

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY
COMMITTEE**

DATE: 29 JANUARY 2021

REPORT TITLE: BUS NETWORK RECOVERY

DIRECTOR: DAVID CARTER, DIRECTOR OF INFRASTRUCTURE

**AUTHOR: PETER MANN, HEAD OF STRATEGIC TRANSPORT
INTEGRATION**

Purpose of Report

- 1 To update the Committee on recovery from the coronavirus emergency;
- 2 To explain possible funding models under consideration by Government; and
- 3 To seek delegated authority to make urgent decisions between Committee meetings.

Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:

- Maintenance of a comprehensive network of local bus services and modification of it in line with the adopted Bus Strategy will contribute positively to economic recovery and growth, assist residents in seeking employment and support the principles of clean and inclusive growth

Recommendations

- (i) That a procurement process be initiated for new local bus service contracts to replace those expiring in August 2021;
- (ii) That authority be delegated to the Head of Strategic Transport Integration, in consultation with relevant Members of the Transport Board, to award new local bus service contracts to replace those expiring in August 2021 - subject to available budget; and
- (iii) That authority be delegated to the Chief Executive, in consultation with the Chief Executives of the constituent councils, to agree to take on devolved emergency funding to support local bus services and associated powers should a suitable offer be made by Government.

Background / Issues for Consideration

Bus Strategy

- 2.1 The West of England Bus Strategy was adopted in June 2020 after extensive engagement and public consultation. It sets out how the pre-Covid level of resources (vehicles and staff) could be deployed more efficiently to provide a better level of bus service throughout the area with greater connectivity but within the prevailing envelope of funding and revenue.
- 2.2 It proposes:
- (i) Restructuring the bus route network in urban areas to create a pattern of radial and orbital services with easy interchange between them, thereby making many more point-to-point journeys feasible by bus;
 - (ii) Restructuring the bus route network in rural areas to focus on connectivity with inter-urban services at interchange hubs;
 - (iii) Further re-allocation of road space for bus priority measures – particularly on radial corridors at pinch-points and on the periphery of urban centres – to reduce the impact of traffic congestion on buses and reduce the need for recovery time in bus schedules.
- 2.3 The Bus Strategy includes an ambitious target to double bus passenger journeys by 2036 (from a 2011-12 base of 52.3 million per annum). By setting this target, we acknowledged the steady growth in bus patronage locally – in contrast to the national picture – and we aimed to build on that trend. By 2018-19, patronage had grown by 38% to 72.3 million but it dropped back to 66 million in 2019-20 (a 26% increase from the base) largely because of the onset of coronavirus.
- 2.4 The Bus Strategy also includes a commitment to a review by the end of 2021. That presents an opportunity to take stock of the impact of lifestyle changes since March 2020 on the need to travel and the decarbonisation agenda, with a view to recalibrating the growth target to align with those – for example, to one that aims for a higher mode share for bus travel rather than an increase in the volume of travel itself.

Impact of Coronavirus

- 2.5 At the onset of coronavirus in March 2020, demand for buses fell dramatically – to less than 10% of the equivalent period in 2019 – and service levels were cut back considerably for the first few months. Just prior to the second and third national lockdowns, demand had recovered to roughly 47% of the pre-Covid level but during the second lockdown it fell to 33%. On the first day of the third lockdown, demand fell again to 24% of the pre-Covid level.
- 2.6 The immediate and inevitable consequence of the fall in demand has been that commercial bus services have ceased to be viable because fares revenue no longer covers operating costs. With financial support from Government, 100% of pre-Covid vehicle mileage has been operated since September 2020 but operators are required to prioritise the deployment of buses to meet demand rather than to maintain full pre-Covid network coverage and service levels. In so doing, they must consult local transport authorities.
- 2.7 Social distancing rules have limited the capacity of buses to 50% of normal. We anticipate that that these rules will remain in place until widespread vaccination has been carried out and the infection rate has fallen significantly. At that time, we expect the Government to give eight weeks' notice of the cessation of the emergency grant.

Recovery

- 2.8 It is highly unlikely that demand for bus travel will recover to pre-Covid levels in the short to medium term. Lockdown has brought about fundamental changes in lifestyles - in particular a shift to more home working and expansion of online shopping with home deliveries. Modelling by the Urban Transport Group (UTG) in October 2020 predicted that bus demand would recover to an average of between 65 and 85% of pre-Covid levels by the end of 2021. Even a small permanent drop in pre-Covid passenger demand will mean that some hitherto commercial bus services become unviable. In the absence of ongoing funding from Government, that will lead to pressure on local authorities to provide more financial support to maintain the bus service network.
- 2.9 The Government has committed to publishing a National Bus Recovery Strategy in the first quarter of 2021. Dialogue is underway between the Department for Transport (DfT), the M9 group of Mayors, the UTG and bus industry representatives on the content of that document.
- 2.10 Our current understanding is that the Government will propose a transitional arrangement (a Bus Recovery Partnership) as a bridge from the current emergency support to a longer-term delivery model such as an Enhanced Partnership (EP). This may involve an offer to devolve Government funding to mayoral combined authorities in the short to medium term - although this would not cover all Government funding because Bus Service Operators Grant (BSOG) is unlikely to be included. Authorities that have an adopted Bus Strategy may be prioritised.
- 2.11 For this type of funding arrangement to succeed, it would need to be sufficiently well-resourced and come with appropriate powers, for example to set aside normal procurement rules to allow direct award of contracts or concessions and to streamline the processes in the Bus Services Act 2017 to set up a formal partnership. It would also rely on recovery of demand to a level that instils confidence in the bus industry that a core commercial route network may again be possible. There is a risk that an insufficiently resourced offer would simply place the burden of funding back onto the Authorities.
- 2.12 We do not anticipate that Government will increase the overall envelope of funding beyond that which it is providing at the present time to sustain the network. On the contrary, it is likely that longer-term funding will be tapered to match a predicted recovery of demand. Choices will need to be made over which bus services to support with the limited funding available. We have an evaluation framework described in paragraph 2.20 below and that will help inform our decisions.
- 2.13 Consideration is being given to how WECA can work together with North Somerset Council in bus network recovery. The Government has indicated informally that it recognises the need to consider the West of England sub-region as a single unit. Informal discussions with bus operators on the shape of a possible future partnership have included officers from North Somerset Council.
- 2.14 Officers will consider what additional resources would be needed to manage a change in the way bus services are funded and secured, including finance, legal, procurement and technical public transport expertise. It may then be necessary to build additional capacity in the Transport Operations Team using existing resources or to seek that from Government.
- 2.15 In the event that the Government invites WECA to take over the direct funding of bus services with an appropriate offer of funding and powers, a rapid decision is likely to be required and we are seeking delegated authority for the Chief Executive to take that in consultation with the Chief Executives of the constituent councils.

- 2.16 The programme of bus priority measures and infrastructure improvements identified in the Bus Strategy and proposed for delivery over the coming years remains just as important in the post-pandemic scenario. Any efficient bus route network requires predictable journey times to keep operating costs down and to maintain a high standard of punctuality and passenger confidence.

Contracted bus services

- 2.17 WECA provides financial support for 80 bus services that were not viable as commercial operations prior to the onset of coronavirus. Although these account for only 10% of total bus patronage, they are vital to the communities they serve. 44 contractual arrangements expire on 28 February 2021 and 9 on 31 August 2021. Those expiring in February will be extended to August - subject to agreement with the contractors – and we are seeking approval to carry out a procurement process for new one-year contracts (with optional one-year extensions) to start on 1 September 2021.
- 2.18 One of the key decisions needed when we consider the tender results will be whether to award a new contract on a *gross cost* basis, where we would pay a fixed price and keep all the revenue – thus bearing the risk that demand will not recover – or on a *minimum subsidy* basis which would incentivise the contractor to grow patronage.
- 2.19 Our perception of the market at the present time is that operators have become more risk-averse. Elsewhere in the country, recent tenders for new like-for-like bus contracts have been up to 30% higher because operators are taking a pessimistic view of the recovery of demand – and therefore fares revenue. The shortfall in revenue is being met currently by an emergency grant from Government (CBSSG Restart) but this may be withdrawn at eight weeks' notice. We have a good knowledge base of operating costs and pre-Covid revenue levels to help us assess tender bids.
- 2.20 As part of the Bus Strategy work, officers developed a framework to evaluate the relative costs and societal benefits of bus services. It was reviewed and refined in the light of responses to the consultation - in which we sought views on priorities for use of the limited funding available to support bus services. We now have an evidence-based tool that will help us evaluate the tenders on principles enshrined in the Bus Strategy. The views of the Transport Board on this framework will be sought at their February meeting.
- 2.21 Alongside supported bus services, WECA manages contracts for Park & Ride services in Bath and Bristol which end on 4 September 2021. Patronage levels on Park & Ride services did not recover to more than 40% of pre-Covid levels prior to the second national lockdown, so officers consider that re-tendering these contracts at the present time would not give a favourable outcome. We will extend these contracts for a further year until September 2022 – subject to agreement with the contractor – and seek approval to launch a new procurement process at the appropriate time.

Consultation

- 3 Extensive public consultation was carried out on the Bus Strategy in early 2020. This provided a good level of public engagement on the network principles and the priorities for bus services across the region. It remains a valid input to the evaluation process.

Other Options Considered

- 4.1 Consideration was given to extending contracts beyond September 2021 but that would be subject to negotiation with contractors. Current market conditions suggest that it would not be possible to maintain services within the existing budget envelope. Also, some contracts cannot legally be extended beyond September 2021.
- 4.2 Depending on the nature of an offer from the Government on the transition period after the current grant funding ceases and on the medium-term funding arrangements, other options may need to be considered but these are still unknown.

Risk Management/Assessment

- 5 The recommendations will assist in mitigating the following key risks:
- (i) That there may be an uncoordinated response to the end of emergency support funding from Government to local bus operators, resulting in a permanent loss of bus services during the critical period of economic recovery;
 - (ii) That withdrawal of many commercial bus services will place an unrealistic financial pressure on WECA and its constituent councils through the Transport Levy
 - (iii) That no provision will be made to replace certain local bus service contracts when they expire

Public Sector Equality Duties

- 6 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.3 A comprehensive, accessible and affordable bus network is vital to enabling people to access jobs, health, food, leisure and other services and opportunities. The measures proposed in this report aim to maintain and improve bus services across the region which will help meet WECA's obligations under the Equality Act.

Finance Implications, including economic impact assessment where appropriate:

- 7 There are no direct financial implications arising as a result of this report. The potential award of new contracts will be considered at the end of a procurement process and within the framework of the available budget. Any offer from Government to take on responsibility for devolved funding to support bus services and associated powers will be considered on its merits at that time, including whether sufficient funding is available.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

Legal Implications:

- 8 There are no legal implications arising directly as a result of this report. The proposed procurement process will be carried out according to WECA's Procurement Policy and relevant legislation. Any offer from Government to take on responsibility for devolved funding to support bus services and associated powers will be considered on its merits at the appropriate time. Any development of a formal partnership with bus operators will follow the process laid down in the Bus Service Act 2017 and associated guidance.

Advice given by: Shahzia Daya, Director of Legal Services

Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- * The emission of climate changing gases?
- * The region's resilience to the effects of climate change?
- * Consumption of non-renewable resources?
- * Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 Provision of a good public transport network is essential to help mitigate the impact of climate change by reducing the number of vehicles on the road to meet the demand for travel. Exhaust emission standards for buses have been raised progressively over recent years and bus operators have invested heavily in new vehicles.

Land/Property Implications

10 None

Human Resources Implications:

- 11 There are no HR implications arising directly as a result of this report. Officers will consider what additional resources would be needed to manage a change in the way bus services are funded and secured, including finance, legal, procurement and technical public transport expertise. It may then be necessary to build additional capacity in the Transport Operations Team using existing resources or to seek that from Government.

Advice given by: Alex Holly, Head of People and Assets

Appendices:

There are no appendices to the report:

Background papers:

- 1 Joint Local Transport Plan 4 -
<https://travelwest.info/projects/joint-local-transport-plan>
- 2 West of England Bus Strategy -
<https://travelwest.info/projects/west-of-england-bus-strategy>

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird on 07436 600313; or by email:

democratic.services@westofengland-ca.gov.uk