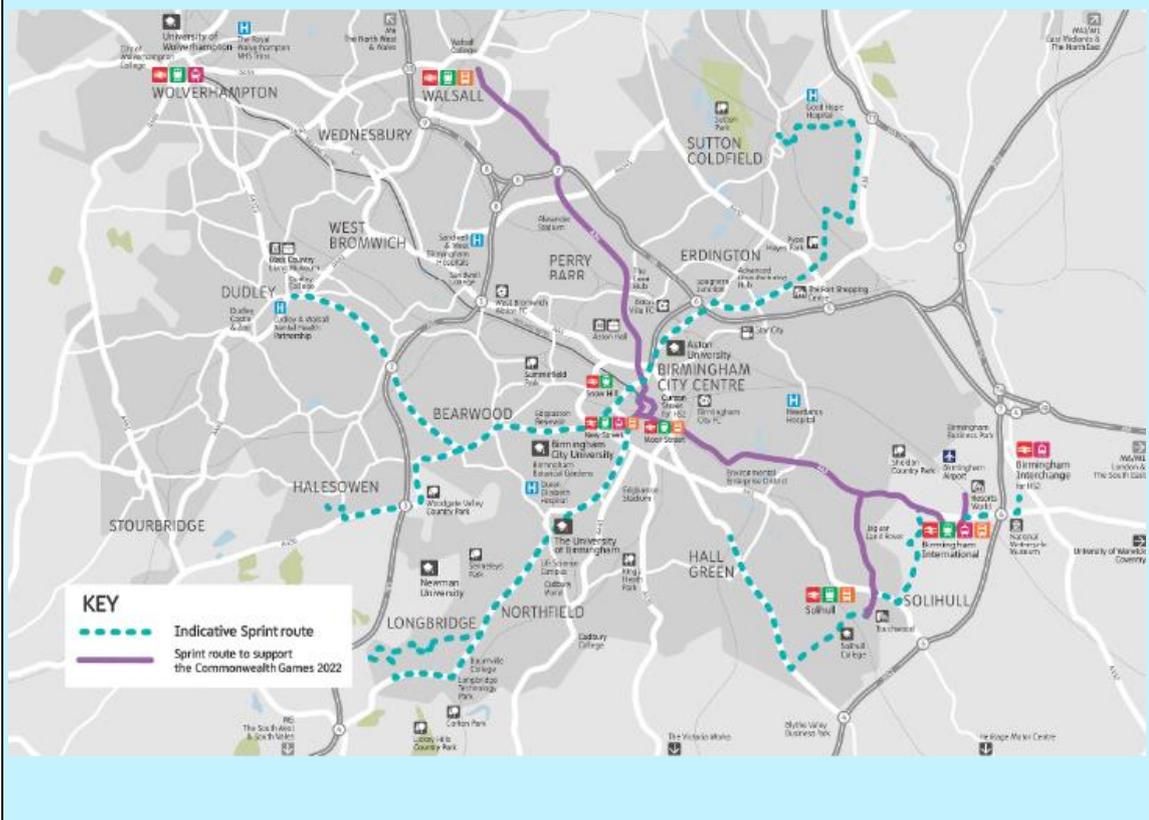
Between 12 and 15 other smaller operators provide the remainder of services, often those tendered by TfWM as socially necessary, together with many school services.

Around 92% of miles operated are provided commercially.

National Express provide a comprehensive range of tickets for their own services, which many West Midlands bus passengers use, as they have no need to use other operators' services.

Travel West Midlands support a range of multi-operator and multi-modal tickets, branded as the West Midlands Network. These include the Swift smartcard which is proving increasingly popular.

As well as developing extensions to the West Midlands Metro light rail network, TfWM is also embarking on a series of bus rapid transit routes branded as Sprint. These will see significantly enhanced bus priority measures and be styled to have many light rail features. The first route will link Walsall, central Birmingham and Solihull with a link to Birmingham Airport. Further routes are under consideration.



Light Rail & Tram

- 2.39 There are six light rail/tram systems in England outside London. The Tyne & Wear Metro, which is the light rail network that provides local rail services in the North East conurbation, opened in stages from 1980. The first phase of the Manchester Metrolink, a tram-based light rail network, commenced operation in 1992. Modern tram systems have also been introduced in Sheffield, West Midlands and Nottingham, each using former rail alignments for part of their route. The Blackpool tram – the only first-generation tram system to survive the post Second World War closures – has been substantially upgraded and now has the characteristics of a modern tramway, as well as operating tourist-focussed heritage services.
- 2.40 Whilst the arrangements are unique for each system, reflecting the economic and wider benefits that they bring, the capital costs of each light rail system have been substantially funded through Exchequer contributions. The way each system is operated is also unique, but reflecting Government capital funding conditions, pre-Covid each (other than Tyne & Wear Metro) covered its day-to-day operating costs from fare box revenue.
- 2.41 The characteristics of the six light rail/tram systems are set out in Table 2.1, which also sets out how each system is operated and where revenue risk lies.

Government and Local Public Transport – Policy Position

- 2.42 The Conservative Party was elected to Government in 2019 with a manifesto commitment to “level up and connect [the] country, so that everyone can get a fair share of its future prosperity”.²³ Identified as central to this achieving the Government’s levelling up agenda is enhancements to connectivity internationally, between city regions and within towns and cities.
- 2.43 To this end, pre-Covid, the Government was promoting a wide-ranging programme of transport investment that included (but was not limited to):
- Continued support for HS2 and working with Transport for the North to develop the Northern Powerhouse Rail concept
 - Further investment to enhance the capacity and capability of the national rail network, including calls for proposals to “reverse Beeching” through reinstating closed stations and railway lines, or through the introduction of passenger services on freight-only lines
 - Further exploring the case for light rail/mass transit, for example the March 2020 West Yorkshire Devolution Deal committed the Government to work with local partners to develop the case for a West Yorkshire Mass Transit System.
 - Further promotion of active travel through investment in dedicated cycling infrastructure and improved facilities for walking, building on the Cycling and Walking Investment Strategy

²³ Page 27, The Conservative and Unionist Party Manifesto 2019

Table 2.1: English Light Rail and Tram Outside London (2018/19 statistics)

| Network | Passengers (million) | Revenue (£m) | Length (kilometres) | Fleet (trams/LRVs) | Description | Operation and revenue risk |
|--------------------|----------------------|--------------|---------------------|--------------------|--|---|
| Nottingham | 18.8 | £20.6m | 32 | 37 | Cross city tram spine with routes to the North, South and West of city | A DBOM concession granted to the Tralink Nottingham consortium which takes revenue risk |
| West Midlands | 8.3 | £10.7m | 22 | 21 | Largely follows former rail alignment between Wolverhampton and Birmingham. On street sections in both centres. Extensions under construction. | In house operation with LTA taking revenue risk |
| Sheffield | 11.9 | £14.0m | 34 | 32 ²⁴ | On street or new build lines to north west, north east and south east of city. Also tram train link with Rotherham | Operated by Stagecoach who hold the concession until March 2024. Stagecoach takes revenue risk. |
| Tyne & Wear | 36.4 | £51.9m | 78 | 89 | Combines heavy rail conversions with tunnel section under Newcastle | In house operation with LTA taking revenue risk |
| Greater Manchester | 43.7 | £82.0m | 103 | 120 | Eight lines radiating out from city, mixture of new alignments, on-street and heavy rail conversion | 10-year concession to KeolisAmey until 2027. TfGM takes revenue risk. |
| Blackpool | 5.2 | £7.0m | 18 | 18 ²⁵ | Follows coast between Blackpool and Fleetwood. Significant seasonal traffic | Direct award to council owned bus company which takes revenue risk. |

Data Source: Department for Transport LRT statistic tables 0101, 0202, 0203 and 0301

²⁴ Includes 7 tram train vehicles

²⁵ Excludes historic and B series trams

- 2.44 In addition, to help meet its commitment to reduce the UK's greenhouse gas emissions by 100% relative to 1990 levels by 2050 ('net zero'), Government had committed to publishing a Transport Decarbonisation Plan.²⁶ The deadline for this was November 2020, with publication to coincide with the COP21 Summit in Glasgow, but the Covid pandemic has led to the postponement of the Summit and a new deadline for the Plan's publication has yet to be announced.
- 2.45 Across the country, with Government, local authorities were producing Air Quality Action Plans to meet the legal prescribed air quality limits. Given the contribution of transport emissions to poor air quality, integral to these plans is the promotion of cleaner forms of transport, including active modes and greater use of public transport.
- 2.46 The Government's commitment to enhancing transport connectivity has continued through the Covid pandemic, including:
- On 15th April, HS2 Phase 1 was given 'Notice to Proceed', the formal approval for main construction works to begin
 - On 23rd July, Government launched the Northern Transport Acceleration Council with a focus on acceleration of northern transport projects²⁷
 - On 27th July, Government published *Gear Change: a Bold Vision for Cycling and Walking*, its plan to "to make England a great walking and cycling nation"²⁸
 - On 21st August, the Government launched a new "Acceleration Unit" with a national remit to speed up the rate of transport scheme implementation²⁹
 - On 22nd August, Highways England published its Delivery Plan for Roads Period 2, the investment period between now and 2025.
- 2.47 Throughout the pandemic, investment has continued in the national rail network and road network and funding for new schemes has been announced.
- 2.48 Buses are seen as integral to meeting the Government's wider agenda and in February 2020, the DfT published *A Better Deal for Bus Users*.³⁰ In that publication it recognised that "buses are an affordable, accessible transport choice, with the ability to reduce congestion and improve air quality, and bring economic benefits to the places they serve". It went on to state that the Government's ambition is to secure a long term, sustained improvement in bus services. In the February 2020 document, Secretary of State Grant Shapps said:
- "We are already undertaking transformational programmes on our rail and road networks and we know people also want better local public transport. Buses have huge potential as part of a smart, affordable, sustainable public transport system. ... That's why we are taking the lead in

²⁶ DfT Decarbonising Transport Setting the Challenge, March 2020

<https://www.gov.uk/government/publications/creating-the-transport-decarbonisation-plan>

²⁷ <https://www.gov.uk/government/news/589-million-to-kickstart-rail-upgrades-across-the-north>

²⁸ <https://www.gov.uk/government/publications/cycling-and-walking-plan-for-england>

²⁹ <https://www.gov.uk/government/news/transport-secretary-launches-new-acceleration-unit-to-speed-up-transport-infrastructure-projects-and-build-back-better-from-covid-19>

³⁰ DfT (February 2020) *A Better Deal for Bus Users* <https://www.gov.uk/government/publications/a-better-deal-for-bus-users/a-better-deal-for-bus-users>

launching a revolution in bus services - delivering a better deal for bus users that meet the needs and demands of the travelling public.”

2.49 In its February 2020 publication, the Government committed to:

- develop a National Bus Strategy focussed on passenger priorities
- a review of Bus Service Operators Grant to ensure it supports the environment and improved passenger journeys
- all new road investments receiving government funding to explicitly address bus priority measures to improve bus journey times and reliability
- refreshing the government’s guidance to local authorities to provide up to date advice on prioritising those vehicles which can carry the most people
- investing up to £50 million to deliver Britain’s first all-electric bus town or city
- improving information for bus passengers through new digital services and at bus stops
- challenging industry to deliver a campaign to attract people to buses
- incentivising multi-operator ticketing with lower fares
- an ambition for all buses to accept contactless payment for passenger convenience
- trialling new ‘superbus’ network approach to deliver low fare, high frequency services and funding 4-year pilot of a lower fare network in Cornwall
- £20 million investment in bus priority measures in the West Midlands
- £30 million extra bus funding to be paid direct to local authorities to enable them to improve current bus services or restore lost services
- £20 million to support demand responsive services in rural and suburban areas

2.50 At the time of writing, there is no scheduled date for the publication of the National Bus Strategy.

LTAs and Local Public Transport

2.51 Reflecting the economic, social and environmental benefits that bus and tram/light rail use brings, local transport authorities across the country are working to support existing public transport patronage and create the conditions for further growth. Measures include, but are not limited to:

- Delivering reduced bus journey times and more reliable bus journeys through traffic management, including on-street and segregated bus priority and the use of urban traffic control
- The development of new and regeneration/redevelopment of existing bus stations and multi-modal interchanges
- Introduction of new park and ride facilities
- The provision of higher quality waiting environments, including better lighting, CCTV, real time information, etc.
- The provision of better information before and during journeys, including use of journey planner apps and the provision of real time information via mobile phones and other mobile devices
- Working with operators to introduce new fleets, including low emission and electric vehicles, often with enhanced passenger facilities such as wi-fi and USB charging points

2.52 Reflecting the benefits that have already been secured, local transport authorities continue to develop proposals for further expansion of their tram/light rail systems, as well as the introduction of new systems elsewhere.

Regulatory Options

- 2.53 Since 2000, three Acts of Parliament have given LTAs a number of options to influence the way that bus services are provided in their areas. These are summarised in Table 2.2 along with our assessment of their pros and cons. Further details can be found in Appendix B.

Table 2.2: Legal Measures

| Option | Provisions | Pros | Cons |
|--|---|--|--|
| <p>Voluntary Partnership Agreement (VPA)</p> | <p>A Voluntary Partnership Agreement (VPA) is statutorily defined as any voluntary agreement in which:</p> <ul style="list-style-type: none"> • an LTA, or two or more LTAs, undertake to provide particular facilities, or to do anything else for the purpose of bringing benefits to persons using local bus services, within the whole or part of their area, or combined area, and • one or more operators of local services undertake to provide services of a particular standard. <p>A VPA can include agreements:</p> <ul style="list-style-type: none"> • to run buses of a specific technical standard; • to run bus services to specified minimum frequencies at suitable times of the day; • between two or more bus operators to co-ordinate timings on common sections of route; • on maximum fares that operators will not exceed; or • that the LTA will provide (or cause to be provided) additional facilities or other benefits <p>A VPA cannot include:</p> <ul style="list-style-type: none"> • any agreement on actual fares to be charged; • any agreement to attempt to exclude non-participating operators from the facilities being provided; and • any local bus service registration restrictions. | <ul style="list-style-type: none"> • Encourages operators and LTAs to work cooperatively together to the interest of users and residents | <ul style="list-style-type: none"> • The agreement clauses are constrained by what both parties are prepared to agree to • The details of the agreed items are quite constrained by competition law • The agreement can be destabilised by “on the road” competition from non-participating operators |
| <p>Qualifying Agreement (QA)</p> | <p>A Qualifying Agreement (QA):</p> <ul style="list-style-type: none"> • has as its object or effect the prevention, restriction or distortion of competition in the area of the authority, or the combined area of the authorities, but • the LTA, or any of the LTAs, has certified that they have considered all the terms and effects (or likely effects) of the agreement and that in their opinion the following requirements are satisfied: | <ul style="list-style-type: none"> • Greater freedom for operators to co-operate on, for example, service frequencies within constraints of competition law | <ul style="list-style-type: none"> • As per VPA |

| Option | Provisions | Pros | Cons |
|---|---|--|---|
| | <ul style="list-style-type: none"> – the agreement is in the interests of persons using local services within the area of the authority, or the combined area of the authorities, and – the agreement does not impose on the undertakings concerned restrictions that are not indispensable to the attainment of the bus improvement objectives. | | |
| <p>Advanced Quality Partnership Scheme (AQPS)</p> | <p>A statutory scheme made by one or more LTA that requires all bus operators providing applicable bus services within the AQPS area to abide by its standards requirements.</p> <p>LTA(s) commit to providing bus-related facilities (such as bus stops, shelters, bus stations) and/or commit to take measures that directly or indirectly encourage bus patronage.</p> <p>Operators must abide by the standards requirements which could include some or all of:</p> <ul style="list-style-type: none"> • Vehicle requirements • Requirements about frequency or timing of services • Requirements about maximum fares. • Emission requirements – AQPS specifically allows vehicle requirements to include requirements about emissions and the types of fuel or power used. • Ticketing – the scheme can specify how passengers can pay for journeys and specify a ticketing structure. • Information requirements – the scheme can set requirements about what information about bus services must be provided to passengers and how it should be provided. • Marketing and publicity – the scheme can also specify how local bus services, fares or ticketing arrangements should be marketed or publicised. | <ul style="list-style-type: none"> • Obviates many of the operator vs operator competition law restrictions | <ul style="list-style-type: none"> • The LTA must ensure that it has the ability to be able to deliver the facilities and measures stated; • Operators are wary of the potential constraints imposed by the standards and, as a consequence, often raise difficulties during the consultation process; • Enforcement can only be made by resort to the Traffic Commissioner, who are not well resourced to undertake this, and may regard AQPS infringements as less important than safety related issues; and • The specified items are quite constrained by competition law |
| <p>Advanced Ticketing Scheme</p> | <ul style="list-style-type: none"> • Statutory scheme made by one or more LTA that requires all bus operators providing applicable bus services in a specified area to make and implement arrangements to enable customers to | <ul style="list-style-type: none"> • Obviates many of the operator vs operator competition law restrictions | <ul style="list-style-type: none"> • LTAs cannot set or influence ticket prices |

| Option | Provisions | Pros | Cons |
|----------------------|--|---|--|
| | <p>purchase tickets that are valid on two or more bus operators or on two or more transport modes one of them being bus</p> | | |
| Enhanced Partnership | <ul style="list-style-type: none"> • legally binding commitments agreed between both LTA and operators with statutory plans and schemes made by the LTA that all bus operators providing applicable bus services in a specified area have to abide by • only a majority of bus operators have to agree to the provisions of the EP, but once the LTA formally makes the statutory plan and schemes all operators have to abide by the provisions • EP Plan (EPP) is a high level strategic document that sets out a range of policy objectives and desired outcomes in a defined area • EP Scheme (EPS) sets out the requirements/standards to be met by bus operators and the facilities/measures to be provided by the LTA to deliver some or all of the policy objectives stated in the EPP | <ul style="list-style-type: none"> • Can deliver greater benefits than VPA and AQPS; while only needing agreement with the majority of bus operators | <ul style="list-style-type: none"> • The consultation and implementation process are cumbersome and lead to lengthy implementation times. • The inability to fully coordinate ticket pricing. |
| Franchising | <ul style="list-style-type: none"> • Suspension of the deregulated market • Bus operators provide services under contract to the local transport authority • Franchising provides for: <ul style="list-style-type: none"> – development of a coordinated bus network (routes/timetables) and closer integration with other modes (tram/rail) – Integrated multi-modal ticketing products and pricing – Single brand networks (e.g. livery) • Decision to implement rests with Mayor for Mayoral Combined Authorities or Secretary of State elsewhere | <ul style="list-style-type: none"> • Ability for a LTA to implement a single-brand bus network integrated with other modes • LTAs integrate policies for bus provision with wider policy agenda • Stable market for bus operators (including new entrants) | <ul style="list-style-type: none"> • Time consuming and costly to develop and implement • Potential exposure of LTAs to material revenue risk • Potential negative impacts on established bus operators' businesses |

3 Public Transport During Covid

Bus

- 3.1 Bus passenger demand plummeted with the implementation of “Lockdown” between 16th March (when Matt Hancock told the House of Commons that all unnecessary social contact should cease) and 23rd March 2020 (when Boris Johnson told the country that people must stay at home and certain businesses must close). Bus patronage outside London since the beginning of March is plotted in Figure 3.1 (on page 35). What can be seen from this graph is a slow but steady increase in bus patronage. By the end of August, patronage was still less than 50% of its pre-Covid levels, although the return of children to school and the start of the academic year for tertiary education has supported a further increase in demand.
- 3.2 The DfT initially announced that financial support would be made to the English (non-London) bus industry by:
- continuing to pay Bus Services Operators Grant (BSOG) at pre-Covid levels; and
 - local authorities to continue to pay, at pre-Covid rates:
 - concessionary travel reimbursement; and
 - home to school transport and tendered service contract payments.³¹

Operating Public Transport during Covid

- 3.3 The operation and delivery of public transport during the pandemic crisis has been constrained by a series of Government announcement and rule changes. These are summarised in Table 3.1.

Table 3.1: Timeline of key Covid events alongside bus use

| Date | Announcement ³² | Level of English Bus Use Outside London |
|------------------------|--|---|
| 14 th March | Employers should permit staff to work from home where possible. | 85% |
| 16 th March | Population advised not to make non-essential travel and avoid contact with others. | 88% |
| 20 th March | Cafes, pubs and restaurants to close that evening. All nightclubs, cinemas, gyms and leisure centres to close as soon as possible. Legally enforced by 21 st March. | 53% |

³¹ Covered under a general Cabinet Office Procurement Policy Note
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874178/PPN_02_20_Supplier_Relief_due_to_Covid19.pdf

³² https://en.wikipedia.org/wiki/Timeline_of_the_COVID-19_pandemic_in_the_United_Kingdom

| Date | Announcement ³² | Level of English Bus Use Outside London |
|------------------------|---|---|
| | Most bus companies announce reductions of services to Saturday levels from 23 rd March. | |
| 22 nd March | Prime Minister warns that “tougher measures” may be introduced if people do not follow social distancing advice | 35% |
| 23 rd March | Public instructed to stay at home except for “very limited purposes”. All non-essential shops, libraries, places of worship. Legally enforced from 26 th March. | 27% |
| 25 th March | Most bus companies announce reductions in services to Sunday levels (enhanced in the morning peak) from 30 th March | 14% |
| 5 th April | National Express and Megabus suspend all coach services | 12% |
| 6 th April | CBSSG launched (see below) | 11% |
| 11 th May | Government advises that facemasks should be worn in enclosed spaces where social distancing is not possible such as on public transport | 12% |
| 13 th May | Garden centres, sports courts and recycling centres allowed to re-open | 12% |
| 20 th May | Second phase of CBSSG announced (see below) | 13% |
| 31 st May | Many bus companies increase service levels | 19% |
| 1 st June | Primary schools reopen for younger children. Car showrooms, outdoor sports amenities and outdoor non-food markets may re-open. People may now leave home but are not allowed to stay overnight away from home. Gatherings of up to six people from more than one household permitted outdoors | 17% |
| 13 th June | Rules on gatherings relaxed. Concept of support bubbles introduced | 19% |
| 15 th June | General re-opening of retail shops and public facing businesses. Many forms of business still to remain closed including restaurants, pubs, theatres, hairdressers, etc. Face coverings mandatory on public transport. | 21% |
| 25 th June | Pubs and restaurants allowed to re-open using outside spaces only 1 metre plus social distancing acceptable where other protection measures (e.g. face masks) are in place | 23% |
| 30 th June | Local lockdown in Leicester | 26% |
| 4 th July | Most remaining forms of business allowed to open including restaurants, pubs, hairdressers, etc. | 29% |
| 15 th July | Temporary reduction in VAT for hospitality sector | 31% |
| 24 th July | Face coverings mandatory in shops and supermarkets | 35% |
| 30 th July | Household restrictions put in place in Greater Manchester, parts of East Lancashire and parts of West Yorkshire | 36% |
| 31 st July | Further easing of lockdown restrictions postponed | 37% |
| 1 st August | Shielding programme paused except for areas of special concern | 42% |
| 2 nd August | Major incident declared in Greater Manchester after rises in infection rates | 47% |
| 3 rd August | “Eat out to help out” scheme launched. | 37% |

| Date | Announcement ³² | Level of English Bus Use Outside London |
|---------------------------|--|---|
| | Leicester restrictions eased | |
| 8 th August | Mandatory use of face covering extended to more indoor venues. Further tranche of CBSSG announced (see below) | 45% |
| 26 th August | Various companies announce that they will voluntarily continue the “eat out to help out” discounts for customers | 44% |
| 28 th August | Government encourages people to return to their workplace | 43% |
| 1 st September | Schools begin to reopen | 49% |
| 8 th September | Social gatherings of more than 6 to be banned from 14 th September | 57% |

3.4 Key aspects of this on bus and light rail service provision have been:

- The initial 2 m social distancing requirement limited bus capacity to around 25% of seating capacity – with no standing allowed
- The subsequent 1+ m social distancing requirement is now limiting capacity to approximately 50% of seating capacity – again with no standing
- The need to put in place enhanced cleaning regimes and PPE for staff, with associated costs
- A requirement for passengers to wear face coverings

3.5 These vehicle capacity limitations have caused challenges to operators where, on some services, it has been necessary to provide a higher volume of service than pre-Covid so as to be able to carry those who wish to travel. This issue has been exacerbated with the re-opening of schools in September.

3.6 As long as the 1+ m social distancing requirement is in place there is a tangible limit to the number people who can use urban public transport. This is most apparent in the morning and evening peaks where pre-Covid at peak loading many services would have had all seats occupied and passengers standing. While operators have reallocated vehicles to busier routes, they only have a fixed number of vehicles and drivers and every reallocated vehicle means that a service is not operating.

3.7 Wider factors are also limiting public transport patronage. While many offices are re-opening, social distancing requirements place a limit on the number of people who can return to work. Many firms have large numbers of employees continuing to work from home. People who are furloughed are also not making journeys to work. According to the ONS, during August 36% of the workforce were working remotely and 11% were still furloughed.³³

3.8 Footfall in town and city centres is also still below its pre-Covid levels. According to Centre for Cities, footfall in Manchester, Birmingham and Leeds city centres is 49%, 52% and 57%

³³ See:

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukereconomyandsocietyfasterindicators/10september2020#business-impact-of-the-coronavirus>

respectively of pre-Covid levels, although Centre for Cities also suggest an increase in footfall to above pre-Covid levels in some smaller towns and cities.³⁴

- 3.9 Regardless of whether there are lasting effects of Covid on the number of people who routinely work from home, or how often and where people go shopping, as long as restrictions remain on offices, retail businesses and the food and beverage sector there will be a limit to the number of people who travel by local public transport.

Covid-19 Bus Services Support Grant

- 3.10 On 6th April 2020, DfT wrote to operators and local authorities to inform them that an additional temporary grant would be introduced; the Covid-19 Bus Services Support Grant (CBSSG). This was to apply for up to three months from 17th March and was capped at £166.8m.
- 3.11 On the 20th May a further £254m tranche of funding for bus operators was announced, known as “CBSSG Restart”, backdated to apply from 12th May. A number of changes were made including operators being allowed to include additional one-off costs (e.g. PPE provision) as part of their cost base.
- 3.12 On the 8th August a £218.4m tranche of funding was announced to cover a further 8 weeks. For periods after that, up to £27.3m per week has been allocated on a rolling basis.³⁵ Conditions are largely unchanged, other than service levels are expected to be restored to 100% of pre Covid levels in September.³⁶
- 3.13 The grant is paid every four weeks directly to operators using the following formula for the first month, with ‘service level %’ set at 55% or actual mileage, whichever was the smaller:
- $$2017/18 \text{ commercial BSOG live kilometres} / 52 \times 4 \times \text{service level \%} \times \text{£}1.0051$$
- 3.14 In period 2 the ‘service level %’ was set at 80% and an adjustment factor introduced to account for any period 1 under or over payments. Payments for period 3 and subsequent periods have been based on “live” bus kilometres and patronage (excluding concessionary passengers) data for the previous period, as provided by the operator. From period 3, the formula was:
- $$\text{Period } n-1 \text{ commercial live kilometres} \times \text{£}1.0051 \times \text{scaling factor based on Period } n-1 \text{ patronage} \pm \text{adjustment factor for Period } n-1$$
- 3.15 Operators have been required to consult with and undertake ongoing reviews (at least monthly) with their Local Transport Authorities (LTAs) on the proposed service levels. If required, the operator has to be able to demonstrate that these consultations took place.
- 3.16 Operators are not permitted to achieve an operating margin through this funding and this is assessed through an open book reconciliation exercise.

³⁴ See: <https://www.centreforcities.org/data/high-streets-recovery-tracker/>

³⁵ <https://www.gov.uk/government/news/government-extends-coronavirus-support-for-buses-and-trams-total-funding-tops-700-million>

³⁶ The conditions had not published at the time of writing.

- 3.17 CBSSG grants for tendered services have been paid directly to the local transport authority. For gross cost contracts, this has sought to compensate the authority for loss of revenue. For net cost contracts, the grant has usually been passed on to operators.³⁷

Bus Service Operators Grant (BSOG)

- 3.18 BSOG has been paid by the Government to operators and local authorities at pre-Covid levels. In 2018/19 this amounted to around £250m (paragraph 2.31), or around £0.5m per week. In normal times, the amount of BSOG that an operator receives is determined by the quantity of fuel used, which in turn is a function of the number of route miles that they operate. During the height of lockdown when operators were operating reduced timetables, they were in effect getting some grant for services that they did not run. However, now operators are returning to full timetables this will no longer be the case.

Concessionary Fares Reimbursement

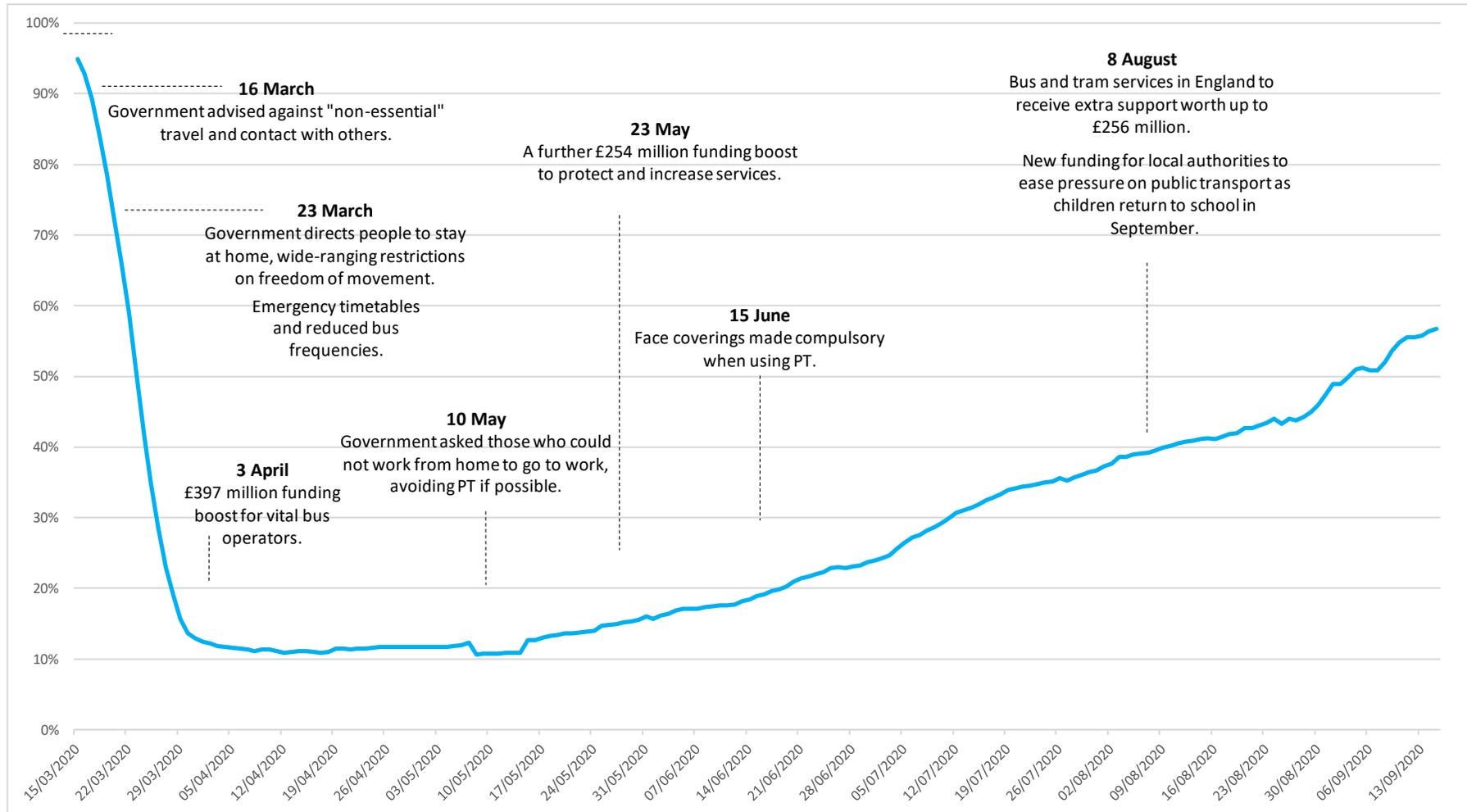
- 3.19 The £1.0051 per kilometre CBSSG rate was calculated on the basis that local authorities continued to pay English National Concessionary Travel Scheme (ENCTS) reimbursement at pre-Covid levels. ENCTS is the scheme that gives those who receive the state old age pension, as well as eligible disabled people free off-peak travel on bus services anywhere in England. In 2018/19, outside London ENCTS payments amounted to around £762m (paragraph 2.34).
- 3.20 Since March operators will have received around £400m of ENCTS payments. Assuming concessionary travel followed the overall demand pattern, this represents an overpayment to operators of around £280m, of which around £110m would have been in metropolitan areas. These figures are almost certainly understated as concessionary travellers will be travelling proportionately less than the overall population.
- 3.21 ENCTS payments to bus operators are made by local authorities. A proportion of each local authorities Revenue Support Grant (RSG) is intended to offset these payments. However, it has been suggested that there is at least a £200m shortfall between what local authorities receive from Government via the RSG and what they pay out.³⁸ A further complexity in metropolitan areas is that the RSG is paid to the district councils which then fund their Combined Authorities via an annual levy payment. There is a disconnect between the ENCTS element of RSG paid to the districts and the levy paid to the Combined Authorities.
- 3.22 By meeting the Government's request to continue paying ENCTS at pre-Covid rates local authorities are, in effect, paying grant to bus operators for passengers who are not travelling. By the end of July, the Combined Authorities for the six Metropolitan areas had spent £71.8 million reimbursing operators for concessionary journeys that had not been made.³⁹ Local authorities have also incurred additional costs due to Covid that have not been fully offset by additional Government grants. As well as adding pressure to this year's budgets, looking ahead to the next financial year, as local authorities seek to balance their budgets this position will become increasingly difficult to maintain.

³⁷ For example, this letter published by Suffolk shows additional payments to operators from the allocated CBSSG fund <https://www.suffolkonboard.com/working-with-suffolkonboard/covid-19-bus-service-support-grant-cbssg/>

³⁸ House of Commons Library (2020) *Briefing Paper: Concessionary Bus Travel, CBP 1499, 20 July 2020*

³⁹ Data supplied by UTG

Figure 3.1: Non London Bus Usage as a percentage of pre Covid levels (7 day moving average)



Data Source: Department for Transport COVID-19 Statistics

Light Rail

- 3.23 A similar three-stage process has been adopted for support to five non-London English light rail systems with funding announcements on April 24th, May 20th and August 8th. As each light rail system has a unique operating structure and revenue and cost profile, bespoke agreements are in place.
- 3.24 Up to the end of October 2020, the funds DfT expects to have provided the five systems are shown in Table 3.2.

Table 3.2: DfT Light Rail Funding April to October 2020

| Manchester | Sheffield | Nottingham | West Midlands | Tyne and Wear | Total |
|------------|-----------|------------|---------------|---------------|---------------|
| £44.0m | £6.8m | £12.1m | £5.7m | £24.7m | £93.3m |

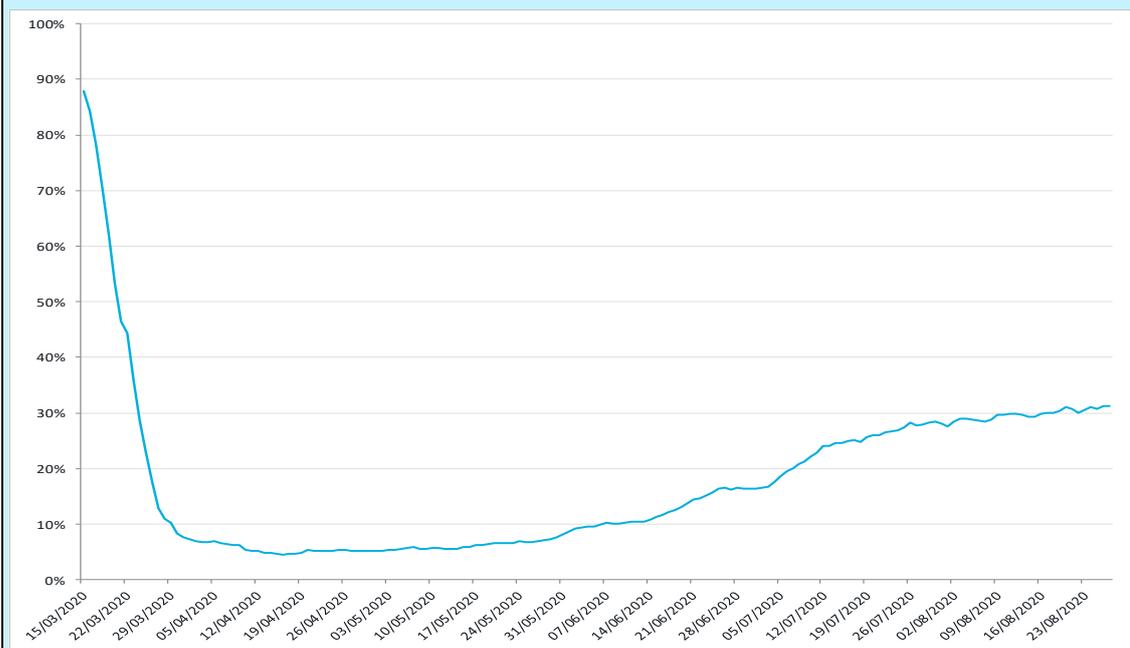
- 3.25 Blackpool tramway has not received any direct assistance. The tramway ceased operation in March while the parallel bus service was enhanced. Operation restarted in July for the summer season and is to be enhanced further for the autumn illuminations.
- 3.26 While this report is focused on local bus and tram/light rail, it is noted that in the Liverpool City Region the Merseyrail rail concession is an integral part of its public transport network. In contrast to bus and tram/light rail elsewhere, Merseytravel’s exposure to financial risk associated with the devolved Merseyrail concession has yet to be addressed.

Metrolink Case Study

Since 1992, Metrolink has seen substantial growth in revenue and demand as the network has expanded. Pre-Covid, it operated without subsidy and generated substantial operating surpluses, with a net breakeven position after taking into account financing costs associated with the Greater Manchester Transport Fund.

Since March 2020, passenger demand has followed a similar pattern to that observed nationally on local bus services.

Figure 3.2: Metrolink Usage as a percentage of pre Covid levels (7 day moving average)⁴⁰



Source: Calculations based on data sent by TfGM to DfT

TfGM will have received £44m in Covid support grants from DfT by the end of October.

Pre-Covid, Metrolink service levels were at 6 or 12 minute intervals, 6 minute service levels were in place on many lines at and between the commuter peaks Mondays to Saturdays. During lockdown, service levels were reduced, initially to 12 minute (early March) and then to 20 minute intervals (from early April). At the end of May, the 12 minute interval service was restored. This was further enhanced to every 10 minutes towards the end of June.

Metrolink trams can be run as coupled pairs (known locally as “doubles”) and the 10 minute service combined with the current fleet of 120 trams allows two-thirds of services to be provided with coupled pairs. This maximises the carrying capacity within social distancing guidelines. Thus, the full fleet is in use though overall demand is still less than 50% of pre-Covid levels. Metrolink have observed a number of interesting facets to passenger demand in the recovery period:

- The morning peak is much quieter than pre-Covid, whereas the afternoon peak is still noticeably busy
- Individual daily usage is noticeably affected by the weather suggesting many users are leisure/shoppers rather than workers
- Lines serving lower-income areas have seen much stronger patronage recovery than the others

The last point is consistent with the national public transport recovery rates where bus has generally outstripped heavy rail – it is well understood that less affluent groups use more bus

⁴⁰ shown as a percentage of travel in 3rd week of January so as to be consistent with DfT Covid bus statistics

than rail whereas for the better off it is the opposite. Better-off white collar workers are much more likely to be able to work from home.

These observations are written just before schools restart. There is therefore likely to be an uplift in usage, though Metrolink noted to us that school children are the group with one of the highest levels of fare evasion, so “with school” patronage levels are likely to be understated.

Overall, it seems clear that Metrolink is playing a major part in allowing business and retail life in Greater Manchester to recover. It is proving particularly beneficial to more deprived communities that are some distance from Manchester city centre, in particular Wythenshawe, Oldham and Rochdale.

Nexus – Tyne and Wear Metro Patronage

The Metro is a rather older system than Manchester Metrolink. Whilst the Metro became operational in 1980 and has been further extended to Newcastle International Airport and Sunderland since then, a sizeable proportion of the network was former British Railway lines, converted to allow 1500V DC Metrocars to operate. Consequently, away from the tunnels in Newcastle and Gateshead city centres, the network is more akin to a suburban railway. It is the “heaviest” of the English light rail systems having many aspects in common with conventional National Rail provision. Indeed, between Pelaw and Sunderland, Metro shares Network Rail tracks with conventional rail services. In addition, a significant part of the network uses former heavy rail alignments. Pre-Covid ridership was almost static running at an average of around 37 million passenger trips a year. Metro does not make an operating surplus and requires a regular subsidy, around half of which comes from DfT. In that respect it is little different from suburban rail networks in other English cities provided through DfT rail franchises.

Figure 3.3: Tyne and Wear Metro Usage as a percentage of pre Covid levels (7 day moving average)

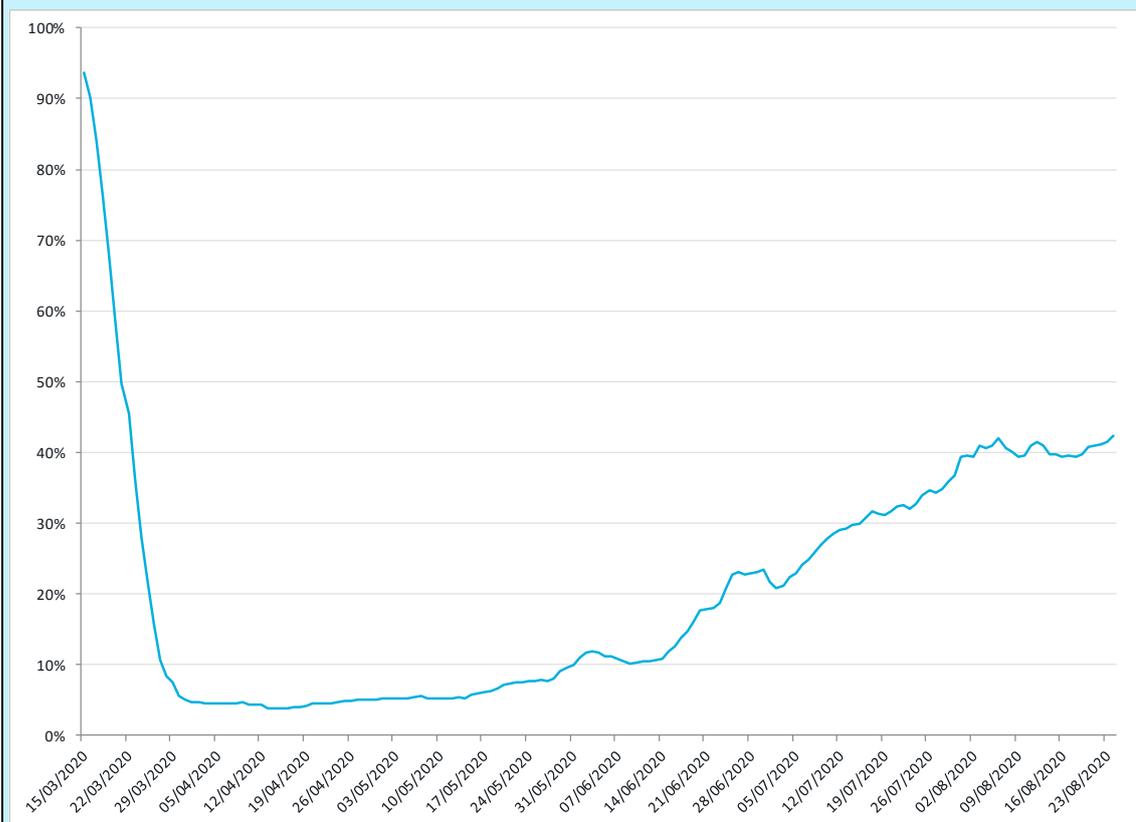


Figure 3.3 shows the patronage levels through the Covid lockdown and subsequent relaxation of restrictions. Metro was one of the first light rail systems to cut back services levels – from mid March peak extra services were withdrawn and the basic service level halved to a 24 minute service interval, or 45% of the timetable. In response to customer feedback, services were gradually reinstated by first adding two additional busy core services to South Shields and then two peak shorts. The services were increased again on 4th May to 57% of the pre-Covid timetable and then 91% of services were reinstated to a 12 minute interval from 18th May. During this time Nexus regularly communicated initiatives that it was progressing to build confidence in use of the system to its employees and customers via social media platforms such as Twitter, Facebook and LinkedIn and its own website. These included procuring an anti-microbial product which kills viruses on contact as well as reinforcing government advice on social distancing and personal health.

Nexus worked with principal contractors to ensure that key construction sites remained operational during lockdown. This ensured that new facilities such as the new depot at Howdon and Learning Centre at South Shields became operational during the summer without incurring significant financial penalties.

Nexus will have received £24.7m in Covid support grants from DfT by the end of October.

National Rail

- 3.27 On 23rd March, Secretary of State for Transport Grant Shapps announced⁴¹ that English rail franchises would be the subject of emergency measures agreements (EMA) that would turn franchises into contracts where the Government would retain revenue and reimburse operating costs to the franchise operators. A small 'cost plus' of up to 2% would be paid to incentivise the operators to meet reliability targets and to collect revenue. The revised arrangements were backdated to 1st March.
- 3.28 Merseyrail was omitted from these arrangements due to the sharing of financial responsibility for this concession with Merseytravel.
- 3.29 The Welsh and Scottish Governments have made their own arrangements to support their franchises.
- 3.30 Train service levels were heavily reduced during March as operators managed patronage levels at as little as 5% of pre-Covid levels.
- 3.31 Service levels have subsequently been increased again, such that from 15th September around 90% of trains in the pre-Covid timetable will run. In a number of cases, it seems that the inability to run 100% is largely down to train operators finding it hard to find train driver "in-cab" training methods that meet social distance guidelines.
- 3.32 The DfT has published data for the 4 four-week periods from 1st March to 27th June showing the net payments to train operators.⁴² These show that, over this period, £2.28bn has been paid out. As passenger numbers recover, the payments are expected to fall.
- 3.33 In August edition of *Modern Railways* magazine, columnist Roger Ford undertook calculations suggesting that the subsidy per passenger trip is likely to be between £30 and £250 depending on the train operator. South East commuter railways are at the lower end; regional operators in the lower middle of the range, around £80; and inter-city operators see the highest values. Figures within these ranges are quoted elsewhere
- 3.34 On 21st September the Department for Transport announced Emergency Recovery Management Agreements (ERMAs) for the national railway. These will extend Government support for a further 18 months to March 2022 on a comparable basis to the emergency funding introduced in March this year.

⁴¹ <https://www.gov.uk/government/speeches/rail-emergency-measures-during-the-covid-19-pandemic>

⁴² <https://www.gov.uk/government/publications/payments-to-passenger-rail-operators-march-to-june-2020>

4 Public Transport Post Covid

Introduction

- 4.1 Across the world, Covid has led to unprecedented impacts on the way we travel. As we set out in the previous Chapter, to reduce the rate of spread of infection and manage pressure on the health service, the UK's decision to 'lockdown' society and, as part of that, advise people not to travel by public transport, led to a precipitous decline in use of buses, light rail and the national rail network. Demand dropped to a small fraction of its pre-Covid levels. Government has had to step in and provide financial support to ensure that bus, light rail and rail networks initially provided the connectivity needed for key workers to get to their jobs and then built up the service in advance of the easing of lockdown restrictions and so in advance of the demand and revenue needed to pay for the services being provided.
- 4.2 At the time of writing (mid September 2020) there is considerable uncertainty about:
- The future trajectory of the pandemic, for example whether the coming autumn and winter will lead to a significant upsurge in Covid cases, perhaps alongside seasonal flu, which in turn will ramp up pressure on the NHS.
 - Whether and to what degree our societal responses to Covid and lockdown persist in a 'new normal', for example whether office workers return to their previous patterns of commuting and business travel, or whether the increase in working from home will lead to a lasting change in travel habits and patterns, or whether the increase in working from home is simply a rapid acceleration of a trend that was already happening and has simply brought forward what we would have seen in a few years' time in any event.
- 4.3 In Steer's view, the form and timing of any medical resolution of the Covid crisis is the first order uncertainty. This will drive the direction of behavioural and policy responses and what this means to the economy, people's activities and transport demand. Based on this, we have identified three key uncertainties:
- whether or not there is a second wave/resurgence
 - whether or not effective treatment pathways are found
 - whether or not a successful vaccine is developed and widely deployed
- 4.4 Thinking about the medical uncertainties led us to identify four future scenarios:
- **Scenario 1: Cycles of Lockdown:** Social distancing and 'track-and-trace' fail to stop a resurgence of Covid. Further (local) lockdowns are necessary over the next 2-3 years with the consequent negative effects on society and the economy.
 - **Scenario 2: Adaptation:** No significant resurgence or second wave materialises and society adapts, finding a new equilibrium of behaviours and activities that keep endemic Covid under control.
 - **Scenario 3: Therapeutics:** An effective clinical pathway is found that materially reduces Covid health impacts and the mortality rate. Society returns mostly to normal.

- **Scenario 4: Vaccine:** An effective vaccine is widely deployed. In this scenario, once the vaccine is rolled out society rapidly returns to pre-Covid norms.

4.5 Other variants are possible. However, we believe “Vaccine” (least impact) and “Cycles of Lockdown” (biggest impact) represent the upper and lower bounds of what we believe to be the plausible post-Covid medium terms outcomes for economy, activity and transport demand.

4.6 At the time of writing:

- Leicester has experienced a local lockdown which after seven weeks started to be eased. Additional restrictions have been put in place in Greater Manchester, much of West Yorkshire and east Lancashire and the North East, although some of these have since been eased. The number of locations that are considered “areas of concern” is increasing. The Government has introduced the ‘Rule of Six’ placing a legal limit of six on the number of people who can gather inside or outside. This was enshrined in law from 14th September.
- There is a test, track and trace system in place, but it is not yet meeting the Government’s performance targets, which suggests it is not yet as effective as planned. The approach to testing continues to evolve and Government is working to increase its capacity. Recent developments better integrating the national track and trace system with local government capability are intended to help improve it.
- In the UK and across the world, since the outbreak of the pandemic advances have been made with the treatment of Covid patients. However, it remains a dangerous disease with potential long-term health impacts and a high mortality rate, notably for the elder cohorts, those with pre-existing medical conditions and for members of some BAME communities.
- There are over 170 vaccines in development, of which 25 are in small-scale safety trials, 15 in expanded safety trials and 7 in large scale efficacy trials.⁴³ While the rate and progress with vaccine development is unprecedented, there is a material risk that an effective vaccine will not be found, or not found quickly. The World Health Organisation has suggested that it will be mid 2021 at the earliest before widespread vaccine availability, although it could be many years before this is the case.⁴⁴

4.7 In the light of this, at the time of writing, our assessment is that England is sitting somewhere between our Scenario 1 and 2. What the last few months have told us is that circumstances can change quickly, although as we set out below, even in our best-case scenario it is hard to see local public transport patronage returning to pre-Covid levels.

Economic Outlook

4.8 A direct result of the actions taken by governments domestically and internationally to tackle the pandemic is that the UK economy is in recession. UK Gross Domestic Product (GDP) is estimated by the Office of National Statistics to have fallen by 20.4% in Quarter 2 2020.

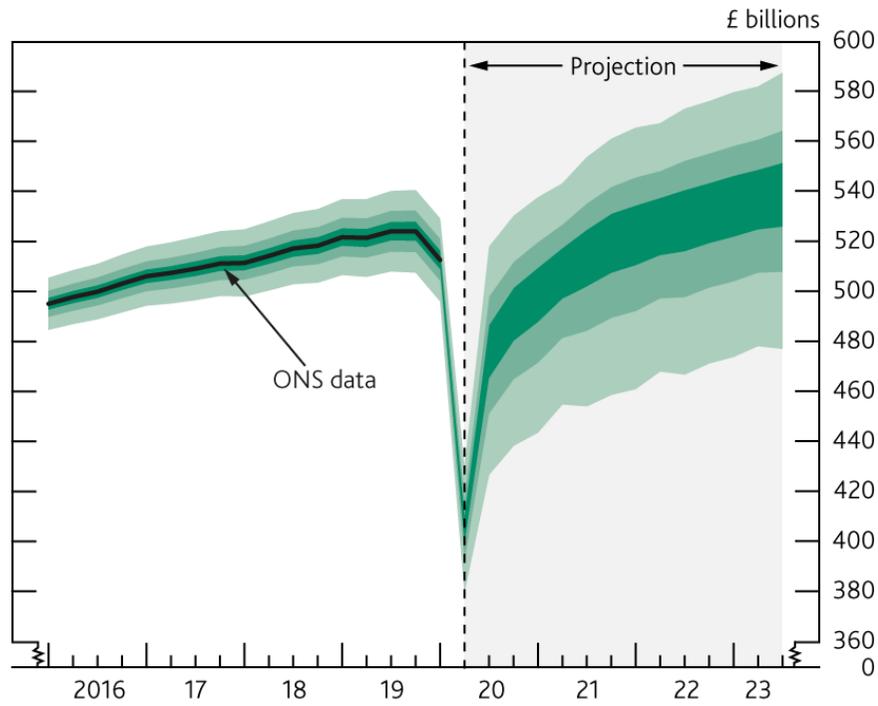
⁴³ See: <https://www.theguardian.com/world/ng-interactive/2020/aug/18/covid-vaccine-tracker-when-will-we-have-a-coronavirus-vaccine>, accessed 19th August 2020

⁴⁴ See, for example, <https://www.newscientist.com/article/mg24632804-000-why-itll-still-be-a-long-time-before-we-get-a-coronavirus-vaccine/>

- 4.9 The future performance of the economy will be a key driver of future public transport demand. An increase in unemployment will mean fewer people travelling to and from work, which means fewer commuting trips by public transport. In a recession there is less discretionary spending, for example fewer nights out or less money spent on non-essential items in the shops. This means fewer trips for shopping and leisure purposes. The shape and form of the economic recovery will also influence public transport demand. Town and city centres, with their focus on office-based employment as well as the retail and leisure economies, have been particularly affected by the economic downturn. They are also the focus of public transport patronage, so sluggish growth in town and city centres would suggest a slow return to a 'new normal' for public transport demand.
- 4.10 The most contemporary forecasts for the UK economy were produced in August by the Bank of England's Monetary Policy Committee.⁴⁵ The Committee recognises that there is significant uncertainty about future economic performance. They say: "the outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors. The MPC's projections assume that the direct impact of Covid-19 on the economy dissipates gradually over the forecast period."
- 4.11 As a consequence, the Committee presents its projections as a range and these are reproduced below as Figure 4.1. In this fan graph, the range covers P₅ to P₉₅, that is the outcome that is expected to occur 90% of the time. The darkest colour is the central case. The Committee anticipates a gradual but steady recovery of the economy from the beginning of 2021, but that health concerns will continue to provide a medium-term dampener on economic growth. The Committee's central case forecast is that in real terms it will be Quarter 4 2021 before the economy exceeds its Quarter 4 2019 size.
- 4.12 The Monetary Policy Committee's unemployment projection is reproduced in Figure 4.2. Again, the range of the fan captures the outcome expected 90% of the time. The central case unemployment projection peaks at around 7.5% in Quarter 4 2020 and only returns to Quarter 2 2020 levels after three years (in Quarter 2 2023). The Committee notes that while the Coronavirus Job Retention Scheme (CJRS) ('furlough') has mitigated short term unemployment impacts, the accommodation and food, and recreation and leisure sectors have experienced the greatest short-term impacts. These are sectors which make large parts of town and city centre economies. They have staff and customers who have a higher than average propensity to use local public transport.
- 4.13 Here we have focussed on the Monetary Policy Committee's projections. This is simply because they are the most contemporary official national projections available. It is noted, however, that in July 2020 the Office of Budget Responsibility set out a similar but more pessimistic forecast. Its central case has output recovers more slowly, regaining its pre-virus peak by the end of 2022. Its unemployment projections are also more pessimistic.

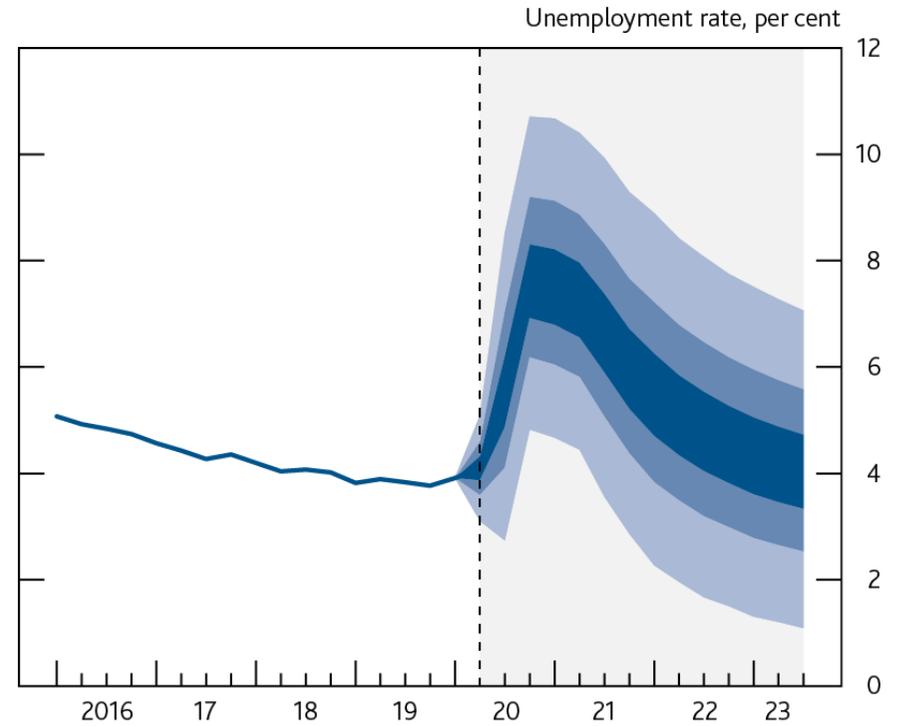
⁴⁵ <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020.pdf?la=en&hash=75D62D3B4C23A8D30D94F9B79FC47249000422FE>

Figure 4.1: Bank of England Monetary Policy Committee Quarterly GDP Projections



Source: Chart 1.1 *Monetary Policy Report*, August 2020. Full details of the assumptions and methods that have been applied to derive the projection can be found in the source document.

Figure 4.2: Bank of England Monetary Policy Committee Quarterly Unemployment Projections



Source: Chart 1.2 *Monetary Policy Report*, August 2020. Full details of the assumptions and methods that have been applied to derive the projection can be found in the source document.

4.14 In time both the Bank of England and the OBR will produce new forecasts, but what is clear is that the current central case view is that it will be 2 to 3 years before the UK economy returns to its pre-pandemic size and longer still before employment levels recover.

Local Public Transport Patronage

Two Scenarios

4.15 Adapting the UK’s Government Office for Science Futures Toolkit, as part of the work that led to the four scenarios described above, we first identified 92 potential drivers of change with 12 of these then identified as most important. Thinking about these 12 drivers in each scenario allows us to think about potential futures for different modes of transport in different settings.

4.16 In the two figures below, we set out whether these drivers of change are ‘pull factors’, that is things that will encourage people to use local public transport, or whether they are ‘push factors’, things that will act against local public transport use. The figures show the push/pull factors in our Cycles of Lockdown scenario and Vaccine scenario. As already noted, we suggest that these represent the lower and upper limits of any demand response. Adopting conventional risk management terminology, Scenario 1 is our plausible Worst Case Scenario, while Scenario 4 is our plausible Best Case Scenario. Both scenarios assume no further exogenous shocks to society and/or the economy.

Figure 4.3: Cycles of Lockdown Scenario – Push and Pull Factors

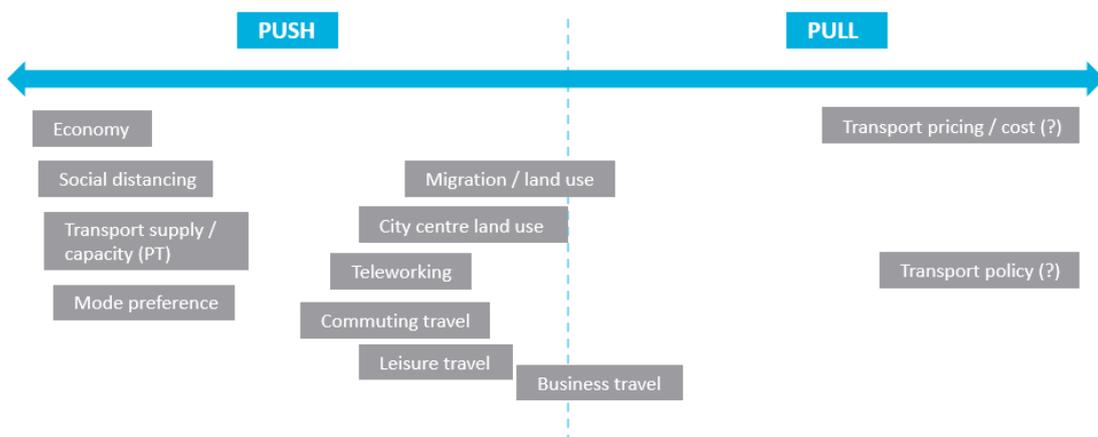
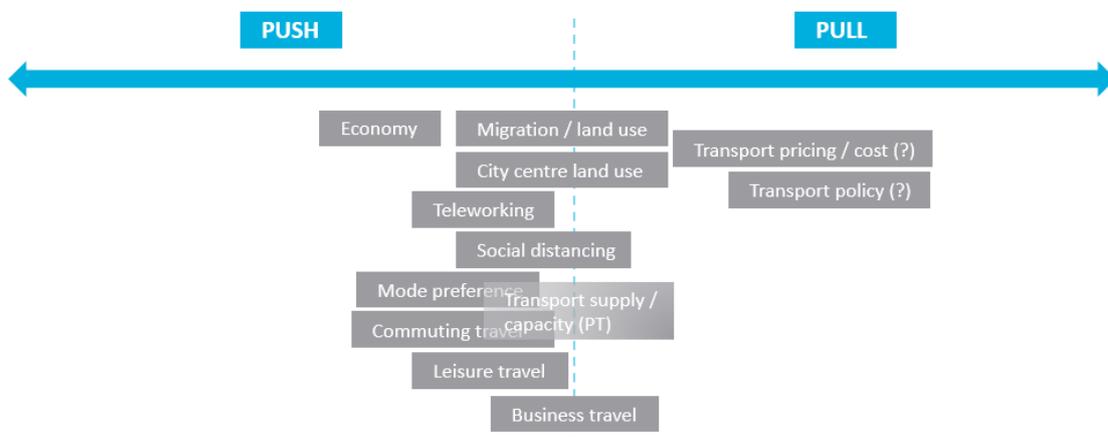


Figure 4.4: Vaccine Scenario – Push and Pull Factors



- 4.17 Looking first at Scenario 1, changes to activity patterns will all act against local public transport use returning to pre-Covid levels. With no intervention, reduced demand will lead to a smaller network and lower frequencies, which will make bus less attractive, further reducing demand. Only transport policy and as part of this the approach to transport pricing have the potential to act as 'pull' factors, but at present there is uncertainty about what the medium term policy direction is (hence the “?” on the figure) and so how effective this can be as a mitigating factor.
- 4.18 The push/pull factors are the same in Scenario 4, but less extreme. In this scenario, the availability of a vaccine means that, in theory, people can go back to their pre-Covid work and leisure activities and lifestyles and return to the travel behaviours that resulted from these. However, in practice the economic downturn will reduce the demand for travel and changing habits such as greater working from home will also reduce local transport demand, although given the different socio-economic make-up of their markets, perhaps less so than for rail. Again, only transport pricing and transport policy have the potential to act as mitigating pull factors.

Future Patronage

- 4.19 Integral to thinking about what future policy interventions may be needed to support local public transport is a view on what patronage may look like. Any approach to future support for local public transport will need sufficient flexibility to cope with the extremes of potential outcomes.
- 4.20 As set out above, we see our Scenario 1 Cycles of Lockdown as a plausible Worst Case Scenario, while Scenario 4 Vaccine is a plausible Best Case Scenario. By definition, these two scenarios are not forecasts. What they do represent, however, is a plausible lower and upper bound to what the future outturn could be. Even then, this is based on our knowledge and interpretation of what has happened between the start of the pandemic and now. One key lesson from this pandemic is that circumstances can change very quickly. All work thinking about the future is based on imperfect knowledge of what has happened in the past, what is happening now, future exogenous change and how society responds to different stimuli. Covid is a novel disease and the scale of government and societal response to it is unprecedented. It is the epitome of imperfect knowledge.
- 4.21 What follows is not based on any formal modelling, although it has been informed by what has happened to local public transport patronage to date in this country and also what has happened in elsewhere in the world and in particular New Zealand. While there is not yet a vaccine and notwithstanding the second lockdown there in August, New Zealand is the closest example we can find to what a Scenario 4 situation may look like. Experience from Auckland suggests that local public transport demand is set to recover to no more than 85% of its pre-Covid levels. Appendix C sets out more detail on our international case studies.
- 4.22 Thinking first about our plausible Best Case Scenario, Scenario 4 Vaccine, we postulate that:
- Local public transport demand will return to 85% of its pre-Covid levels
 - This level of demand would be reached 12 months after the end of the national lockdown, so mid 2021 (inherent to this assumption is that the UK will be an early adopter of a vaccine and there will be no further social distancing requirement).
 - There would be a steady and gradual increase in demand over this period
 - After that, there would be a return to trend, which is on-going decline for bus perhaps tempered in the short to medium term by an increase in employment as the economy

recovers, and modest aggregate growth for tram/light rail, in part fuelled by network expansion

4.23 This scenario reflects:

- Economic growth at a faster rate than the Monetary Policy Committee's central case projection
- As per the Monetary Policy Committee's projections, the reduction in unemployment lagging the growth in the economy. This will suppress journey to work trips
- Loss of activity (retail, food & beverage, etc.) in town and city centres following business failure/retranchment
- Persistence to a degree of the greater working from home and uptake in internet shopping experienced during the height of lockdown
- On-going public support to maintain public transport services at or around their pre-Covid levels

4.24 In this scenario should there not be on-going public support:

- Bus miles would reduce, that is travellers would face a reduction in service. As set out in Chapter 2, the overwhelming majority of local bus services outside London are provided on a commercial basis. Operators would scale-back their services to reduce costs such that the revenue they earn from the lower demand would still provide an acceptable margin.
- There will be pressure to increase fares. Private operators are free to set their own fares, but (in the main), fares on tram/light rail are set by the controlling authority.
- While there will be increasing pressure on local transport authorities to step in and procure socially necessary services, available budgets place a tangible limit on their ability to act. As set out in Chapter 2, the trend over recent years has been for the budgets for supported services to be cut, and in some cases to zero.
- Light rail/tram revenues would reduce. As we set out in case studies in Chapter 5, there is much less opportunity to gradually scale back such services and reduce costs. Either a step change reduction in service is required, or there will be material shortfalls in revenue meaning that the positive operating surpluses generated by most systems will be reversed.

4.25 Now looking at Scenario 1 Cycles of Lockdown, our plausible Worst Case Scenario, we postulate that:

- Local public transport demand will return to 65% of its pre-Covid levels
- This level of demand would be reached 18 months after the end of the national lockdown, that is late 2021. This broadly aligns with the more pessimistic Monetary Policy Committee viewpoint.
- After that, there would be a return to trend, which is on-going decline for bus and modest aggregate growth for tram/light rail
- Aggregate demand will fluctuate with large swings in local areas as different scales of lockdown restrictions are imposed and then relaxed

4.26 This scenario reflects:

- Economic recovery at the lower end of the Monetary Policy Committee's projections
- Greater and more persistent unemployment
- Deeper scarring of the high street

- Persistence to a degree of the greater working from home and uptake in internet shopping experienced during the height of lockdown
- On-going public support to maintain public transport services at or around their pre-Covid levels

4.27 In this scenario should there not be on-going public support:

- There will be a large reduction in bus miles, greater than Scenario 4. In Chapter 5, we set out what scale this could be
- The calls on local transport authorities to step in and procure socially necessary services, would exceed any plausible available budgets
- Local lockdowns have the potential to place some operators under severe financial pressure
- Light rail/tram revenues would reduce. It is more than likely that a new funding and finance model would be needed to maintain operation

4.28 In either scenario, different communities and different locations will experience differential impacts:

- The sectors of the economy most immediately affected by the downturn include food and beverage, hospitality and accommodation and the retail sectors.
- These sectors make up large proportions of town and city centre employment.
- They also have a workforce with a high preponderance of younger people and women of all ages with low wages and many part-time positions, as well as more staff on zero-hours/'gig economy' contracts
- It is those most deprived areas that are likely to bear the brunt of loss of income and/or job losses
- Workers in the sectors most immediately affected have a high propensity to use local public transport for their journeys to work and given low car availability, for other journeys too. This is also true for the customers of these sectors – it is town and city centres that have the highest public transport mode share

4.29 In summary, local public transport faces a situation where its core demand has been disproportionately affected by the pandemic-induced recession. At the same time, provision of local public transport is particularly important for many of those people who have lost their jobs or in danger of losing their jobs to return to employment. Maintaining local public transport supply is integral to the post-pandemic recovery.

4.30 Furthermore, before the pandemic, at both a national and local level, supporting growth in local public transport was seen as integral to:

- Supporting local economic growth and the further growth of employment and economic activity in town and city centres, all as part of the levelling up agenda
- Securing compliance with legal obligations to improve air quality by providing less polluting alternatives to car travel
- The path to carbon 'net zero'

4.31 There are two further points to note that are applicable to both scenarios:

- Experience is that once public transport demand is lost, it can be very challenging to recover the position. The (re)introduction of a new public transport service always leads to an upward step change in costs in advance of revenue – costs increase quickly, while

revenue increases gradually. On top of this, when public transport services are removed, people change their behaviour – they go to different shopping destinations, their leisure habits change and in extremis, they change job or simply drop out of the labour market altogether. Such changes in habit are hard to reverse.

- There is a path dependency. Regardless of the desired end state policy makers would like local public transport to provide and what markets they would like it to serve, the eventual outcome will be strongly influenced by decisions taken now.

4.32 As we set out in Chapter 2, because of the role it can take in supporting and facilitating economic growth, the levelling up of the economy and meeting the Government’s net zero carbon commitment, pre-Covid national and local government were proactively promoting policies and programmes to increase local public transport patronage. Post Covid, the scale of the contribution that local public transport can make to each of these policy imperatives will be strongly influenced by the services that it operates and the number of people that it carries once Covid restrictions are removed and the economy returns to normality. In turn, this will be a function of the nature and scale of public support through the Covid crisis.

5 The Case for Public Support

Introduction

- 5.1 Pre-pandemic there was national and local public policy support for growing the use of local public transport and as part of that, extending its scope, capacity and geographic network coverage, and improving its quality. At all levels of government there was a recognition of:
- The long term economic importance of bus and tram/light rail and as part of this, its role in supporting the levelling-up agenda by providing an affordable means for people to get to work and to access education, as well as the role it takes in getting customers to businesses
 - The contribution that greater use of improved local public transport can make to addressing poor air quality and addressing the climate emergency
- 5.2 Each of these pre-Covid policy drivers remain. On top of that, the economy has experienced a recession and unemployment is rising. The Bank of England's central case projection is for the economy not to recover to its end of 2019 scale until the latter half of 2021 and unemployment will take longer to return to pre-Covid levels. Given the importance of towns and cities to the national economy and the role that local public transport plays in those towns and cities, there is a symbiotic relationship between post-Covid economic recovery and the provision of post-Covid local public transport.

“The UK's unbalanced economy is [a] weakness. Our mission is to level-up Britain. The Covid-19 outbreak must be the catalyst to get it done.”

Transport Secretary Rt Hon Grant Shapps MP, 23 May 2020

- 5.3 The economic impacts of the pandemic have not been felt equally. Those on the lowest incomes, the young, and working age women are all high users of local public transport. These segments are also the ones that have borne a disproportionate impact on their livelihoods. Availability of affordable public transport will help these people get back to work and into education. Conversely, a reduction in local public transport provision will create a further barrier to economic recovery and will affect those already most hit by the on-going recession.
- 5.4 The Government's Covid-19 Bus Services Support Grant (CBSSG), grants to support on-going operation of tram/light rail and use of the Coronavirus Job Retention Scheme by operators, along with continued payments by local transport authorities of ENCTS at pre-Covid levels and payments for tendered and school services whether or not they ran have all helped keep local public transport services running. At first these were for key workers during the height of the lockdown (albeit at lower levels of service than pre-pandemic) and latterly these have supported the re-opening of the economy. However, demand and hence revenue is currently at much lower levels than the costs of operating services.

- 5.5 Social distancing requirements place tangible limits on the number of people that can be carried. Current restrictions mean that a double decker bus can only have half its seats occupied and no passengers can stand. Tram/light rail vehicle capacity is much reduced. As long as the Government maintains the requirement for social distancing on public transport it is impossible for operators to carry anywhere near pre-Covid numbers of passengers, while all the time incurring operating costs similar, and given the need for additional deep cleaning, potentially greater than pre-Covid levels.
- 5.6 It is clear that if reductions to services and, potentially, fare increases are to be avoided, then Government support will need to continue for many months to come. The economic impacts of the on-going recession could last longer still. As a minimum support will be needed for as long as social distancing requirements are in place and potentially until the economy has recovered to its pre-Covid state or longer.
- 5.7 At present, Government support for buses is being provided with an eight-week notice period. The current round of support for light rail comes to an end at the beginning of October. In this Chapter, we explore what would happen if that support came to an abrupt end. In the next Chapter, we look at potential alternative options for supporting local public transport, along with what we see as the pros and cons of these.

Objectives

- 5.8 In the light of the analysis in this report, we have identified four objectives that we consider form a basis to develop and assess options for on-going financial support of local public transport. These are:
1. To maximise local public transport's contribution to Covid recovery
 2. To put local public transport in the best place post Covid to support longer term policy objectives including those set out in the DfT's *A Better Deal for Bus Users* and in local policies
 3. To maximise local public transport demand post Covid (an implication of 1 and 2)
 4. To exit the Covid crisis with local public transport on a sound financial footing
- 5.9 To us, a logical consequence of these objectives, is to maintain current local public transport services as much as possible. This is not to say that some adjustment of local public transport networks to better match post-Covid demand and revenue will not be needed, but maintaining the network insofar as possible will:
- Continue to provide access to health, education and jobs for to those who now have no other option
 - Avoid the cost and revenue impacts of re-starting suspended services, something particularly important for tram/light rail services
 - Avoid job losses in local public transport operators. As well as the direct benefit of supporting employment, the need to recruit and (re)train staff is a particular barrier to reinstating public transport services
 - Keep vehicle fleets at pre-Covid levels and in the case of tram/light rail avoid expensive decommissioning/recommissioning costs to be avoided (see later case studies)
- 5.10 When developing options to meet these objectives, we have also been mindful of the legal and regulatory context within which local bus services are provided. In Chapter 2, we set out the regulatory options available to local transport authorities. With the legislation and associated regulations as they stand, what is clear is that for any authority not already well

advanced considering a franchising proposition any franchising approach is not a viable short-term option. They simply take too long to develop. However, local transport authorities with well-developed proposals have the potential to develop and adapt these. For others, the way forward needs to be developed within the context of the current regulatory approach.

End of Support

Bus

- 5.11 Even with on-going public support, the two scenarios we describe in Chapter 4 both assume that as the country exits the Covid crisis local public transport demand will be lower than pre-Covid. Should public support cease, there is likely to be a reduction in service, which in turn would lead to a further reduction in demand. The worst form of cliff edge for bus operators would be the end of CBSSG, and a return to the payment of concessionary reimbursement based on actual concessionary usage and the payment of BSOG based on actual mileage run.
- 5.12 In such a situation, bus operators would have to rapidly alter their services to live within their revised means.
- 5.13 In 2018/19, the bus operator split of revenue was as shown in Table 5.1.

Table 5.1: 2018/19 Bus Operator Revenue and Costs (£m) ⁴⁶

| | England outside London | English Metropolitan areas |
|-----------------------------|------------------------|----------------------------|
| Passengers | £2,036 | £798 |
| Tendered services | £393 | £129 |
| Concessionary reimbursement | £762 | £304 |
| BSOG | £248 | £85 |
| Total Revenue | £3,440 | £1,317 |
| Operating Costs | £2,997 | £1,190 |
| Surplus/(Loss) | £443 | £127 |

- 5.14 Based on early September figures, bus demand is at c.50% of pre-Covid levels. For the purpose of the illustrative analysis that follows we have assumed that by October this reaches 60%.
- 5.15 On the initial assumption that levels of operation are unchanged, but passenger and concessionary revenue drop, a high level assessment of the financial position is set out in Table 5.2.

Table 5.2: Annual Bus Operator Revenue and Costs at 60% patronage 100% operation (£m)

| | England outside London | English Metropolitan areas |
|-----------------------------|------------------------|----------------------------|
| Passengers | £1,221 | £479 |
| Tendered services | £393 | £129 |
| Concessionary reimbursement | £457 | £183 |
| BSOG | £248 | £85 |
| Total Revenue | £2,320 | £876 |
| Operating Costs | £2,997 | £1,190 |

⁴⁶ Source: DfT bus statistics bus0501.ods and bus0406.ods

| | | |
|----------------|--------|--------|
| Surplus/(Loss) | (£677) | (£314) |
|----------------|--------|--------|

- 5.16 What this table shows is that, merely to break even, operators would have to reduce their costs by 22% (26% in metropolitan areas). To make cost savings of this magnitude, operators would have to reduce services and would therefore lose further revenue, now including BSOG.
- 5.17 Revenue is not evenly earned across bus networks, so operators would make targeted service reductions of the most marginal services and trips. This would almost certainly include withdrawal of commercial evening services, withdrawal of marginal daytime services and frequency reductions on many services, as well as the withdrawal of some routes in their entirety.
- 5.18 Reduction in service frequency may bring about challenges in carrying all passengers while abiding by social distancing.
- 5.19 Assuming that tendered service levels remain the same, the consequence of a 30% reduction in operations and an assumed consequent drop of patronage of 5% are shown in Table 5.3.

Table 5.3: Annual Bus Operator Revenue and Costs at 55% patronage 70% operation (£m)

| | England outside London | English Metropolitan areas |
|-----------------------------|------------------------|----------------------------|
| Passengers | £1,119 | £439 |
| Tendered services | £393 | £129 |
| Concessionary reimbursement | £419 | £167 |
| BSOG | £174 | £60 |
| Total Revenue | £2,106 | £794 |
| Operating Costs | £2,098 | £833 |
| Surplus/(Loss) | £8 | (£39) |

- 5.20 On the same basis, the consequence of a 40% reduction in operations (assumed to result in a drop of patronage of 7.5%) are shown in Table 5.4.

Table 5.4: Annual Bus Operator Revenue and Costs at 52.5% patronage 60% operation (£m)

| | England outside London | English Metropolitan areas |
|-----------------------------|------------------------|----------------------------|
| Passengers | £1,068 | £419 |
| Tendered services | £393 | £129 |
| Concessionary reimbursement | £400 | £160 |
| BSOG | £149 | £51 |
| Total Revenue | £2,011 | £759 |
| Operating Costs | £1,798 | £714 |
| Surplus/(Loss) | £213 | £45 |

- 5.21 Overall, this indicates that mileage reductions of between 30% and 40% would be likely should CBSSG be withdrawn in full. However, this is based on, what could be considered, an optimistic assumption around patronage loss. Should patronage loss be directly proportional to the mileage reduction, then mileage reductions of around 70% will be necessary for operators to break even.

- 5.22 The most likely reduction levels would fall between these values and would vary by area and the nature of the services operated. It would probably be a reduction of between 40% and 60% of mileage operated.
- 5.23 This would likely be a combination of:
- withdrawal of evening services;
 - withdrawal of marginal services;
 - withdrawal of infrequent services; and
 - frequency reductions on many services (e.g. reducing a 30 minute service to hourly, reducing a 5 minute service to 10 minutes).
- 5.24 Such a scenario would very likely to leave large areas of the country with no bus services.
- 5.25 Filling the gaps using 1985 Act tendered service powers would be possible for local authorities, though this is only easy where complete services or blocks or trips are withdrawn.⁴⁷ But in simple terms, for local authorities to buy back all withdrawn services with operators only allowed to break even (i.e. address the loss row in Table 5.2), would require a 300% increase in tendered service expenditure. Recent trends have been for tendered service budgets to be reduced.
- 5.26 Operators may also choose to increase fares to seek to rebalance revenue and costs. This may well occur just as local economies start to feel the serious bite of unemployment and the consequences of the recession. Fare increases would further reduce patronage.
- 5.27 There are other consequences that may flow from such levels of service cuts:
- Redundancy of skilled staff – drivers and maintenance – who are expensive to train and recruit
 - Cessation of fleet replacement, thus slowing progress towards zero-emission buses (though the consequential fleet withdrawals will, most likely,⁴⁸ be older more polluting buses)
 - Dis-economies of scale such that whole bus depots or individual companies close as the lower levels of operation do not support the overheads
- 5.28 As set out earlier at Paragraph 4.31, once commercial bus services have been removed there are financial barriers to operators reinstating them.
- 5.29 The scenarios presented here are illustrative. They are not intended to be forecasts of what will happen should CBSSG be withdrawn and ENCTS payments return to a per-use basis, rather, their purpose is to paint a picture of the potential consequences of doing so. Nonetheless, what is clear from these thought experiments is that to maintain bus services at or close to pre-Covid levels, as long as social distancing requirements that limit capacity are in place and as long as the economy is in its recovery phase, there will be a need for on-going public support. No one knows how long social distancing requirements will be in place. The Bank of England's Monetary Policy Committee's central case projection is that it will be 2022 before the economy recovers to its end of 2019 size, with unemployment higher than pre-

⁴⁷ e.g. drafting a tender to enhance a half hourly commercial service to every 20 minutes is almost impossible

⁴⁸ Some companies may not be able to afford to do this as it will reduce the average age of the fleet and thus increase the average depreciation charge per bus, thus raising overall costs.

Covid persisting after that. Together, this suggests that, as a minimum, public support will be needed throughout Financial Year 2021/22.

Post Covid Buses in West Yorkshire

For West Yorkshire Combined Authority, Ernst & Young has undertaken an analysis of the resilience of the West Yorkshire bus market during the Covid recovery period. This work assumes that demand will take over two years to build back to pre Covid levels, which leaves a significant funding gap. The timing of the end of emergency funding and the return of key elements of demand such as office-based commuters and university students has a significant impact on the speed at which the viability of the bus service recovers. EY's work suggests that in an optimistic scenario the West Yorkshire bus network requires an input of £42 million to break even over the 21 months starting in November 2020. This increases to £73 million to attain pre-crisis levels of profitability.

This analysis assumes no further local lockdowns. EY's assessment is that a West Yorkshire wide local lockdown with pubs, restaurants and non-essential shops being closed, as well as inter-household visits not being permitted would further reduce bus revenue by £7m a month.

Light Rail/Tram

- 5.30 For light rail and tram systems the effect of withdrawal of financial support is starker still.
- 5.31 As demonstrated in the case studies below temporary mothballing of a system does not save significant sums and the savings made by service level reductions are even more marginal.
- 5.32 Longer term cessation of operations, or complete closure would still see local authorities with significant legacy costs and debts. Closure of five "clean" electric transport systems would not help in any movement towards cleaner air in cities, or efforts to meet the 'net zero' carbon target. Given the role that such systems play in supporting the economies of the city centres they serve, it is challenging to see how these city centres could return to pre-Covid activity levels.
- 5.33 Like local bus, the conclusion is that, at a minimum, public support will be needed throughout 2021/22.

Case Study: Tyne and Wear Metro

- 5.34 Nexus undertook a calculation of the cost of mothballing the Metro for a period of three months. On the assumption that furlough costs are still borne by the public sector, the calculation indicates that costs would only be reduced by around 9%. Even excluding the furlough contribution from the Coronavirus Job Retention Scheme, costs are only reduced by around 23%.
- 5.35 This was because a significant number of staff would need to be retained to undertake asset security, infrastructure maintenance and care of the train sets. The latter is complicated by an imminent transfer of the train sets in early October to the care of Stadler as part of the contract to replace the fleet.
- 5.36 A mothballing for three months would not incur significant restart costs, but, as with Metrolink (below), longer periods of mothballing would bring about the need for greater retraining costs due to loss of competency over time.
- 5.37 This calculation only considers cost savings for Nexus. It does not consider the loss of revenue from reduced or no service being provided, nor the cost of additional bus services should the

commercial network not be able to handle diverted passengers. Additionally, Nexus has calculated that each journey on the system generates £8.50 for the local economy, which would also be lost during any mothball period.

5.38 Many of the commuter journey patterns which Metro facilitates are across the urban core of Newcastle-Gateshead rather than into its centre - for example from south of the Tyne to the major HMRC and NHS sites near Longbenton. These could only be made by bus with a need to interchange and more than doubling journey times, even before considering increased congestion were Metro not operating. It is highly unlikely that additional buses could be hired in given the present demand for vehicles to support school travel and maintain distancing on commercial routes; journeys would need to transfer to the existing bus network.

5.39 Any increase in vehicles also would be contrary to the Tyne and Wear local authorities' clean air strategies.

Case Study: Manchester Metrolink

5.40 In a similar fashion, in order to assess whether significant savings could be made by running less frequently or by mothballing the system, TfGM undertook an exercise to assess the cost savings of three lower service levels and short term mothballing.

Table 5.5: Manchester Metrolink Service Reduction Cost saving Estimates (vs. cost of pre-Covid service levels)

| | 20 minute "double" | 20 minute "single" | 30 minute | Mothball |
|----------------------|--------------------|--------------------|-----------|----------|
| Without staff saving | 6% | 9% | 11% | 14% |
| With staff saving | 26% | 29% | 34% | 49% |

5.41 The 20 minute "single" option saves costs by reducing electricity demand and tram maintenance (km based).

5.42 The mothball cost include staff retained to undertake security checks on the network, continued infrastructure maintenance to ensure that the system can be restarted at the end of the mothball period, undertaking light maintenance on the trams during warm storage and leaving traction power supplies switched on (to deter cable theft).

5.43 The justification for considering the amount without staff saving is that staff savings can only be realised either via the Coronavirus Job Retention Scheme (the overall net cost of which to the state is nil and which is being wound down regardless) or by redundancy, the cost of which is not included.

5.44 Also not included is any restart costs. Competency retention and training is essential to the safe operation of Metrolink. Mothballed drivers returning to work after more than six months would need significant elements of training before they could recommence work. Limits on the number of trainers, would mean that drivers could only be trained in small batches leading to a lengthy (and costly) preparation period before services could restart.

5.45 This calculation only considers cost savings for Metrolink. It does not consider the loss of revenue from reduced or no service being provided (including ancillary revenues like advertising), nor the cost of additional bus services should the commercial network not be able to handle diverted passengers.

6 Options for Future Arrangements for Providing Public Support to Local Public Transport

Introduction

- 6.1 Both CBSSG and the emergency funding to tram/light rail systems have been effective. For Government, they are straightforward to administer. They have allowed local public transport:
- To continue to run through the height of the pandemic lockdown, enabling key workers to travel to and from work
 - To operate the reduced vehicle capacity that are a consequence social distancing requirements
 - Services to return towards pre-Covid levels in advance of the return of patronage
- 6.2 However, given a longer term need for public support, the existing arrangements have a number of disadvantages. These are explored more in the tables that follow, but they include:
- On-going financial insecurity for operators and in the case of tram/light rail, local transport authorities with the on-going threat of a financial cliff-edge which would lead to a need for rapid retrenchment of services
 - The short-term nature of the funding makes it difficult for operators and LTAs to use public transport provision as part of the Covid recovery strategy. An atrophied network will limit the ability to respond to changing patterns of demand/revenue
 - For those areas that have tram/light rail systems, a limited ability to coordinate their bus and tram/light rail networks in an agile and integrated way
 - Potentially insufficient flexibility to accommodate impact of local lockdowns
 - Both operators' capital investment proposals and LTA sponsored initiatives to promote bus use and the benefits that come from this being put on hold
- 6.3 In addition, we are mindful that local transport authorities, be they Combined Authorities, Shire Councils or Unitary Authorities all have a legal obligation to balance their budgets. The Covid pandemic has led to additional expenditure by all authorities, for example on their public health and social care functions. While additional Government support has been welcomed, this has in the main fallen short of the additional costs. LTAs' ability to support local public transport is limited. Additional pressure can be anticipated for the next financial year.
- 6.4 Below we set out three broad options for how public support can be provided in the future. These options have been developed mindful of the four objectives we set out at Paragraph 5.8. We go on to set out what we see as the pros and cons of each.
- 6.5 These options are not intended to be fully formed allowing a choice to be made between one or the other. Rather they are intended to illustrate alternative approaches. Before any

alternative to the existing arrangements can be adopted, we suggest there will be a need for more detailed financial assessment, engagement with the industry and local transport authorities.

Local Bus

6.6 For local bus services, we have identified three broad options:

1. **Option 1 Maintain CBSSG**, a continuation of CBSSG on a rolling eight week cycle. What we see as the pros and cons of this are set out in Table 6.1.
2. **Option 2 Evolve CBSSG**, the same broad principles as the current system, but with funding allocated over a longer time horizon and for financial year 2021/22 a revised approach to the current system to ENCTS payments. A decision on any settlement for 2022/23 would be made for the end of calendar year 2021, **which** in effect gives three months' notice of any change and allows some opportunity for LTAs to adjust their budgets for 2022/23. Our assessment of this approach is in
3. **Option 3 Reform CBSSG**, a development of Option 2 that devolves monies and the administration of the grant to those local transport authorities willing and able to do so. The goal here is to bring funding closer to local decision making and the local market, enabling local bus services to be best used as part of cross-sectoral area-wide recovery strategies and to put bus in the best place post-Covid to contribute to the national and local policy agenda outlined in Chapter 2. Table 6.3 is our assessment of this option.

Light Rail and Tram

6.7 As with local bus, we have identified three broad options. However, because each tram/light rail system has unique contractual arrangements and with these approaches to revenue risk and financing obligations, we have not developed the options beyond generic principles.

6.8 The options are:

1. **Option 1 Maintain Current Arrangements**, a continuation of the rolling cycle of time limited support.
2. **Option 2 Evolve Current Approach**, a similar approach to now, but a settlement first for the rest of this financial year and then for all of 2021/22. As with our bus Option 2, a decision on any settlement for 2022/23 would be made for the end of calendar year 2021, which in effect gives three months' notice of any change and allows some opportunity for LTAs to adjust their budgets for 2022/23.
3. **Option 3 On-going Support**, on-going subsidy arrangement comparable to the support that Tyne & Wear Metro receives, based on a long term worst case view and agreed minimum service level. Integral to this would be a refund mechanism if revenue exceeds expectation. To reduce on-going costs and liabilities, Treasury to work with the Public Works Loan Board (PWLB) and all tram/light rail LTAs to refinance their capital debts to take advantage of historically low interest rates.

Table 6.1: Option 1: Maintain CBSSG

| Option | Pros | Cons | |
|--|--|---|------------|
| <ul style="list-style-type: none"> • Renew CBSSG on eight week cycle • Total available fund set every eight weeks • No change to current formula, but potentially recalculate reimbursement rate • Maintain: <ul style="list-style-type: none"> – Payments 4 weeks in arrears – Open book reconciliation – Duty to consult LTAs • LTAs continue to pay ENCTS at pre-Covid levels • LTAs continue with existing tendered service contracts and payments | <ul style="list-style-type: none"> • Administratively straightforward –approach is comparable to claiming BSOG | <ul style="list-style-type: none"> • On-going threat of cliff-edge leading to a need for rapid retrenchment of services • Uncertainty – short term nature makes difficult to plan • Even with reconciliation, still possible to make an operating loss • Does not recognise that operating costs of buses in metropolitan areas are typically greater per km than non-metropolitan areas • Potentially insufficiently flexible to accommodate impact of local lockdowns • Atrophies network – limits ability to respond to changing patterns of demand/revenue • No ability to raise fares should costs rise | Operators |
| | <ul style="list-style-type: none"> • Quick to set up • Payments are administratively simple • Regular review avoids open ended commitment • Kept buses running through height of lockdown • Supporting return and then maintaining to pre-Covid services in advance of demand | <ul style="list-style-type: none"> • On-going threat of cliff-edge leading to a need for rapid retrenchment of services • Practicalities of on-going open book reconciliation unproven | Government |
| | <ul style="list-style-type: none"> • Supplemented local budgets • Kept buses running through height of lockdown • Supporting return and then maintaining pre-Covid services in advance of demand | <ul style="list-style-type: none"> • On-going threat of cliff-edge leading to a need for rapid retrenchment of services • Short term time horizon – maximum planning horizon is eight weeks. Notwithstanding duty to consult, limited ability to shape network to support recovery • Paying for ENCTS passengers who are not travelling | LTAs |

| | | | |
|--|---|---|-----------|
| | <ul style="list-style-type: none"> • Kept buses running through height of lockdown • Supported key workers • (So far) provided sufficient capacity for socially distanced travel | <ul style="list-style-type: none"> • On-going threat of cliff-edge leading to a need for rapid retrenchment of services (though most users may not be aware of this possibility) • During period when services are returning to pre-Covid levels: <ul style="list-style-type: none"> – Not all routes/services available – Frequent timetable changes • Potentially, insufficient peak capacity on some routes as demand recovers | Bus Users |
|--|---|---|-----------|

Table 6.2: Option 2: Evolve CBSSG

| Option | Pros | Cons | |
|--|--|---|------------|
| <ul style="list-style-type: none"> • Evolve CBSSG: <ul style="list-style-type: none"> – Funding to end of FY20/21 – Establish fund for FY21/22 – Decision on fund for FY22/23 before end of 2021 • No change to current formula, but recalculate FY21/22 reimbursement rate to reflect increase in demand/revenue & changes to ENCTS • Maintain: <ul style="list-style-type: none"> – Payments 4 weeks in arrears – Open book reconciliation – Duty to consult LTAs | <ul style="list-style-type: none"> • Administratively straightforward – no change to current approach • Removes threat of cliff-edge leading to a need for rapid retrenchment of services | <ul style="list-style-type: none"> • Even with reconciliation, still possible to make an operating loss • Potentially insufficiently flexible to accommodate impact of local lockdowns • Does not recognise that operating costs of buses in metropolitan areas are typically greater per km than non-metropolitan areas • Atrophies network – limits ability to respond to changing patterns of demand/revenue • Halts capital investment for duration of fund – poor fit with wider policy agenda • No ability to raise fares should costs rise | Operators |
| <ul style="list-style-type: none"> • LTAs <ul style="list-style-type: none"> – FY20/21 pay ENCTS at pre-Covid levels – FY21/22 pay ENCTS based on actual usage | <ul style="list-style-type: none"> • Quick to set up • Payments are administratively simple • Removes threat of cliff-edge leading to a need for rapid retrenchment of services | <ul style="list-style-type: none"> • Longer term commitment • Practicalities of open book reconciliation unproven • Puts on hold elements of “A Better Deal for Bus Users” policy agenda that require operator engagement/investment | Government |
| <ul style="list-style-type: none"> • LTAs continue with existing tendered service contracts and payments | <ul style="list-style-type: none"> • Supplements local budgets • Maintains pre-Covid services • Administratively simple • Removes threat of cliff-edge leading to a need for rapid retrenchment of services • Extends planning horizon • ENCTS approach reduces local burden | <ul style="list-style-type: none"> • Limited ability to shape network to support recovery • Limited ability to coordinate bus and tram/light rail to develop a city region wide multi-modal approach • Puts on hold local policy agenda | LTAs |

| | | | |
|--|---|---|-----------|
| | <ul style="list-style-type: none">• Removes threat of cliff-edge leading to a need for rapid retrenchment of services | <ul style="list-style-type: none">• Potentially the network does not evolve to changing patterns of post-Covid demand (e.g. greater attraction of local centres vis-à-vis city centres) | Bus Users |
|--|---|---|-----------|

Table 6.3: Option 3: Reform CBSSG

| Option | Pros | Cons | |
|---|---|--|------------|
| <ul style="list-style-type: none"> • Reform CBSSG: <ul style="list-style-type: none"> – Fund to end of FY20/21 – Establish fund for FY21/22 – Decision on fund for FY22/23 before end of 2021 • No change to current formula, but recalculate FY21/22 reimbursement rate to reflect increase in demand/revenue & changes to ENCTS approach & policy goals • Option of devolving fund to LTAs: <ul style="list-style-type: none"> – Based on proportion of national non=London mileage – Calibration of local reimbursement factor – Self-certification of bus operator cooperation – Potential to incorporate with EPs Option to use contracting to target support rather than distance-based payment • DfT administer for LTAs that don't take up devolution option and maintain: <ul style="list-style-type: none"> – Payments 4 weeks in arrears – Open book reconciliation – Duty to consult LTAs | <ul style="list-style-type: none"> • Removes threat of cliff-edge leading to a need for rapid retrenchment of services • If devolved, gives ability to work with LTAs to re-plan networks • Potential to better match support to local operating costs | <ul style="list-style-type: none"> • Administratively more complex if operator deals with multiple LTAs • Even with reconciliation, still possible to make an operating loss • If devolved, increased concern of flexible? to accommodate impact of local lockdowns • Without changes to current CBSSG approach, halts capital investment for duration of fund – poor fit with wider policy agenda | Operators |
| | <ul style="list-style-type: none"> • Passes responsibility to willing LTAs • Removes threat of cliff-edge leading to a need for rapid retrenchment of services | <ul style="list-style-type: none"> • Increased administrative? burden • Longer term commitment • Practicalities of open book reconciliation unproven • Will need reconciliation with devolved LTAs • Puts on hold elements of “A Better Deal for Bus Users” policy agenda that require operator engagement/investment | Government |
| | <ul style="list-style-type: none"> • Supplements local budgets • Maintains pre-Covid services • If devolved, greater ability to shape network to support recovery and progress local policy agenda • If not devolved, does not put greater burden on administration • Removes threat of cliff-edge leading to a need for rapid retrenchment of services • Extends planning horizon • ENCTS approach reduces local burden | <ul style="list-style-type: none"> • If devolved, increases administratively burden • Potential risk if insufficient devolved funding leads to reregistration and greater demand for tendered services than budgets allow | LTAs |

| | | | |
|--|---|--|-----------|
| <ul style="list-style-type: none">• LTAs<ul style="list-style-type: none">– FY20/21 pay ENCTS at pre-Covid levels and Government to consider some reimbursement– FY21/22 pay ENCTS based actual usage | <ul style="list-style-type: none">• Removes threat of cliff-edge leading to a need for rapid retrenchment of services | <ul style="list-style-type: none">• Perception of greater local control by elected representatives -> more input and influence into service changes | Bus Users |
|--|---|--|-----------|

Summary

- 6.9 As we have set out in Chapter 5, a cliff-edge end to public support to local public transport would lead to a rapid and deep cut in bus services. Some routes would be curtailed. Evening and weekend services would be reduced. Currently high frequency routes would be cut back. The network would not be able to play its anticipated role in Covid recovery. Once implemented, cuts would be difficult to reverse. It would be those people already hardest hit by the pandemic-induced recession that would be most affected by any cuts.
- 6.10 For light rail and tram systems the effect of withdrawal of financial support is even starker. Temporary mothballing of a system would not save significant sums and the savings made by service level reductions are even more marginal than for bus. Longer term cessation of operations, or complete closure would still see local authorities with significant legacy costs and debts.
- 6.11 Long-term public support will be needed if local public transport services are to be maintained. This will be needed for at least as long as social distancing requirements are in place and potentially until the economy has recovered to its pre-Covid state or longer. Local transport authorities' ability to act is constrained. The question is not to be whether Treasury support is needed, but what shape and form that support should be and how long it should last.
- 6.12 The support to date has allowed local public transport to continue to run through the height of the pandemic lockdown, enabling key workers to travel to and from work; it has allowed the network to operate with the reduced vehicle capacity that are a consequence social distancing requirements; and, it has allowed services to return towards pre-Covid levels in advance of the return of patronage.
- 6.13 Looking ahead, we propose four objectives to form a basis to develop and assess options for on-going financial support of local public transport. These are:
1. To maximise local public transport's contribution to Covid recovery
 2. To put local public transport in the best place post Covid to support longer term policy objectives including those set out in the DfT's *A Better Deal for Bus Users* and in local policies
 3. To maximise local public transport demand post Covid (an implication of 1 and 2)
 4. To exit the Covid crisis with local public transport on a sound financial footing
- 6.14 We have put forward three broad options for both bus and tram/light rail. These illustrate alternative approaches. Before any alternative to the existing arrangements can be adopted, there will be a need for more detailed financial assessment and engagement with the industry and local transport authorities.

Appendices

A History of Urban Public Transport Provision

Context

- A.1 To understand the context of this study and to assist in understanding how it has changed over the years, it is helpful to briefly set out the history of urban public transport provision.

Up to WW1

- A.2 Before the 19th Century, most towns and cities not sufficiently large to need any form of mass urban public transport. Most of the population walked between the various locales of their lives. Sedan chairs provided an early form of taxi-cab for the well off. In London, ferrymen provided links across and along the Thames.
- A.3 Interurban road transport, stage coaches and mail coaches, had developed in the 18th Century, but these rapidly disappeared with the growth of the railway network.
- A.4 As the 19th Century progressed, the need for mass urban transport grew, which was met by omnibuses (from around 1830), trams (from around 1860) and, in London, the underground railway (from 1863).
- A.5 Buses and trams were horse powered for much of the century, though steam and electric trams appeared from around 1880, such that by around 1910 electric trams were dominant. Buses remained horse powered until the 1900s when the use of internal combustion power started to grow, but horse power was still common in 1914.
- A.6 For much of this period, services were provided by private companies. In some areas, buses operated under local licence conditions often akin to hackney carriages, but in others there were no regulatory controls. Tramways required individual acts of parliament and the law allowed local authorities to take control of privately owned tramways 30 years after opening. Many authorities exercised these powers, such that by 1910 most city tramways were owned and operated by municipalities. Outer suburban and inter town tramways often remained in company hands, whose ownership became increasingly consolidated.

World War 1 to 1930

- A.7 World War 1 accelerated technical innovation such that by the end of the war, internal combustion powered buses were a practical and reliable proposition. The end of the war also saw many demobbed soldiers returning from active service.
- A.8 This combination resulted in a very rapid expansion of bus services across the country. This occurred in a very uncontrolled fashion and competition for patronage was common. In areas between and surrounding towns, the new bus services were much more attractive than local and branch railway services and there was a rapid growth in ridership.

- A.9 Mergers between and takeovers of the smaller operators followed, and larger owning groups started to emerge.
- A.10 In towns and cities, the municipally owned tramway departments took powers to operate buses and trolleybuses and began the process of winding down urban tram operation (though this was a lengthy process that would take until 1962).⁴⁹
- A.11 Bus services themselves remained deregulated during this period, but through the 1920s, there was growing dissatisfaction with the levels of competition between operators and the periodic chaos that it caused. Town and city councils saw their tramways lose patronage to parallel bus services. Strict controls were put in place in London in 1924; the rest of the country followed in 1930 with the Transport Act of that year.

1930 to 1970

- A.12 The 1930 Act regulated all local bus services under the Traffic Commissioners, who issued licences to operate routes and regulated fares. Route licences were first issued to operators who happened to be running a route on a given date. Operators then had to apply to the Commissioners to raise fares, amend timetables and introduce new routes. When applying for new or extended routes, an operator had to make a case for its requirement and others could object (and usually did) on the grounds that revenue abstraction would worsen the economics of the objector's business.
- A.13 The Act also allowed the "big four" railway companies to operate buses, which they did by buying shares in many of the larger outer suburban and interurban operators.
- A.14 This extra capital funding and the sudden value of a route licence (as it protected the "owner" from competition) encouraged rapid consolidation of ownership of the private companies into two or three large groups.
- A.15 Municipal bus services were granted route licences in the same way and these often provided fare and/or boarding protection from longer distance services. Tram conversions to bus and trolleybus continued.
- A.16 At this time, bus operators ran profitably. Municipal operators often contributed surplus funds to town and city coffers, and private operators paid dividends to their shareholders.
- A.17 In 1933, all London mass public transport (apart from the main line railway companies) were placed under the control of London Transport, a Quango that was expected to operate in the best interests of the public.
- A.18 World War 2 halted tram conversions, significantly reduced new bus production and brought significant increases in passenger demand.
- A.19 Passenger numbers continued to grow after the war and bus operators struggled to meet demand with their war damaged fleets, in an environment where asset replacement was hampered by austerity raw material restrictions.
- A.20 In 1948, as a consequence of the nationalisation of the railways, around half of the privately owned outer suburban and interurban companies became Government owned and were placed under the jurisdiction of the British Transport Commission (as was London Transport).

⁴⁹ Excluding Blackpool

- A.21 In 1955, passenger numbers reached a peak of over 13 billion trips per year. After this time demand declined consistently (until around 1982) at a rate of just over 2% per annum. This decline paralleled the rise in car ownership and changes in the patterns of leisure activities (e.g. the growth in TV viewing).
- A.22 As well as falling passenger numbers, in the 1950s and 1960s the industry faced a number of other challenges. Rising prosperity made it more difficult to recruit staff as drivers, conductors and mechanics, even allowing for recruitment campaigns in Commonwealth countries and real increases in wages. Fare increases were resisted by the Commissioners.
- A.23 To seek to reduce the number of platform staff needed (and be able to pay more to the drivers), increasing numbers of services were converted to “one person operation”, where the driver collected the fares. To achieve this, more complicated designs of bus were required with underfloor or rear mounted engines. These buses cost more to buy, more to run and many of the designs proved to be more unreliable.
- A.24 The quality and reliability of bus services declined over this period with frequent cancellations and late running of services.
- A.25 Towards the end of the 1960s many municipal transport departments were making losses and needed support from ratepayers, alongside service cuts. The outer suburban and interurban companies were also facing financial difficulties and were having to make service cuts.
- A.26 It became increasingly clear that some form of structured subsidies would be needed to allow the continued operation of effective bus networks.

1970 to 1986

- A.27 The 1969 Transport Act brought about a number of changes:
- The formation of the first Passenger Transport Executives (PTE) in the conurbations centred on the largest cities.
 - The formation of the Government-owned National Bus Company (NBC) and Scottish Bus Group (SBG). Between them, they owned most of the outer suburban and interurban operators. These groups were expected to break even on a year on year basis.
 - Control of London Transport⁵⁰ passed to the Greater London Council (GLC).
 - The introduction of a process where local authorities could pay subsidies to private, NBC and SBG bus operators to operate bus services.
- A.28 The PTEs merged all the individual municipal operators into one operator per PTE area. In 1974 the PTE boundaries were aligned with the new metropolitan counties, with the latter having full control over bus policy in their areas.
- A.29 A subsidy formula⁵¹ was agreed that saw shire county bus operators preparing route costing data that was used as the basis for a subsidy claim from the county. If the calculated subsidy was too high, service cuts would be agreed between the operators and the authority.

⁵⁰ Outer London “green” bus services were transferred to NBC.

⁵¹ CIPFA

- A.30 The quality and reliability of buses continued to decline in many areas, though, particularly in PTE areas, supportive policies promoting and supporting bus use were introduced which saw ridership increase in some areas.
- A.31 Levels of public funding for buses rose due to a combination of local policies promoting bus travel in some areas, and the ongoing decline in usage in others (leading to worsening financial performance and therefore greater subsidy).
- A.32 In 1980, the first section of the Tyne and Wear Metro opened, seeing the first expansion of locally controlled rail-based public transport.
- A.33 The 1980 Transport Act brought various changes:
- It deregulated express services (those carrying passengers for more than 30 miles).
 - It removed fare level controls for local services.
 - For applications for new or changed local bus service licences, it changed the onus of evidence so that an objector had to prove that the service was not in the public good.
 - It introduced three trial areas where local bus service provision was deregulated.
- A.34 The early 1980s saw some new thinking at NBC, which included Market Analysis Project (MAP) schemes, which completely redesigned networks based on demand surveys, the introduction of high frequency urban minibus services and the splitting of larger companies into smaller ones with locally based market focussed management.
- A.35 In advance of the abolition of the GLC, control of London Transport passed from the GLC to central Government in 1984, which set up London Regional Transport (LRT) to manage the bus and tube network. In 1985, LRT started contracting with private operators to provide some bus routes.
- A.36 This was followed by the 1985 Transport Act which brought about the greatest changes to the bus industry since 1930.

1986 to 2000

- A.37 The 1985 Act was an application of the free market principal that a competitive market would deliver the better outcomes for customers and was, at its root, aimed at reducing the increasing levels of public subsidy going into the industry. To an extent, it reflected the then Government's view that state owned or protected monopolies were poor at responding to changes in market conditions and often saw inflated rises in costs as there was little incentive to control them.
- A.38 The expectation was that competition would see customers offered a variety of service types at varying prices. Competition was expected to drive reductions in costs and increases in efficiency.
- A.39 The basis for the provision of local bus services (outside London and Northern Ireland) was changed:
- All route licences were deleted and operators were permitted to run bus services when and where they liked (subject to a short notice period)⁵² with no restrictions over fares.

⁵² The specific length of notice has varied over the years since 1986 and is now different between England and the devolved legislatures of Wales and Scotland.

These services could compete with those of other operators. These “commercial” services would operate without any subsidy other than a rebate of fuel tax.

- The Government owned NBC was to be broken up and privatised with any new owner limited to owning no more than three individual companies at the time of initial purchase.
- Municipal and PTE bus operations were reorganised as separate companies to operate at arm’s length from their owning authorities. The owning authorities held the shares in the company.
- Local Transport Authorities (LTA) were given powers to procure bus services to fill gaps not met by “commercial” services. The procurement had to be by competitive tender (unless the cost was very small). Services could be procured on a net or gross cost basis.

A.40 The immediate consequences were:

- Particularly in metropolitan counties, the new arm’s length companies made significant cuts in services operated and, in some areas, increased fare levels.
- In many areas, most notably in the metropolitan counties but also elsewhere, there was significant “on the road” competition.
- Provision of local services in some areas became very unstable, with operators making frequent service changes as they tried to gain competitive advantage over others.
- Many new operators entered the market to run local services, often these were ex PTE owned company staff made redundant.
- Many NBC companies were sold to management buy-out teams, but others went to external buyers.
- Many existing operators, whether under new or existing ownership, sought to reduce their costs. A number of valuable properties were sold and staff, particularly drivers, saw a worsening in their pay and conditions.
- Through tendering LTAs filled the gaps left in the market, in many areas, these were mainly rural, evening and Sunday services. Generally, their costs in this area were considerably lower than the former subsidies they had paid out.

A.41 Over subsequent years there were many changes in company ownership:

- The SBG and former PTE-owned companies were privatised.
- Many municipally owned companies were also sold to or were wound up by the owning council as either loss making or as an asset from which they could raise funds.
- Company ownership was consolidated over time, moving toward the situation today where companies owned by a small number of large groups provide most routes and vehicle miles.
- Many smaller companies disappeared or ceased operating in the local bus market. This was for a variety of reasons, most often concentrated competition from larger operators, and/or underestimating the longer term costs of running local buses.

A.42 In 1992, the first “new” light rail line opened in Manchester with a other systems following in Sheffield (1994), West Midlands (1999), Croydon (2000), Nottingham (2004) and Edinburgh (2014).⁵³ These systems (and subsequent extensions) were sponsored by local authorities/PTEs with capital costs funded principally through Exchequer grant and local resources. Each system has its own arrangement for the provision of services. Despite these, the great majority of urban public transport trips continued to be made by bus.

⁵³ In 2012, the Blackpool line was fully modernised with new equipment.

A.43 In 1994/95 the various parts of London Buses were sold to private buyers, and all routes were procured using competitive tendering on a, mostly, gross cost basis.

A.44 In 1995, private operators were introduced on the national rail network with the sale of freight operators and the provision of passenger services through franchises. Many of the franchises were won by the groups that had grown up through bus ownership consolidation.

2000 to Date

A.45 By the year 2000, it was clear that, whilst deregulation had brought many innovations in bus service provision:

- Since deregulation was introduced in 1986 there had been a continuing decline in aggregate bus use, though the changes in patronage varied between different areas.
- There was a marked reduction in the levels of “on the road” competition, with many bus users having no choice of operator at the time of travel.
- Ownership had consolidated such that the lion’s share of bus service provision outside London was in the hands of five groups, three of which were notably bigger than the other two. There was little “on the road” competition between firms owned by these groups meaning that one group tended to dominate a particular geographic market.
- The number of bus services (or part services) that were not being provided commercially was rising, placing an increased demand on local authority finances.
- Fare levels had consistently risen above the rate of inflation.
- Multi-operator tickets had either been withdrawn or had risen in relative price such that their use reduced significantly. This particularly disadvantaged two groups of bus users:
 - those who made journeys that required interchange en route between services provided by different operators; and
 - those whose service was provided by different operators at different times of day (for example, when the evening service had been procured by the LTA from a different operator than that which provided day-time services commercially).
- There were questions around the effectiveness of the application of competition law to the bus industry:
 - It inhibited multi-operator ticketing (as this could be viewed as a cartel);
 - its application had not prevented larger companies taking over, or competing with smaller ones to the extent that they withdrew from the market; and
 - it was applied by study of the bus market alone, not regarding the private car as a competitive choice.
- It proved very difficult to promote light rail schemes alongside effective redesign of the bus network to complement the scheme. For example, in Sheffield Supertram revenues were negatively affected by significant levels of bus competition.
- The efficacy of bus services continued to be afflicted by growing levels of urban traffic congestion. Misalignment of ends and means between bus operators and highways’ authorities made it difficult to cost effectively design and deliver bus priority schemes.

A.46 To redress this, there have been a series of Acts of Parliament (2000,⁵⁴ 2008⁵⁵ and 2017⁵⁶) which have amended some aspects of deregulation. In general, these have:

- sought to permit and encourage formal partnerships between operators and LTAs to deliver schemes and measures that would encourage growth in bus use, in particular by encouraging modal change from the car;
- made it easier to design and deliver multi-operator ticketing; and
- allowed LTAs, in specified circumstances, to suspend deregulation in a defined area and replace it with a procured bus network.

A.47 Also over this period, bus regulatory legislation was devolved, so while the 2000 Act covered England, Scotland and Wales; the 2008 Act only covered and England and Wales; and the 2017 Act only applies in England. As a consequence, legislation in the home nations has diverged with similar, but subtly different approaches being taken in each jurisdiction. Bus service provision in London and Northern Ireland continues to operate in a regulated environment.

⁵⁴ Transport Act

⁵⁵ Local Transport Act

⁵⁶ Bus Services Act

B Legal Measures and Tools

B.1 Pursuant to the 2000, 2008 and 2017 Acts, the following measures and tools are available to LTAs and bus operators in England.⁵⁷

Voluntary Partnership Agreement

B.2 A voluntary partnership agreement (VPA) is statutorily defined as any voluntary agreement in which:

- an LTA, or two or more LTAs, undertake to provide particular facilities, or to do anything else for the purpose of bringing benefits to persons using local bus services, within the whole or part of their area, or combined area, and
- one or more operators of local services undertake to provide services of a particular standard.

B.3 Most agreements that exist between operators and LTAs fall into this category, but any that exist with only one operator fall outside it.

B.4 The definitions of “facility” and “standard” are wide ranging and flexible. They permit LTAs to agree to include a wide range of facilities and operators to commit to any standards of service they wish. However, the facilities and standards should not be ones that the LTA or operator are legally obliged to provide or observe.

B.5 Though still constrained by competition law, a “lower threshold” competition test designed specifically for the bus market, applies in relation to VPAs.⁵⁸

B.6 A VPA can include agreements:

- to run buses of a specific technical standard;
- to run bus services to specified minimum frequencies at suitable times of the day;
- between two or more bus operators to co-ordinate timings on common sections of route;
- on maximum fares that operators will not exceed; or
- that the LTA will provide (or cause to be provided) additional facilities or other benefits

B.7 A VPA cannot include:

- any agreement on actual fares to be charged;
- any agreement to attempt to exclude non-participating operators from the facilities being provided; and
- any local bus service registration restrictions.

⁵⁷ Some aspects of the 2000 and 2008 Acts were replaced in later legislation, others enhanced or amended. The arrangements in Scotland and Wales are different.

⁵⁸ Part 2 of Schedule 10 to the 2000 Act as amended in 2008

B.8 The strengths of a VPA lies in that it encourages operators and LTAs to work cooperatively together to the interest of users and residents and that with the cooperation of all parties, it can be implemented relatively quickly.

B.9 The disadvantages are that:

- the agreement clauses are constrained by what both parties are prepared to agree to;
- the details of the agreed items are constrained by competition law; and
- the agreement can be destabilised by on the road competition from non-participating operators.

Qualifying Agreement

B.10 Within the constraints of competition law, there are circumstances where two or more operators may seek to enter into a Qualifying Agreement (QA). These may be wholly voluntary or may be required to meet the terms of another scheme (for example a timetable interval aspect of an Advanced Quality Partnership Scheme – see below).

B.11 If an LTA “qualifies” the agreement between operators, then the Part 2 lower threshold competition test can be applied (paragraph B.5).

B.12 Overall, the agreement must:

- not have as its object or effect the prevention, restriction or distortion of competition in the area of the authority, or the combined area of the authorities, but
- the LTA, or any of the LTAs, has certified that they have considered all the terms and effects (or likely effects) of the agreement and that in their opinion the following requirements are satisfied:
 - the agreement is in the interests of persons using local services within the area of the authority, or the combined area of the authorities, and
 - the agreement does not impose on the undertakings concerned restrictions that are not indispensable to the attainment of the bus improvement objectives.

B.13 This arrangement gives greater freedom for operators to co-operate on, for example, service frequencies. The Oxford Bus/Stagecoach agreement in Oxford for multi-operator ticketing and timetable coordination is a QA.

B.14 The disadvantages associated with a QA are the similar to those for a VPA.

Advanced Quality Partnership Scheme

B.15 An Advanced Quality Partnership Scheme (AQPS) is a statutory scheme made by one or more LTA that requires all bus operators providing applicable⁵⁹ bus services within the AQPS area to abide by its standards requirements.

B.16 To make an AQPS, the LTA must commit to providing bus-related facilities (such as bus stops, shelters, bus stations, or even depots) and/or commit to take measures that directly or indirectly encourage bus patronage. Such measures could include - but are not limited to:

- parking policies that encourage the use of public transport;
- traffic management policies that prioritise buses; and
- advertising and marketing campaigns to promote the use of local bus services.

⁵⁹ For example, it might exclude longer distance services, or school services

- B.17 Operators must abide by the standards requirements which could include some or all of:
- Vehicle requirements
 - Requirements about frequency or timing of services
 - Requirements about maximum fares.
 - Emission requirements – AQPS specifically allows vehicle requirements to include requirements about emissions and the types of fuel or power used.
 - Ticketing – the scheme can specify how passengers can pay for journeys and specify a ticketing structure.
 - Information requirements – the scheme can set requirements about what information about bus services must be provided to passengers and how it should be provided.
 - Marketing and publicity – the scheme can also specify how local bus services, fares or ticketing arrangements should be marketed or publicised.
- B.18 The Part 2 lower threshold competition test applies to the terms of an AQPS. But, because operators must abide by the scheme, they are largely exempt from the conclusions of any consequential competition authority inquiry.
- B.19 The effect of the competition test is that there needs to be an appropriate level of proportionality between the size/cost/effect of the LTA commitments and the size/cost/effect of the standards imposed on bus operators.
- B.20 At first sight, it might seem that operators would be reluctant to support AQPS, but, as part of a broader VPA, they give VPA participating operators greater protection from disruptive on the road competition as, within the AQPS are, all operators have to abide by the scheme standards. Thus, although an AQPS is not an agreement in itself, a VPA may contain the agreement to set up one or more AQPS.
- B.21 The main advantage of an AQPS is requirement for operators to abide by it, thus obviating many of the operator vs. operator competition law restrictions.
- B.22 The main disadvantages are that:
- the LTA must ensure that it has the ability to be able to deliver the facilities and measures stated;
 - operators are wary of the potential constraints imposed by the standards and, as a consequence, often raise difficulties during the consultation process;
 - enforcement can only be made by resort to the Traffic Commissioner, which is not well resourced to undertake this, and may regard AQPS infringements as less important than safety related issues; and
 - the specified items are quite constrained by competition law.

Advanced Ticketing Scheme

- B.23 An Advanced Ticketing Scheme (ATS) is a statutory scheme made by one or more LTA that requires all bus operators providing applicable bus services in a specified area to make and implement arrangements to enable customers to purchase tickets that are valid on two or more bus operators or on two or more transport modes one of them being bus.
- B.24 Four types of ticket are specified:

- tickets entitling the holder to make more than one journey on particular local services or on local services of a class specified in the scheme (whether or not operated by the same person);
- tickets entitling the holder to make a particular journey on two or more local services (whether or not operated by the same person);
- where a particular journey could be made on local services provided by any of two or more operators, tickets entitling the holder to make the journey on whichever service the holder chooses; and
- tickets entitling the holder to make a journey, or more than one journey, involving both travel on one or more local services and travel by one or more connecting rail or tram services.⁶⁰

B.25 These tickets can be defined as valid for specified periods and within specified areas, but when specifying them the LTA must consider how these facilitate journeys to and from other nearby authorities.

B.26 The ATS may specify arrangements for the scheme which can include one or more provisions about:

- enabling tickets to be purchased or fares to be paid in particular ways;
- the persons from whom tickets may be purchased or to whom fares may be paid;
- enabling entitlement to travel to be evidenced in particular ways;
- providing information about the arrangements to the public;
- publicising local services, fares or ticketing arrangements provided or made available by any operator of a local service of a class specified in the scheme; and
- the appearance of tickets.

B.27 The main advantage of an ATS is the requirement for operators to abide by it, thus obviating many of the operator vs. operator competition law restrictions. Indeed, the ticket types described above, are broadly in line with those specified in “The Public Transport Ticketing Scheme Block Exemption”⁶¹ issued by the Competition and Markets Authority (CMA).

B.28 The main disadvantage is that the powers do not allow LTAs to set the price of any of these tickets. Other tools/measures described in this section (e.g. a VPA or AQPS) could specify the maximum price for such tickets. However, competition law requires that such a maximum price should give headroom for operators to be able to compete on price with their own single operator ticket products.

Enhanced Partnership

B.29 An Enhanced Partnership (EP) is a complex arrangement that seeks to deliver greater overall benefits to bus users and other parties than is possible through VPA and AQPS.

B.30 This is achieved by combining legally binding commitments agreed between both LTA and operators with statutory plans and schemes made by the LTA that all bus operators providing applicable bus services in a specified area have to abide by.

⁶⁰ Only one end of the connecting rail or tram services need be in the specified area.

⁶¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/553470/cma53-public-transport-ticketing-schemes-block-exemption-guidance.pdf

- B.31 An important aspect is that only a majority of bus operators have to agree to the provisions of the EP, but once the LTA formally makes the statutory plan and schemes all operators have to abide by the provisions.
- B.32 To assist in the preparation and making of the EP by the LTA, the legislation allows for, once the formal consultation phase has commenced, the compulsory provision of patronage and revenue data from bus operators.
- B.33 An EP has two key elements: the Plan and one or more Schemes.
- B.34 The EP Plan (EPP) is a high level strategic document that sets out a range of policy objectives and desired outcomes in a defined area. At a minimum it should include:
- a map of the geographical area it covers;
 - all the relevant factors that the parties consider will affect, or have the potential to affect, the local bus market over the life of the plan;
 - a summary of any available information on passengers' experiences of using bus services in the area and the priorities of users and non-users for improving them;
 - a summary of any available data on trends in bus journey speeds and the impact of congestion on local bus services;
 - what outcomes need to be delivered to improve local bus services in the plan area; and
 - what overall interventions the partnership believes need to be taken to deliver those outcomes.
- B.35 As with VPA and AQPS, any EP Scheme (EPS) sets out the requirements/standards to be met by bus operators and the facilities/measures to be provided by the LTA to deliver some or all of the policy objectives stated in the EPP. An EPS may cover all or some of the EPP area. An EPS may only be concerned with some specific aspects of the EPP.
- B.36 Compared with VPA and AQPS, there are greater obligations on LTA and the ability to specify wider standards for operators.
- B.37 If an LTA includes any facilities or measures in an EPS, they have a legal obligation to:
- provide the facilities and take the measures not later than the date(s) specified in the scheme; and
 - continue to provide those facilities and take those measures throughout the life of the scheme or until a scheme is varied to remove the obligation to do so.
- B.38 Thus, for example, if the EPS specifies highway improvements, but the LTA is not the relevant highway authority, it may be necessary to have a “back to back” binding agreement between the LTA and the highway authority before the LTA can lawfully make the EPS.
- B.39 Bus operators providing bus services within the EPS area must meet all the requirements of the EPS. Any new or varied local bus service registration that fails to comply should be refused by the registration authority. An operator that registers a service in compliance with the EPS, but then fails to comply in practice can be subject to enforcement action by the registration authority. By default, the registration authority is the Traffic Commissioner, but the 2017 Act allows the LTA to become the registration authority for services wholly within an EP area.
- B.40 There are five main categories of operational requirements that an EPS can require operators to meet:
- the vehicles used to operate bus services, including their appearance (livery);

- providing information about bus services to the public and the publicising of local services;
- the dates on which timetables may be changed;
- arrangements that facilitate the operation of the scheme; and
- tickets - including:
 - how tickets can be purchased and fares paid;
 - how entitlement to travel can be evidenced by passengers;
 - the publicising of fares or ticketing arrangements;
 - the appearance of tickets;
 - the price of multi-operator tickets;
 - standardised ticketing zones, ticket lengths, or concession eligibility.

B.41 Many of the above items are similar to those available within VPA, AQPS and ATS, however there are a few which go further which are discussed below:

- Specification of appearance (livery), e.g. all buses should be 'red', has been considered to be a challenge in VPA and AQPS as competition law requires that consumers can make an informed choice between suppliers – i.e. different liveries allow the user to choose between two operators even though they might be serving the same route or stretch of road.
- Specification of the price of multi-operator tickets goes further than permitted under AQPS and ATS. The EP guidance is explicitly clear that, though the price for these tickets can be specified, the stated price must still allow individual operators the headroom to compete on price with each other and the multi-operator product. The competition section of the guidance also requires that the price of such tickets must be commercially viable for operators. That said, the guidance also makes it clear that an EPS can specify the range of tickets to be offered limit. It is an interesting, but almost certainly currently untested, question as to whether this could include, say, limiting single operator tickets to single tickets (on which they could compete).

B.42 The main advantages of EP are that they can deliver greater benefits than VPA and AQPS; while only needing agreement with the majority of bus operators. Thus, in principle, they should be easier to deliver and implement. Enforcement should be easier (than an AQPS) if the LTA exercises the power to become the registration authority in the EP area.

B.43 The main disadvantages are:

- The consultation and implementation process are cumbersome and lead to lengthy implementation times.
- The inability to fully coordinate ticket pricing.

Franchising

B.44 The 2017 Act provides Mayoral Combined Authorities with the powers to implement bus franchising in their area. Other local transport authorities can also apply to Government for access to the same powers, such decisions to be taken on a case-by-case basis by the Secretary of State for Transport.

B.45 Unlike the arrangements covered in the previous paragraphs, the legislation and guidance have relatively few limitations on the nature of franchising that authorities may choose to implement (e.g. concerning the size of contracts or whether contracts are gross or net cost).

Rather, they are focused on the various processes for developing and implementing bus franchising. These processes are significant and onerous.

B.46 However, there are some core principles underpinning bus franchising which emphasise that a move to bus franchising is a major decision that would affect the travelling public, bus operators and LTAs with a clear implication that it would be wise for a proposing authority to be sure that its desired aims can only be delivered through franchising and not through the other mechanisms available. These are:

- as well as creating new business opportunities, franchising can potentially have significant negative implications for existing bus operators and potentially expose local authorities to material financial risks.
- the decision on whether or not to introduce a franchising scheme should be taken locally and a named individual, such as a Mayor, should be clearly accountable for it.
- these decisions need to be based on robust evidence and analysis - with the needs of passengers, including those who travel into and out of the franchising area, the impacts on existing operators and the affordability of the plans firmly in mind.
- bus services should continue to be provided by commercial operators, not local authorities. Local authorities cannot set up new municipal bus companies to compete for franchised services with existing operators or any new private sector providers.
- commercial services should be able to continue to operate into and out of the franchising area and to spot and fill any gaps in service provision that the authority may have overlooked - providing they do not adversely affect the franchised arrangements.
- plans to implement franchising must take account of the needs of small and medium sized operators; and
- non-commercial community transport operators should not be adversely affected by franchising.

B.47 The net effect is that the development of a bus franchise scheme needs to pass through a business case development process which contains the following stages:

- i. Developing the compelling case for change
- ii. Setting objectives
- iii. Options generation and refinement, including consideration of non-franchise approaches
- iv. Detailed assessment of options
- v. Selection of preferred option

B.48 That this process is lengthy and challenging is evidenced by the fact that although the legislation was passed in 2017, no franchising schemes have yet been implemented and formal notification of proceeding has only been made for one (in Greater Manchester). The process in Greater Manchester has been suspended in response to the uncertainties created by the Covid pandemic.

C Lessons from New Zealand and Australia

Introduction

- C.1 In the UK lockdown restrictions are being eased, children are returning to school and businesses are re-opening. This is being done in advance of a comprehensive treatment pathway and a vaccine. When thinking about how urban public transport demand may respond to the easing of lockdown, it is instructive to look at the experience of New Zealand and Australia.
- C.2 It is widely accepted that New Zealand’s approach to the Covid pandemic has been highly effective. Taking advantage of the country’s geographic isolation and its ability to manage international travel, New Zealand adopted an ‘eliminate’ strategy, that is using lockdown to eliminate domestic community transmission of the virus. Once this had been achieved, the goal was to seek to return the domestic economy insofar as possible to pre-Covid conditions, while using quarantine to minimise the risk of importing the virus from overseas. Even with the success of this approach, after 102 days of no domestic cases, in August a Covid cluster emerged in Auckland and lockdown conditions were re-imposed.

New Zealand Timeline

- 28 February: first case, a traveller from Iran
- 21 March: Four level alert system introduced, initially set at Level 2
- 23 March: Alert level increased to Level 3, leading to school closures
- 25 March: Alert level increased to Level 4, full lockdown
- 1 April: Total cases reach 708
- 27 April: Alert level reduced to Level 3
- 1 May: Total cases reach 1,479
- 13 May: Alert level reduced to Level 2 (businesses and schools open, social distancing)
- 8 June: Last domestic active case. Until August, all subsequent cases were people who had come from abroad. Alert Level reduced to Level 1 meaning all restrictions other than border control were removed
- 11 August: Four cases of community transmission in Auckland
- 12 August: Auckland moved to Level 3 Alert Level, rest of country to Level 2
- 4 September: Auckland moves to Level 2.5, with the rest of the country remaining on Level 2

Source: Wikipedia https://en.wikipedia.org/wiki/COVID-19_pandemic_in_New_Zealand#:~:text=On%2028%20February%202020%2C%20New,recently%20returned%20from%20northern%20Italy.

- C.3 In the initial stages of the pandemic Australia did not fare as well as New Zealand. A large number of early cases were associated with passengers and crew on cruise ships, as well as

community transmission originating with travellers from abroad. Overall, Australia followed a similar approach to New Zealand of lockdown with the goal of eliminating community transmission and border control to stop the importation of the virus by travellers from overseas. The approach in Australia has been strongly influenced by the country's federal structure, with each state tailoring their approach. Here we focus on Victoria, principally because of the reintroduction of lockdown in Melbourne in July and the ability to explore the impact that this has had on public transport patronage.

Australia (Victoria) Timeline

- 25 January: first domestic case, a traveller from Wuhan
- 16 March: Victoria declares a 'state of emergency' and initiates lockdown
- 2 April: Over 1000 cases in Victoria
- 31 May: Lockdown relaxed
- 20 June: In response to growing community transmission, restrictions tightened
- 30 June: Local lockdown in parts of Melbourne
- 4 July: Melbourne local lockdowns extended
- 8 July: Victoria/New South Wales border
- 9 July: All of Melbourne is put in lockdown
- 2 August: Victoria declares 'state of disaster', with further restriction in Melbourne and less stringent restrictions state-wide

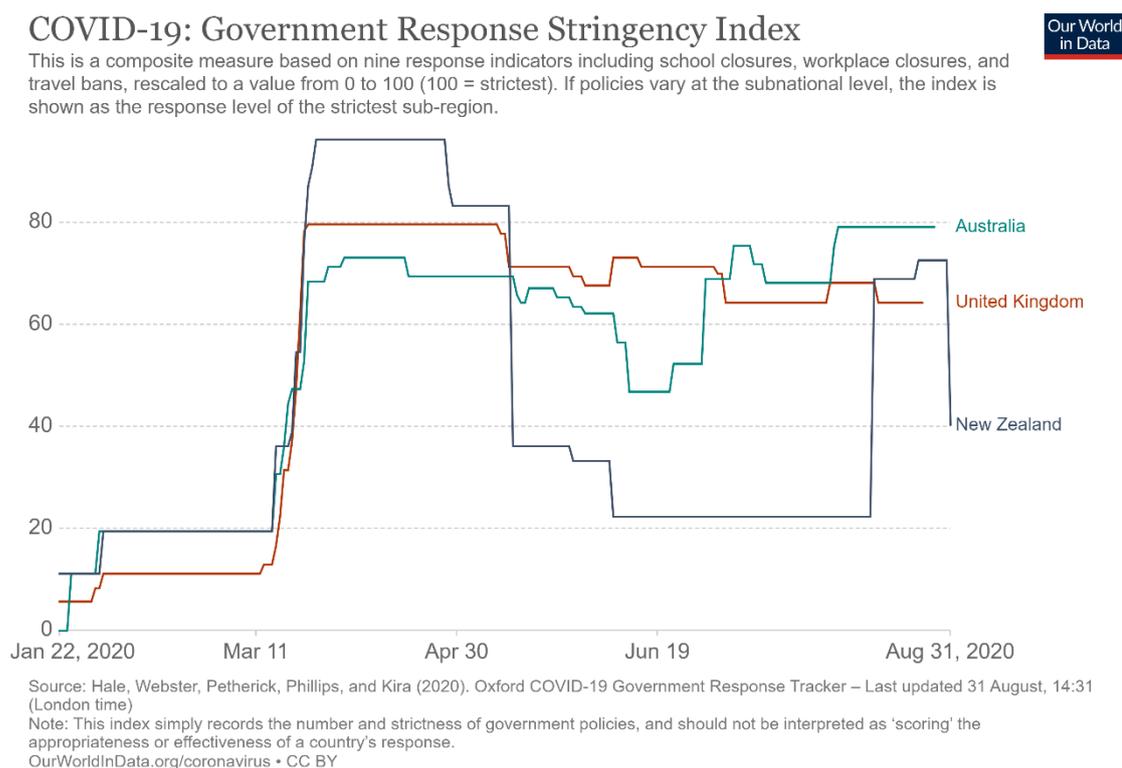
Source: Wikipedia https://en.wikipedia.org/wiki/COVID-19_pandemic_in_Australia#Victoria

C.4 International comparison of the scale and extent of lockdown restrictions is challenging as each country has taken a unique approach and in the case of Australia and the United Kingdom, the federal nature of the former and the devolved nature of the latter has resulted in within country differences. Nonetheless, to allow international comparisons the Blavatnik School of Government at the University of Oxford has developed a Coronavirus Government Response Tracker⁶² and their comparative assessment of the approaches adopted on New Zealand, Australia and the UK is reproduced as Figure C.1 below. What this index tells us is that of the three countries:h

- New Zealand had the most stringent lockdown measures and Australia the least;
- New Zealand relaxed restrictions by the greatest amount, followed by Australia. The UK's approach has been a slow and gradual relaxation of restrictions;
- The re-imposition of restrictions in July in Australia and August in New Zealand can clearly be seen with the Australian restrictions being more stringent than the initial lockdown but with New Zealand less so.

⁶² <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>

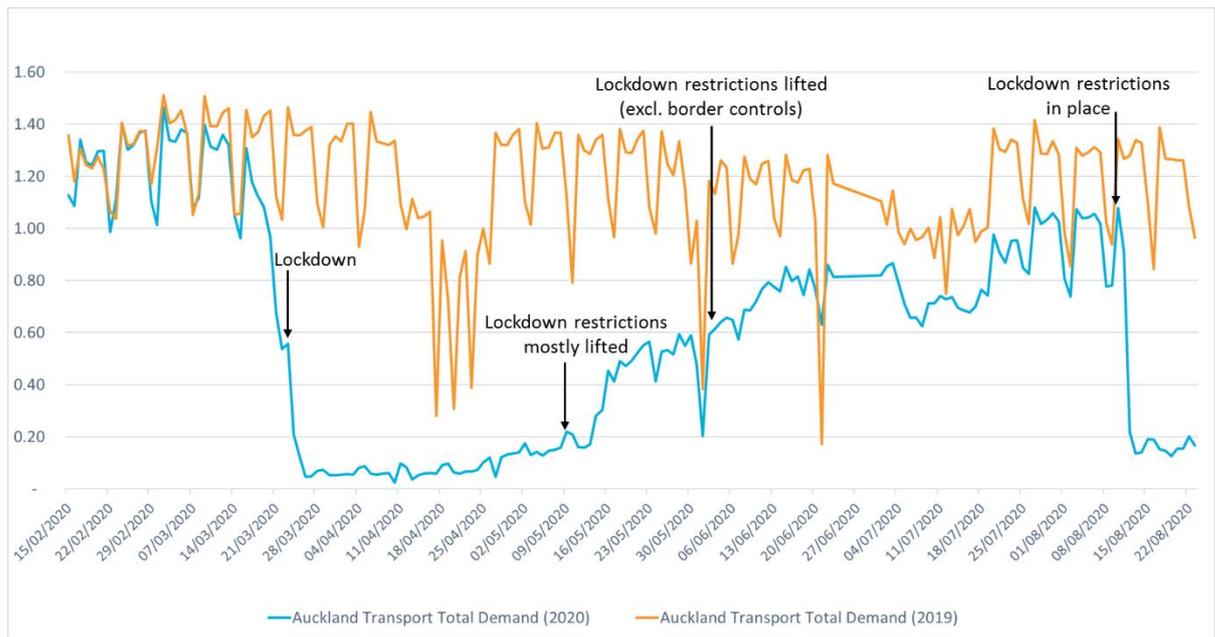
Figure C.1: Government Response Stringency Index – Australia, New Zealand and UK



Public Transport in Auckland

- C.5 Using data published by Auckland Transport and by Google, we have looked at the impact of the Covid pandemic and the New Zealand Government's response to it on public transport demand.
- C.6 Auckland public transport network comprises buses, train and ferries. We have looked at all three modes together and considered the overall transit demand.
- C.7 Google has made publicly available a dataset that tracks the changes in volumes of people over time in different public spaces. It calls these 'Community Mobility Reports'. We have looked at the trends in Auckland of people passing through what Google calls "transit stations", which are public transport hubs such as subway, bus, and train stations. We did this to explore how well the trends in the Google data match what the Auckland Transport data tells us. If the trends match well, it gives us some confidence that the Google data can be used to look at trends in other countries and other cities.
- C.8 In Figure C.2 below we use Auckland Transport data to compare what happened in 2019 with what has happened so far in 2020. In this graph, the daily total transit demand is indexed against the median demand of the same day of the week in January 2020. For example, the demand on Monday 3 August 2020 is indexed against the median demand of all the Mondays in January. In this case the value is 1.08, that is patronage was 8% higher than the median January value for a Monday. However, January is during the summer holidays and a quiet month in New Zealand. The equivalent day in 2019 saw patronage 1.31 times the median January value. Put another way, around eight weeks after almost all domestic restrictions on the economy were removed, public transport patronage on the first Monday of August in 2020 was around 80% of its 2019 level.

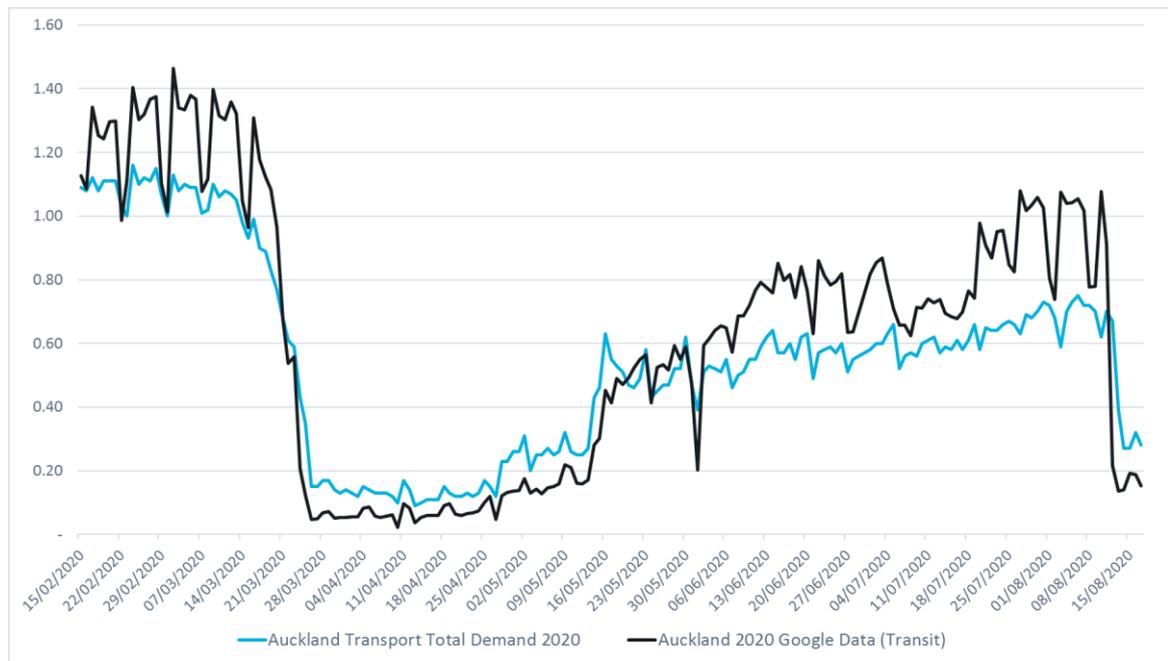
Figure C.2: Auckland Transport Patronage in 2019 and 2020



Data Source: Auckland Transport

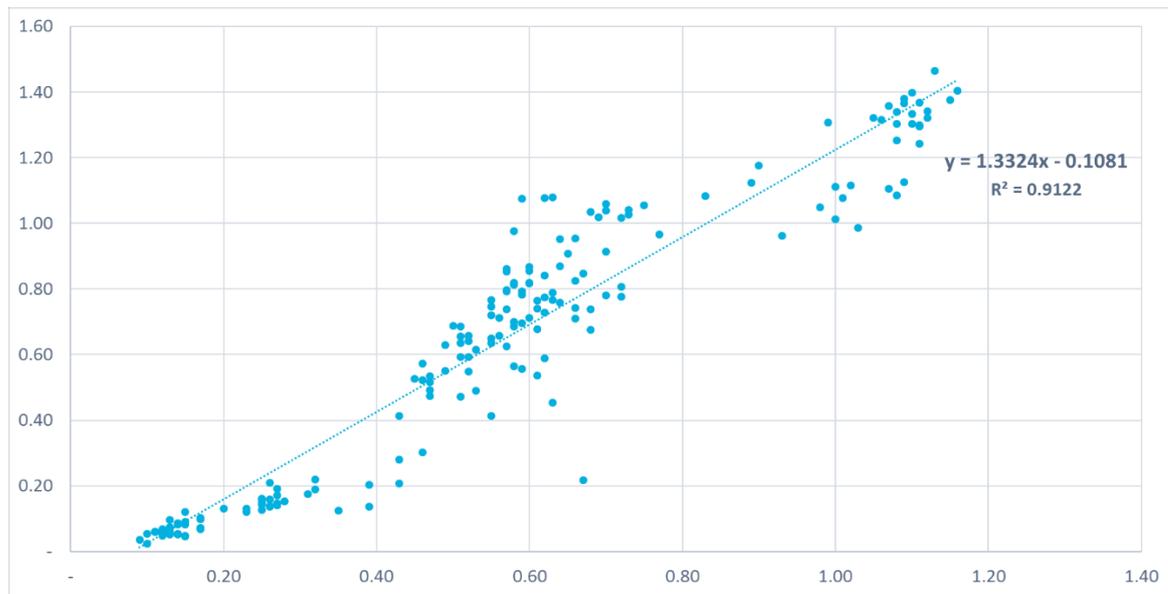
- C.9 The relaxation of lockdown restrictions at the beginning of May led to a noticeable increase in public transport demand. In the week commencing 4th May, daily patronage was on average 36,500. The equivalent figure for the week commencing 18th May is 119,000, a 3.5 fold increase in two weeks. However, this is only 40% of the patronage in the equivalent week in 2019. What can also be seen from the Figure is the sharp drop in Auckland Transport patronage when Auckland was moved to Level 3 alert on 12 August. On Monday 19 August, patronage was just 11% of its 2019 value.
- C.10 As already noted, immediately before the re-imposition of lockdown in Auckland, public transport had reached around 80% of its pre-Covid levels. The rate of growth had slowed. Local expectations were that the recovery would top out at around 85% of pre-Covid demand with the shortfall reflecting the negative impact on the domestic economy of the initial lockdown and the on-going restrictions on international travel and the impact of an increased take-up of working from home and internet shopping post lockdown. However, the long term trend in Auckland was of public transport growth. This is expected to resume meaning in a few years aggregate demand would to return to pre-Covid levels.
- C.11 The Google mobility data we have used is an index comparing travel use on the day in question with a baseline day, which is the median value from the five-week period from 3 January 3 to 6 February 2020. In Figure C.3, we look at Auckland Transport together with the Google mobility data and plot the trends with each. From the figure, it can be seen that the two data sources follow each other well. Figure C.4 looks at this with an xy graph that has the Auckland data on the x axis and the Google data on the y axis. A straight line has been fitted to the data. The correlation is good, which gives us confidence that the Google data can be used to look at trends in other cities and other countries.

Figure C.3: Auckland Transport and Google Mobility Trend Data



Data Source: Auckland Transport and Google

Figure C.4: Auckland Transport and Google Mobility Correlation



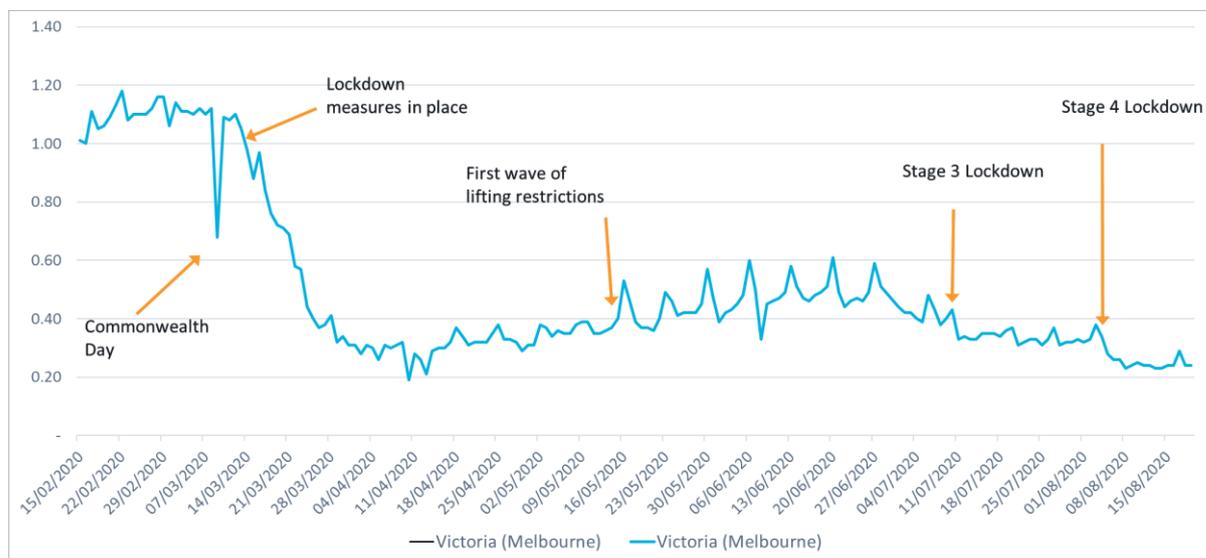
Data Source: Auckland Transport and Google

Public Transport in Melbourne

C.12 We have used the Google mobility data to look at public transport trends in Melbourne. This is shown in Figure C.5. International comparisons can be challenging because, as noted above, lockdown means different things in different jurisdictions, as well as there being differences in the characteristics of the local public transport market. This said, the Google data suggests that compared with Auckland, Melbourne had a smaller drop in public transport demand

during lockdown, but a slower recovery once restrictions were lifted. Like Auckland, this recovery was reversed with the re-imposition of lockdown at the beginning of July.

Figure C.5: Melbourne – Google Mobility Data

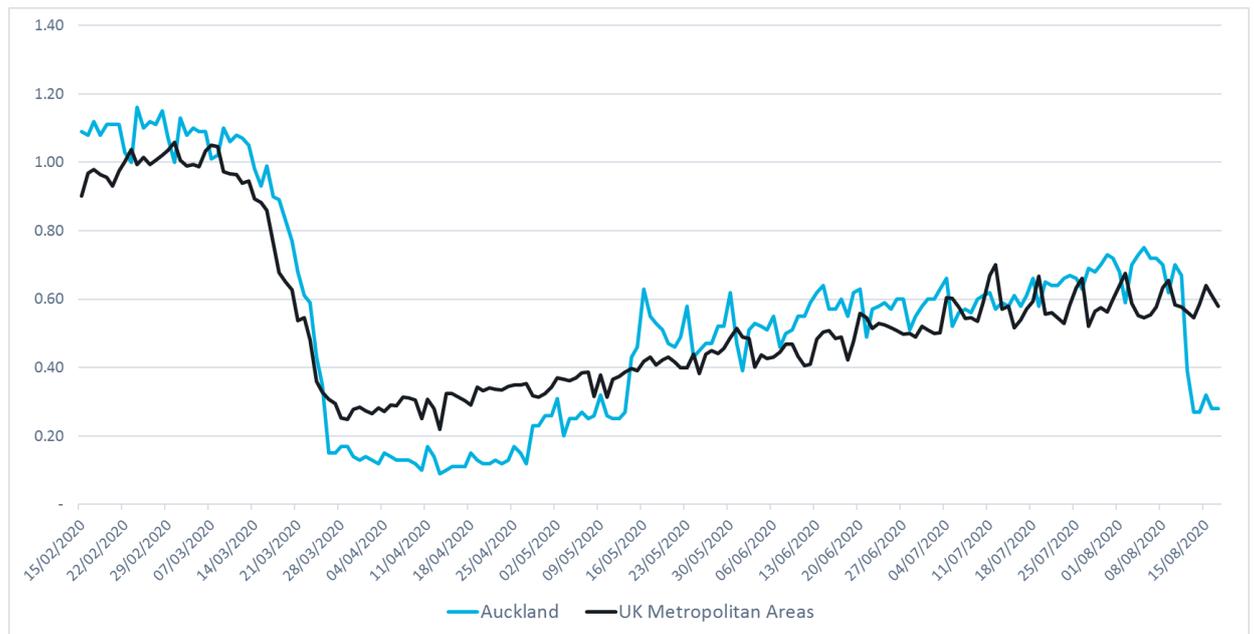


Data Source: Google

Auckland and UK Metropolitan Areas

- C.13 We have combined the Google mobility for the six English metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne & Wear, West Midlands and West Yorkshire) and compared this with the Google mobility data for Auckland. This is shown in Figure C.6.
- C.14 The graph shows a discrepancy between the Google data and the Department for Transport’s assessment of public transport usage during the height of lockdown in the UK. The Google data suggests that use of transit fell to around 30% of its pre-lockdown value, while the DfT’s data suggest the drop was to around 10% of pre-Covid levels. Potentially, those using public transport during in lockdown had a greater propensity to travel through what Google defines as transit hubs, but this is unlikely to explain all the difference between the two datasets. Nonetheless, when looking at changes over time, what the Google data does show is that when Auckland moved from its Level 3 to Level 2 restrictions in mid-May, there was a marked and noticeable increase in public transport demand, followed by a steady recovery thereafter. The Auckland Transport data shows this too. A similar effect is not observed in the Google data for English metropolitan counties where rather there has been a slow recovery to patronage levels still somewhat below pre-Covid levels. The net result is that the recovery of public transport patronage in UK metropolitan areas is not as strong as it has been in Auckland.
- C.15 The Google data also shows that in English Metropolitan counties, weekend transit use is a greater proportion of its pre-Covid levels than weekday travel. In Auckland, the opposite is the case and weekdays have a stronger recovery than weekends. This suggest that Auckland has been more successful in restarting its weekday-focused office-based economy, while in the English Metropolitan counties it is the weekend-focused retail and leisure economies that are recovering fastest.

Figure C.6: Auckland & English Metropolitan Counties – Google Mobility Data



Data Source: Google

Summary

C.16 From the above, it is observed:

- Before the re-imposition of lockdown restrictions, public transport demand in Auckland recovered to around 80% of its pre-Covid levels. The rate of growth in the week before the re-imposition of lockdown was very low. The local expectation is that the ‘new normal’ would be around 85% of pre-Covid levels.
- In contrast with Auckland, the rate of recovery in English metropolitan areas has been slow. There will be local factors that help explain this – for example, with secondary and tertiary education on holiday the English summer is traditionally a relatively quietly period for local public transport. However, even with an expected increase in public transport use as schools and colleges re-open and more people returning to office-based work, demand recovery will an extended process.
- Circumstances can change quickly. Experience from Auckland and Melbourne is that increases in demand can be reversed virtually overnight.

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