

Written evidence submitted by the Association of Local Bus Managers (ALBUM) (BUS0012)

1. Introduction

The membership of ALBUM, the Association of Local Bus Managers, is drawn from companies outside the major quoted public transport groups. The Association has over 140 members, representing 45 companies: 32 private businesses, 8 municipal companies, 4 smaller groups (TrentBarton, Rotala, McGills, and Centrebus), the Isle of Man Transport Company and 15 associated companies. Between them ALBUM Members operate 5500 vehicles; about 14% of the local buses operated across Great Britain. The collective size of the operating fleets of companies in which ALBUM members work, if taken as a single entity, would be Britain's third largest bus operator.

Many ALBUM members are responsible for small and medium-sized companies that are strongly linked to the local communities that they serve; there is a commitment to local service that makes ALBUM members responsive to local needs and expectations. Conversely, the smaller size of ALBUM companies increases the risks inherent in serving a limited area, where downturns in one market have a direct, powerful impact on each company's financial success that cannot, in general, be mitigated by upturns in operations elsewhere.

Many companies whose managers and directors are members of ALBUM are also active in the Confederation of Passenger Transport UK (CPT) and support the work of CPT. ALBUM members bring a distinctive, local knowledge to services for passengers and to our work with principal stakeholders: local, regional and national government across Great Britain and our suppliers.

This submission seeks to ensure that the Transport Select Committee has access to a wide range of knowledge and experience from small and medium-sized operators.

2. The National Bus Strategy

ALBUM welcomed the publication of the National Bus Strategy (NBS). In particular, the Association saw a timely recognition of the contribution that buses make to society with clear statements of the importance of buses to the quality of life, to tackling environmental challenges and to economic success. ALBUM shares the view that buses should be the mode of choice for an

increasing number of trips and that implementing ambitious plans to give priority to bus users should be an essential feature of the work of all the bodies that are responsible for managing the highway network.

ALBUM members also welcomed the encouragement that the Strategy gives to bus operators and local authorities to work together as a clear sign of the benefits that can be secured by robust partnerships to deliver improvements in the quality and reliability of buses. Such an approach is fundamental to the work of ALBUM members; we believe that the quickest, most effective and most efficient way of improving bus services is through close, positive relationships between operators and local authorities, where each contributes to the development of common objectives and to an agreed, long-term delivery plan.

The essential features for success are outlined in the National Bus Strategy. The challenge is in delivering ambitious and far-reaching change; in this submission, we draw attention to those challenges, particularly where progress is slow or faltering, and suggest areas of attention that may help to remove some of the barriers.

3. The challenge of the pandemic

ALBUM recognises that complex issues arose from the public health emergency: public funding for bus services was quickly implemented by the Government and we commend the Department for Transport for its work in helping to secure the financial stability of the industry and its networks. There may have been other (perhaps more generous) ways of supporting operators, but ALBUM believes that, faced with an unprecedented threat on so many fronts, the response from Government was both creative and realistic.

4. Financial challenges – National Bus Strategy

The National Bus Strategy proposed significant levels of government expenditure to deliver improved bus services through Bus Service Improvement Partnerships (BSIP). The Strategy said that expenditure on major bus schemes delivers “benefits worth more than four times their cost” (NBS p18). Nevertheless, the schemes put forward by local authorities would require funding that far exceeds what is currently available and local authorities have been advised (DfT letter of 11 January 2022) that “prioritisation [of Bus Service Improvement Plans and Enhanced Partnerships]

is inevitable, given that the scale of the ambition across the country greatly exceeds [the budget of £1.4bn over three years]”.

On that basis, it will not be possible to deliver all the changes that local authorities and operators have identified as they have worked on the proposals submitted to the DfT. Operators and local authorities – even where their BSIP plans are not funded – should continue to work on schemes that can deliver improvements and must bid for future funding if, as seems inevitable, few schemes will be fully funded and, as noted below, more short-term funding for the industry is necessary now.

5. Financial challenges – oil prices, inflation, labour shortages

The Committee has asked for comment on bus funding over the short and long term. There are legacies from the loss of passengers during the pandemic, arising from reductions in commuting, leisure, shopping and education trips that will take years to work through. Passenger numbers are currently at 65-75% of pre-pandemic levels. Many commentators view a return to the level of passenger journeys before the pandemic as unlikely, suggesting that numbers over the next few years may peak at about 90% of previous users, unless we can (collectively) secure a change in public perceptions of the (low) risk of travelling by bus for both former and new passengers. This implies a continuing level of public subsidy for buses beyond 2022 simply to maintain current networks. At present, it is not clear what, if any, funding will be available after September 2022. This uncertainty presents major problems for all operators, particularly those in which ALBUM members work, where there may be limited opportunities to achieve cost reductions without wholesale changes and withdrawal of services. While recognising the work of the Department in securing further interim funding, ALBUM must, nevertheless, draw attention to the approaching crisis.

In addition, changes in oil prices now present a major challenge. While some ALBUM members will have fuel hedges in place, this merely delays the point when the shock of current fuel prices will have to be faced. Hedging provides certainty for the period of the forward purchase of fuel – allowing a chance to make plans while aided by a helpful short-term limit on exposure to fuel price changes, until the hedge runs out. At that point, the impact of change crystallises. Operators – particularly smaller companies – who cannot secure good hedge deals, are facing the full cost of fuel price increases now – with the inevitable impact on fares and services levels.

As an industry whose major costs are labour, bus operators face inflationary impacts that are always ahead of CPI/RPI calculations; as the labour market continues to harden, with wage increases following shortages in a range of trades and sectors, bus operators will increasingly face higher employment costs that will have a much greater impact than on many other sectors. It is common across the bus operating industry for drivers to have contracts where they need to give to their employer only one week's notice of termination of employment: it takes several weeks to train each replacement driver, however. Many operators have recently reduced service frequencies in a bid to match the level of operation to the number of drivers available, so as to maintain service reliability.

A further challenge is that the public health emergency also brought a major reduction in the quality of the service provided by the Driver and Vehicle Licensing Agency (DVLA) and the service provided by the Driver and Vehicle Standards Agency (DVSA). ALBUM members report substantial delays in securing vocational driving tests from DVSA and licence documents for bus drivers from DVLA. DVSA stopped driving tests for about 12 months from the start of the public health emergency, with the effect that smaller companies, who cannot employ delegated examiners, were severely affected and at a significant disadvantage when compared to larger companies. Many ALBUM members have lost about twelve months' worth of trainee driver intake, the effect of which continues to be felt. In relation to DVLA, the delays in processing licence application and renewals has been widely reported. ALBUM hopes that steps can be taken to develop a more robust system, probably through the introduction of regional processing centres so that a problem for DVLA in one area does not adversely affect the totality of the service that the Agency provides.

6. Future funding – Bus Service Operators Grant and the English National Concessionary Travel Scheme

The National Bus Strategy outlined an intention to reform the Bus Service Operators Grant (BSOG). ALBUM recognises the need to develop a new mechanism, given changes in vehicle technology and operations that do not match the current rules. ALBUM will be happy to work with CPT and the Department to develop a replacement system that should be simple, auditable, comprehensive and stable over the long term; it should not promote perverse outcomes and should be structured to deliver the benefits that the

grant is intended to promote. BSOG has the advantage of being paid to operators, thus directly benefiting passengers through lower fares and higher levels of service. On this basis, it will be important to assess transitional mechanisms.

The English National Concessionary Travel Scheme (ENCTS) suffers from underfunding by local authorities who, in their turn, believe that central government does not properly fund their expenditure. For many local authorities, it will represent the largest single element of their transport expenditure. ENCTS is sometimes seen as a subsidy payment to operators: it is, of course, a subsidy to users as the mechanism pays operators for the cost of fares not charged, but at a rate that discounts all additional trips created by journeys being free for users. The calculations of the correct level of funding are complex and open to manipulation by authorities wishing to manage their expenditure down to a pre-set budget limit.

If the number of passengers using the ENCTS scheme does not recover, this implies a reduction in the number of trips being generated by the existence of the travel concession, which should lead to a reduction in the level of discount that is applied by local authorities when calculating reimbursement. This creates further uncertainty in how the impacts of the scheme are calculated. ALBUM would welcome a review with the Department of how to remove anomalies and give operators a more consistent and realistic level of reimbursement.

During the pandemic, local authorities were advised to continue ENCTS payments at pre-pandemic levels so as to help secure services that would have collapsed in the face of yet further loss of income. ALBUM believes that this was a pragmatic and sensible move that should be continued as travel by pass-holders increases in the post-pandemic phase so as to ensure that services are available to pass-holders when they choose to return, given the significant social impacts that would otherwise arise from the loss of services. ALBUM would welcome further guidance from the Department about the continuation of this arrangement while uncertainty over recovery from the pandemic remains.

7. Challenges for local authorities

Outside the major conurbations, the number of employees in local government who work on public transport policy and strategy has declined

over the last 40 years; the standing of such specialists as remain has declined. Some may not have access to chief officers or members.

Where once there were departments that linked highways and transportation, this is now rarely the case. The focus on the management of contracts for school bus services has often seen “transport” specialists move into procurement roles. The National Bus Strategy recognised this challenge:

Much of the work to improve services and manage the new funding streams will be done by local authorities, whose capacity varies significantly. We will therefore provide £25 million in 2021/22 to support partnership and franchising development, including a Bus Centre of Excellence. (NBS, p12)

ALBUM members welcome this proposal. There are, of course, no short-term solutions to the problem; the challenges are of recruitment, training and retention and a new approach within local authorities. ALBUM members believe that local authorities should see transport as a high priority for their work and hope that guidance from the DfT can encourage this. It would be a helpful step for all local authorities to be required to assess the impact on transport (and, in particular, public transport) of all their decisions. Simply asking “what are the transport implications of this decision?” for every agenda item would help to show how transport policy needs to be integrated into every area of public administration.

Similarly, the National Bus Strategy raised the question of duties for local authorities to assess “socially necessary” services and the extent to which authorities are then required to secure the provision of those services (NBS, p47). ALBUM believes that it should be a duty of local authorities to secure the services that they believe are necessary. For this to be an effective policy, the DfT will have to develop a framework to assess need and to judge how the services being provided match that need.

Recent Government funding for local authority projects has often been targeted on areas with elected mayors; large parts of the country do not have these structures. ALBUM believes that money should follow need. Speaking in March 2022, the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, said that his Department’s funding would not be limited to areas with elected mayors, naming projects in Cornwall and County Durham. ALBUM believes that this should also apply to transport funding, as the needs of communities in rural areas and market towns, where many ALBUM

members are active, are as real for those communities as they are for those in more highly-populated areas. ALBUM recognises that the success of cities in community cohesion, economic development and decarbonisation is critical for the country as a whole but also believes that communities outside those areas should not be disadvantaged.

8. Promoting travel by bus

The National Bus Strategy proposed (p.30) *“heavy promotion and marketing to familiarise non-users with their local buses [and] to demystify the service for non-users”*. The Covid pandemic has added a further challenge with the need now to remove the “avoid buses” health message and move towards a theme based on “using buses is good for your community, your health and the environment”. ALBUM believes that bus operators would be strong local partners in a national, government-led campaign to change attitudes: as with many of the issues reviewed in this submission, this cannot be a “quick fix”. We need to have a clearly articulated, simple message, delivered consistently over many election cycles so that the value of public transport and the steps that are being taken to improve the quality and availability of services is understood by users, non-users and – crucially – voters; without this, we are at the risk of populist “let’s take out the bus lanes” campaigning becoming more common.

9. Decarbonisation of transport

Many ALBUM Members are involved in projects to develop low- and zero-carbon emission operations; the support from Government schemes that promote the development of innovative solutions is welcomed. It is, however, not the main challenge.

ALBUM believes that the central focus of any policy aimed at improving the environmental performance of transport should promote modal shift from the use of the private car to transport by train, tram and bus. This requires a complex mix of measures that includes the availability of frequent, reliable, predictable and affordable public transport services with infrastructure that supports high quality for users and with access to reliable and simple information about mobility options. As the National Bus Strategy proposes, we see making the bus the “transport of choice” (NBS, p9) as the key aim. The bus operating industry is well-advanced in exploiting options such as electric and hydrogen vehicles, whose use will increase as technology progresses and costs

fall. Nevertheless, modal shift is the prize: more difficult to achieve but far more effective.

10. Conclusion

ALBUM welcomes the opportunity to submit evidence to the Committee and would be happy to explain or develop further the points outlined here.

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