

# National Bus Strategy for England

## MP Briefing from the National Union of Rail, Maritime and Transport Workers (RMT)

April 2021

Bus travel is a sustainable low-carbon form of transport, and therefore has a key role to play in decarbonising the transport sector. Yet, there has been a significant decline in the UK's bus industry in recent decades. In the last two decades, bus fares increased by more than 60% between 2009 and 2019<sup>1</sup>, with the largest increases being felt in non-metropolitan areas. Since 2010, 14,000 bus worker jobs have been lost in England (outside London)<sup>2</sup> and over 3300 services have been cut or altered<sup>3</sup>. This is hardly surprising given that public funding for bus services outside London has been cut by nearly 40% since 2009/10. For the last decade, the number of vehicle kilometres from local bus services has decreased every year, and since 2009/10 there has been a reduction of nearly 300m in bus vehicle kilometres.

RMT believes that this massive decline in the UK's bus industry is a direct result of its deregulation and privatisation which allows private operators control over which routes to run, the cost of fares, and has created a 'deficit of governance'. Under the current deregulated bus system, the private bus companies can 'cherry pick' the most profitable routes to run, cutting less profitable services, and isolating communities and those who rely on bus services to access jobs and the wider economy in the process. In the deregulated bus market, there is little to no integration with other bus services and forms of transport, hindering connectivity and the public's ability to utilise sustainable forms of transport.

In March 2021, the Government published 'Bus Back Better'<sup>4</sup> its first National Bus Strategy for England outside London, with the aim of getting more people to travel by bus, eventually exceeding pre-Covid levels of bus patronage, by making buses 'a practical and attractive alternative to the car for more people'. RMT has long campaigned for the creation of a National Bus Strategy to reverse the decline in the sector since it was deregulated in the 1980s. RMT believes that any strategy must be underpinned by sufficient ring-fenced national funding for local authorities to deliver their local bus services via a municipal bus company, something which they are prohibited from establishing under current legislation. It has been estimated that a shift from a deregulated system to municipal bus operation could bring about financial gains of around £500 million per year across the UK (excluding London and Northern Ireland).<sup>5</sup>

The Government states that its strategy will make buses 'more frequent, more reliable, easier to understand and use, better co-ordinated and cheaper' and 'more like London's'.

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<sup>1</sup> <https://bettertransport.org.uk/future-buses>

<sup>2</sup> Table BUS0701 - <https://www.gov.uk/government/statistical-data-sets/bus07-employment>

<sup>3</sup> <https://bettertransport.org.uk/media/02-july-2018-buses-in-crisis-report-2018>

<sup>4</sup> <https://www.gov.uk/government/publications/bus-back-better>

<sup>5</sup> Ibid

Whilst it does not explicitly establish a link between deregulation and the decline in the bus market, it does acknowledge there are various factors inherent within the bus network such as confusing services, lack of integrated ticketing, congestion and falling public subsidy which coincide with a fall in bus usage in most areas. The Strategy also acknowledges that buses have a key role to play in avoiding a car led recovery from Covid-19, in maintaining social cohesion and states that ‘If we are not to abandon entire communities, services cannot be planned purely on a commercial basis.’

The Strategy references £3bn in funding, previously announced in February 2020, for improving bus services outside London. The Strategy refers to this as ‘transformational funding’.

## Enhanced partnerships and Franchising

An Enhanced Partnership is a statutory arrangement, introduced by the 2017 Bus Services Act, which is an ‘agreement between a local transport authority (LTA) and local bus operators to improve local bus services’<sup>6</sup> and can, for example, specify timetables and multi-operator ticketing. The Strategy states that compared to franchising, under an Enhanced Partnership, operators ‘have a much greater role’.

The Bus Services Act permitted automatic franchising powers to Mayoral Combined Authorities (MCAs) only. Secondary legislation is required to permit franchising powers to other LTAs. The Strategy states that the DfT will support any LTA which wishes to access franchising powers if it ‘*has the capability and intention to use them at pace to deliver improvements for passengers*’.

The strategy sets out that by the **end of June 2021**, the DfT expects all Local Transport Authorities (LTAs) to commit to establishing Enhanced Partnerships across their entire area, unless they are a Mayoral Combined Authority (MCA) which has already started the statutory process of franchising bus services. LTAs which wish to pursue franchising should also commit to establishing Enhanced Partnerships in the meantime as the franchising process ‘can be lengthy’. Operators must ‘co-operate’ with the LTA throughout the Enhanced Partnership process.

LTAs will still not have the automatic right to pursue franchising and the Strategy states that ‘*the Secretary of State will reserve the right to refuse an application for franchising if he believes a LTA does not, or will not, have the capability and resources to deliver the franchised model chosen; or that an Enhanced Partnership would deliver the improvements proposed more quickly and cost-effectively.*’

## Local Bus Service Improvement Plan

By the end of **October 2021**, the DfT expects all LTAs to publish a Local Bus Service Improvement Plan, which details how they ‘propose to use their powers to improve services’ and the DfT expects actual delivery of Enhanced Partnerships by **April 2022**.

The Strategy states that the Bus Service Improvement Plans will:

- *Be developed by LTAs in collaboration with local bus operators, community transport bodies and local businesses, services and people.*

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/959501/bus-services-act-2017-enhanced-partnerships-guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/959501/bus-services-act-2017-enhanced-partnerships-guidance.pdf)

- Cover the LTA's full area, all local bus services within it, and the differing needs of any parts of that area (e.g. urban and rural elements).
- Focus on delivering the bus network that LTAs (in consultation with operators) want to see, including how to address the under provision and overprovision of bus services and buses integrating with other modes.
- Set out how they will achieve the objectives in this strategy, including growing bus use, and include a detailed plan for delivery.
- Be updated annually and reflected in the authority's Local Transport Plan.

**And crucially:**

- ***Influence the share of the £3bn of transformation funding each LTA receives.***

## Funding

There are multiple funding sources for local bus services referred to in the Strategy:

**Bus Service Operators Grant (BSOG)** – this is funding from Central Government to bus operators and community transport organisations, of which the core element is used to recover fuel costs and is based on annual fuel consumption. Around £260m is paid in BSOG annually. The Strategy sets out the Government's intention to reform BSOG from a fuel-based subsidy to a distance-based rate. During Covid-19, the BSOG was paid at normal levels, despite fewer services being in operation.

**Covid-19 Bus Services Support Grant (CBSSG) Restart**– this is emergency Covid-19 funding from Central Government to support bus operators whilst passenger numbers and revenue are impacted by the pandemic. There is currently no date specified for when CBSSG funding will end and the strategy states that '*CBSSG will remain in place as long as it is needed*' although it highlights that this funding is *discretionary*. It also states that '**operators cannot achieve pre-tax profits on their bus services in receipt of CBSSG.**'

**Transformational funding** – this refers to £3bn in funding for bus services in England outside London, which was originally announced in February 2020<sup>7</sup>. It is not yet clear how long the £3bn in funding is for. The Strategy states it will be allocated in the following ways, with the majority of this funding not paid until after April 2022:

- *Supporting new and increased services – with at least £300m of funding to support the sector recover from the pandemic in 2021/22.*
- *Giving LTAs the skills and people they need to deliver this strategy – with £25m of the £300m allocated in 2021/22.*
- *Bus priority schemes to speed up journeys – with the first schemes delivered in 2021/22.*
- *Accelerating the delivery of zero emission buses with £120m in 2021/22. **The bulk of the £3bn transformation funding will be paid after the transformational changes begin in April 2022.***

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<sup>7</sup> <https://www.gov.uk/government/news/major-boost-for-bus-services-as-pm-outlines-new-vision-for-local-transport>

The Strategy makes the following statement, which appears to be a suggestion that the funding may not be sufficient to ensure that all bus services are protected:

*“Funding will be used to achieve the objectives in this strategy, including bus priority measures in areas of high traffic stress, tendered services, support for existing services or set payments to operators similar to CBSSG Restart funding. We expect the majority of the funding will be used to support services, though **the funding is not designed to replicate CBSSG and we understand operators and LTAs may need to make difficult decisions about the network they continue to run.** Further information will be published once we have greater certainty about any follow-on funding and have confirmed how this will be delivered.”*

## Link between funding and enhanced partnerships/franchising

The Strategy sets out that only LTAs which meet the end of June 2021 deadline for committing to an Enhanced Partnership (or are an MCA which has commenced the statutory franchising process) and operators that cooperate with the process will continue to receive the CBSSG and any successor funding to it from **1 July 2021**.

From **April 2022** ‘the new discretionary forms of bus funding from Government will only be available to services operated, or measures taken, under an Enhanced Partnership or where a franchising scheme has been made.’ As part of wider reform to the BSOG, **the Government will also consult on making access to the reformed BSOG reliant on these arrangements being in place.**

The Secretary of State may disapply these rules or the deadline of April 2022 in individual cases, on an exceptional basis; the DfT says it will ‘also ensure that no operator is disadvantaged through any failure to establish an Enhanced Partnership due to actions beyond their control.’

The DfT will also take into account an LTA’s performance regarding the policies set out in the Strategy when ‘considering funding allocations for wider, non-bus local transport schemes’.

## Concessionary travel

Payments to bus operators under the English National Concessionary Travel Scheme (which allows free bus travel for disabled people and people of pensionable age) are funded from local authority budgets.

During Covid-19, the Government issued guidance which set out that it expected local authorities to continue paying concessionary fares at pre-Covid levels, despite the significant fall in concessionary travel. The Strategy states that the Government is asking local authorities to continue making these payments and **‘will be laying a statutory instrument to support them to do so, to explicitly strengthen the legal basis for these payments.’**

The Strategy also states that once social distancing requirements are relaxed **‘local authority funding to operators will need to remain above the actual level of concessionary patronage for a period of time.’**

## Timeline of what LTAs and bus operators must do to access CBSSG from 1 July and transformational funding from April 2022

- By the **end of June 2021** LTAs will need to commit to establishing Enhanced Partnerships under the Bus Services Act or the LTA should begin the statutory process of franchising services. Operators in those areas should cooperate with those processes.
- Those LTAs who do not have access to franchising powers at present, but consider that it is the best route to adopt in the interest of passengers and that they have the capability and resources to deliver it, should progress with the implementation of an Enhanced Partnership alongside applying to the Secretary of State for access to franchising powers.
- By the **end of October 2021** each LTA will need to publish a local Bus Service Improvement Plan. Each plan will need to be updated annually and reflected in the authority's Local Transport Plan and in other relevant local plans such as Local Cycling and Walking Infrastructure Plans (LCWIPs).
- From **April 2022**, LTAs will need to have an Enhanced Partnership in place, or be following the statutory process to decide whether to implement a franchising scheme, to access the new discretionary streams of bus funding. Only services operated or measures taken under an Enhanced Partnership or where a franchising scheme has been made will be eligible to receive the new funding streams.

### Socially necessary services

The Strategy states that there will be new guidance issued on *'the meaning and role of 'socially necessary' services, expanding the category to include 'economically necessary' services for the first time'*. The guidance will set 'clear expectations' of what the DfT wants to see, which will include provision for economically disadvantaged areas. The Strategy states that if this cannot be achieved by agreement, the DfT will *'consider statutorily requiring the provision of socially necessary bus services, including those which improve people's access to employment.'*

### Municipal bus companies

The Strategy states that the ban on local authorities establishing new municipal bus companies is *'ripe for review'* and notes that amongst the small number of existing municipal bus companies *'there are some strongly performing examples among them'*.

### Fares

The DfT expects that fares policy will be an 'integral' part of LTAs' Bus Service Improvement Plans and states that it wants low flat fares, or maximum fares and daily price caps, to be the norm and for the improvement plans to consider youth fares.

### RMT Assessment of the National Bus Strategy

RMT believes that on the one hand, the Strategy represents a step forward, given that it specifies that in the future, funding will be determined by outcomes, local authorities are being encouraged to improve services, and there may be a statutory requirement on local authorities to provide socially

and economically necessary bus services. While further detail on funding is required, it appears as though there is additional money for local bus services, and the DfT has committed to reviewing the ban on municipal bus services, something which was specifically denied by the 2017 Bus Services Act. RMT believes that this represents a significant victory for its longstanding campaign for improvements to bus services.

However, much is still unknown around the levels of future funding and this is likely to create ongoing uncertainties for local authorities. The scale of the challenge is significant, with massive declines in bus patronage, services and jobs witnessed in the last decade alone, and the Covid-19 pandemic has created additional challenges for the bus sector.

That future CBSSG and 'transformation' funding, and potentially the reformed BSOG, will be dependent on the creation of an Enhanced Partnership (or the advancement of franchising) could exacerbate the unequal provision of local bus services across England and impact service levels. The Strategy risks some local authorities opting to take minimal action on bus services and therefore leading to the continuation of the postcode lottery in regards to bus provision.

Many local authorities are already experiencing financial difficulties, for a number of reasons, including cuts to funding from central Government, and Covid-19. That there will be a statutory requirement on them to continue paying for concessionary fares at pre-Covid levels, combined with the continued uncertainty around future funding streams, could put services at risk.

As the strategy states, there is far more operator involvement in an Enhanced Partnership than a franchise, and bus operators have opposed franchising in areas where it is being proposed, e.g. Greater Manchester.

There is still no automatic requirement for local authorities (that aren't Mayoral Combined Authorities) to pursue franchising, and there is sufficient discretion for the Secretary of State to decline franchising powers for LTAs. The Strategy states that it expects that more local authorities will opt for an Enhanced Partnership, rather than franchising, and includes provision to ensure that *'no operator is disadvantaged through any failure to establish an Enhanced Partnership due to actions beyond their control.'*

The Confederation of Passenger Transport, which represents the majority of bus operators was welcoming of the Strategy, stating:

*"It is great to see government sharing our ambitious plans to deliver more frequent and comprehensive bus networks, building on private sector investment and in collaboration with local authorities. Local targets for passenger growth and quicker journeys will ensure local accountability and a shared commitment to delivering better services for passengers. This should be the focus of everyone involved in delivering bus networks, rather than the **distraction of debates over regulatory models which deliver nothing for passengers**".*

Overall, RMT believes it appears as though the DfT has conceded to the operators' opposition to greater regulation and is hoping that incentivising enhanced partnerships (by making them dependent on access to funding) will be sufficient. RMT believes that overall, the Strategy is lacking in ambition and either the willingness or will to take on the vested interest of the commercial bus operators.

The Strategy did not reverse the ban on local authorities setting up new municipal bus companies, and instead committed to review this. There is no further detail on the timeline for this review, and RMT believes that it is important that the DfT provides further information regarding this process, as a matter of urgency.

RMT's position remains that municipal ownership, supported by ring-fenced national funding, rather than Enhanced Partnerships or franchising, which both rely on private operators to run services, is the most cost effective and efficient way for local authorities to deliver the improvement to local bus services set out in the Strategy.

There is nothing in the Strategy regarding engagement with Trade Unions nor around addressing the longstanding issues inherent in the industry which affect bus workers such as long hours, low pay and health and safety. Yet, in 2019, the Transport Select Committee's inquiry into the Health of the Bus Market recommended that a National Bus Strategy be ***'underpinned by a national forum involving representatives from bus operators, trade unions and other stakeholders to examine and share information on issues such as improving services, recruitment and retention, skills, apprenticeship and bus safety.'***

Fares policy will form a key part of the Bus Service Improvement Plans, and the Department has set out expectations around low flat fares and daily price caps, for instance. It is also the case that under deregulation, operators have had complete control over the setting of fares, with fares rising significantly in real terms, and this has been very profitable for them. Under an Enhanced Partnership, it is difficult to see that operators would accept reductions in fares if it led to a cut in their profit. RMT is concerned that if LTAs were left to subsidize lower fares, and if this is not backed up by ring-fenced funding from Government, it could put services at risk.