

Written evidence submitted by Transport for West Midlands (TfWM) (BUS0040)

Background

Transport for West Midlands (TfWM) is the transport arm of the West Midlands Combined Authority (WMCA). TfWM is the local transport authority (LTA) and is responsible for formulating transport strategy, policy and project delivery, incorporating strategic highways, freight, rail, bus, tram and rapid transit network.

The TfWM geography covers the seven constituent authorities of Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and the City of Wolverhampton Council.

The Inquiry

a) Challenges facing the Bus Industry and LTA's

With the impact the Covid-19 pandemic had on travel patterns, although we are starting to experience a 'return to normal' with all restrictions lifted, there is still large uncertainty on the transport system and people's behaviours.

Within the West Midlands in more recent months we have seen vehicle numbers on the motorway box return to at, or above pre-Covid levels, where in comparison public transport modes are still at below pre-Covid numbers. This is generally a trend being experienced nationally throughout the UK.

Impact on bus services

The pandemic has meant there are a greater number of bus services that are no longer commercially viable. Since the introduction of Bus Recovery Grant (BRG), the West Midlands has experienced the following changes to bus services;

- 28 services changed at the end of August 2021 affecting frequencies, routes, evening and Sunday services, and loss of service for some communities.
- Frequency reductions on core corridors at the end of October 2021 affecting bus services serving 60% of passengers across the region.
- Reduction or deregistration of 8 services in December 2021 resulting in increased tender costs of approximately £1m and service changes affecting 42,000 customer journeys per week.

- In January 2022, this has resulted in the bus network operating approximately 94% of pre-Covid miles.

Government announced on March 1st that current BRG and Light Rail Recovery Grant funding to operators across England will be extended for a further 6 months, taking it to the start of October 2022.

This has been broadly welcomed by most parties including TfWM, as it provides support for the continuation of bus services across the West Midlands from April 6th to the end of September 2022. However, long term risks of network cuts and reductions remain post October 2022.

However, working with TfWM, government has agreed to extend the funding for up to 9 months to support a stable network in the lead up to the Commonwealth Games. This is still under negotiation as operators have advised that this funding does not yet remove the need for them to make significant cuts to existing commercial services as early as May 2022.

Impact on bus market

The impact of pandemic has reduced the number of commercial operators, making procuring socially necessary bus services more expensive and harder to procure over a prolonged period. This is a threat to providing public value for money. To date the West Midlands has two commercial bus operators go out of business and a further two fall out of the tendered bus market. Over the past 5 years, TfWM has seen the average number of operators bidding for tenders reduce from 5 per bid to 2 per bid, and in several cases only one operator bidding.

Unique requirement to support Commonwealth Games

TfWM is closely negotiating with bus operators, DfT, the Organising Committee and the Department for Culture, Media and Sport to secure a regional extension of BRG to maintain existing services for longer. This will allow TfWM and its partners to be able to deliver a successful transport network for the Birmingham 2022 Commonwealth Games.

Historically no major event has had to support such an event without certainty of the existing operating network onto which additional contracts are procured. In this instance contracts are being procured not knowing if the existing services will be stable at the time of the games.

Actions for reform

TfWM believe that the six-month final period of COVID-related support should be used to establish a long-term post-COVID revenue funding regime which is

simplified, enhanced and devolved to MCA areas. This includes changing the mechanisms of providing public subsidy provided to bus operators. This model would focus on improving and seeking more extensive networks and a move away from bus operators attempting to maintain profit margins, regardless of network size.

This would maximise the effectiveness of public investment and essential in delivering BSIP and National Bus Strategy aspirations; and the Levelling Up Missions.

b) Progress against National Bus Strategy (NBS)

TfWM and its partners wholeheartedly support the NBS ambition and Vision for Bus services. The region's bus network has an indisputable role in our transport system. It reaches every corner of our region, providing an essential mobility service to access employment, education, leisure and other key facilities as well as providing integration with other transport. The document set out some of the most ambitious targets proposed by Government since deregulation in the 1980's.

West Midlands BSIP

A West Midlands BSIP was submitted to government in November 2021 to support the NBS. Our BSIP was based on the adopted West Midlands Vision for Bus. In summary, our BSIP aims to put the customer at the heart of our ambition and will raise the profile of their voice to deliver Better Buses, Better Journeys and Better Fares for: -

Better Buses

- Delivering 750 more zero emission buses by 2025 and the fastest region to achieve 100% zero emission by 2030.

Better Journeys

- Through an additional 106km of bus priority that supports a cross city and cross regional levelling up network of enhanced services, where Real Time Information, physically or virtually, will be available at every stop.

Better Fares

- Maintain Better Fares, with contactless payment across all operators' services to ensure best value for our customers.

The West Midlands BSIP included an ask of over £660m for the 3 years to March 2025. We are still awaiting a funding decision on the BSIP submission.

DfT's process for progressing BSIP's has been incredibly slow, and coupled with the ongoing uncertainty around recovery, it has made it very difficult make any meaningful progress. It has also proved difficult to talk to bus operators about service increases and improvements at a time when reductions in funding and patronage will more likely remove services from the network. Often these conversations about an ambitious network for the region on one hand, and being realistic about allowing services to reduce on the other hand, have been had with the same officials from government which has led to some very difficult dialogue in trying to understand the objectives of the government from the LTA.

Overall cost assessment to deliver the NBS

TfWM undertook a full assessment on the costs of delivering the ambitions within the NBS at a local level, up to 2030. This was broadly costed at £1.1bn. The TfWM area has around 10% of bus services across England.

This would have equated to a third of the £3bn for bus services committed during this parliament and this was before it was advised Covid recovery funding would be included within that £3bn. The committee should assess whether the committed £3bn is sufficient enough to deliver the NBS in full, and the extent to which that £3bn is 'new' money or simply re-packaging of pre-existing funding streams.

Delivery of future bus services

To support our BSIP delivery, TfWM are adopting an Enhanced Partnership Plan for the West Midlands. We are also commencing a Full Bus Franchising Assessment, as a possible alternative mechanism to deliver bus services and wider WMCA policy outcomes. This is, to a significant extent, due to the uncertainties in the West Midlands bus market and the impact of Covid on bus services. The outcome of this process is to be able to provide very clear evidence on the benefits and risks associated with both Enhanced Partnerships and Franchising. It is worth noting that the NBS and BSIPs require all authorities to pursue either EP or Franchising and neither tool was available before the Bus Services Act so every authority across the country will be delivering bus services under a framework that has only been in existence for less than 5 years and has only been used in a handful of cases.

As set out by Urban Transport Group, we support action from government to further simplifying and streamlining processes for exploring and adopting bus franchising and also ensuring that any lessons learnt from the Enhanced

Partnership process are monitored and streamlined. This should be taken forward through a forthcoming Transport Bill.

c) Innovation in the bus sector

In the West Midlands we have real life mobility living labs such as a Connected and Automated Vehicle Testbed, the 5G test bed, ADEPT living lab and extensive testing and showcasing of behaviour change through the Future Transport Zone (FTZ).

West Midlands On Demand

The pilot of the West Midlands On Demand - Demand Responsive Transport) service in Coventry was launched in spring 2021 and the service currently covers Kenilworth, Balsall Common and Meriden. The buses can be booked via the smartphone app or telephone to pick up passengers for any chosen journey within the zone. The service's technology is powered by Via. Upon booking a ride, Via's advanced algorithms create quick and efficient shared trips by pooling multiple passengers headed in the same direction into a single bus in real time.

Expansion of DRT services and coordination with the West Midlands Ring & Ride service is also an aspiration outlined in the BSIP and forms part of the WMCA City Region Sustainable Transport Settlement (CRSTS) programme.

Whilst the NBS suggests a primary role for DRT services will be in rural areas and in times of low demand, our trials demonstrate that they may also have a strong role in more populous areas by increasing the range of destinations easily accessible to residents. This is important because if we are to make public transport an attractive alternative to private cars, service provision needs to reflect modern dispersed travel patterns to an extent that fixed route bus networks cannot achieve easily, albeit DRT systems should utilise technology designed in such a way as to minimise extraction from fixed route services, for example by offering customers fixed route services as a first option where they exist.

The extent to which the benefits of DRT can be maximised are likely to be limited without clarity around legislation that governs their operation. Operating under PSV licenses can prove restrictive but operating under Private Hire Legislation can make integration more challenging. This should be reviewed as part of DfT's Future of Transport review.

d) Bus funding

Pandemic support approach by DfT

The West Midlands has been supportive of the funding approach taken by government and has supporting this with localised funding all. TfWM and other MCA areas offered resource and support to DfT to create a mechanism to route funding through LTAs, which, following a meeting with the DfT was not taken up. TfWM believes this was a missed opportunity and would have led to much better outcomes and greater certainty in the market than we now face.

The approach adopted has resulted in a passporting of virtually all funding through bus operators. With DfT removing elements of funding support, authorities such as TfWM are unclear as to what risks they are facing or how they will deal with the inevitable reductions in the local bus network, which has become a major challenge as the government has moved towards a slightly different approach through the extended BRG to operators.

The government have not required any return for the investment made to commercial bus operations. An alternative model should have developed, where DfT or local authority officials are placed on the boards of the biggest benefiting operators, in order to give them a say in how the company supports local services in the future. Whilst recognising the unprecedented challenges the pandemic created, that Local Authorities are faced with shrinking networks after a time of extended public support can only be seen as a lost opportunity and policy failure.

The period has also highlighted the challenges of government engaging all LTAs in the same way, as there are 79 different areas. It has been clear that some city regions have more in common with London through integration and the role of bus within the local economy, but the current engagement strategy made it easier for a government to communicate through 5 commercial bus operators who represent bus services across much of the country than with 79 different authorities. This presents an opportunity for government to reform the way it engages with the major conurbations on buses and wider integrated transport.

Funding reform: routing funding through TfWM

Sustained public support grants have been vital during the pandemic in keeping them running, particularly for many of those who rely on them. With patronage on all public transport modes within the West Midlands still seeing below pre-Covid numbers, it is likely that subsidies will be necessary for the bus network in the region to be sustained.

If government wants to maintain a bus network and to deliver the NBS, then serious consideration is required over adequate funding support over a longer-term period. It is recommended that to sustain an effective and attractive network, future public funding should be increased and awarded directly to TfWM and other MCA areas. This would secure better value for money for the taxpayers and deliver better local flexibilities, which align to BSIP ambitions and Bus Back Better objectives.

There will no doubt be a view that LTA's and Bus Operators should be aligned in their objectives to grow patronage and increase service profitability. This will be true to an extent, but that can be achieved in very different ways. For a local authority, breadth of provision will be important, and even though many secondary services may only carry modest numbers compared to the core network they represent a lifeline to many communities and their continuation will be essential if modal shift ambitions are to be realised. On the other hand encouraging more people to use the frequent core network will be a much easier proposition for bus operators and whilst that may increase the profitability of these services how (and if) these profits are reinvested is totally at the behest of bus operators, even within a partnership regime, and this investment will not necessarily align with the Local Authority's aspirations to grow the overall network and capture users who are more difficult to reach.

By way of example, one benefit of the pandemic was that it initially saw many more people convert to active travel (walking and cycling) because they felt uncomfortable using bus services. From a public policy perspective this was arguably a good outcome because it had wider health benefits. Once restrictions began to be lifted, a rational commercial bus operator would target those citizens to get them back on the bus because this would be an easier campaign than trying to fill up the vacated seats with passengers who may otherwise commute by car.

So, whilst the LTA and Bus Operator have a shared objective to grow patronage, the Committee should recognise that can be achieved in very different ways, leading to very different outcomes.

Trailblazer Devolution Deal opportunities

The Levelling Up White Paper (LUWP) sets out a commitment for a Deepening Devolution Deal with the WMCA. The WMCA has 'trailblazer' status and this creates significant opportunities for further devolved transport powers.

There is an immediate case for government to devolve commercial BSOG directly from DfT to TfWM as a matter of urgency. This would match

arrangement in Greater Manchester and West Yorkshire. BSOG would be administered by TfWM and would continue to be paid to bus operators.

Through greater local control and rationalisation of bus funding through TfWM, we would be able to incentivise bus operators to use the grant in order to ensure investment in bus services aligns with WMCA priorities. Reforming BSOG before devolving it, as is the current stated intention of the DfT, seems to miss the point of devolution. If the LTA is simply talking on an administrative burden without having any influence over how this funding is allocated in order to meet local priorities and policy objectives, then this would be a further missed opportunity.

With significant investment made to support bus services across the West Midlands, the streamlining of bus funding through TfWM would allow for a better planned recovery of bus services.

e) Decarbonisation

Government support for low, and now zero-emission, buses is welcomed. TfWM are national leaders in delivering zero-emissions bus fleets.

We are working with Coventry City Council and bus operators to deliver the £50m Coventry All Electric Bus City project by 2025, as well as a £30m programme to deliver 124 hydrogen buses across the WMCA area funded through the Zero Emission Bus Regional Area Scheme (ZEBRA) and we are very grateful for government support in funding these projects. As this funding is paid to TfWM rather than directly to bus operators, it has enabled us to develop schemes in a way that secures alignment with wider local policy objectives rather than simply addressing bus operators' commercial imperatives. A good example of this is the recent ZEBRA award for Hydrogen buses in which we will be implementing mechanisms to ensure the funding helps support inward investment, wider industrial decarbonisation in the region and develops local skills, jobs and supply chains.

If the DfT were to have paid this money directly to bus operators it may have represented a more straightforward transaction and ultimately seen the new vehicles delivered, but without TfWM driving this wider ambition and being able to directly influence how the funding is spent it would simply not be possible to achieve these wider strategic benefits. This is therefore a great example of how the devolution of funding through a Local Authority can lead to much better overall policy outcomes.

New West Midlands Local Transport Plan

As part of the new, upcoming West Midlands Local Transport Plan (LTP), TfWM are adopting the framework of 'Avoid, shift, improve' and positive behavioural impacts as a result of the pandemic.

In summary, this encourages a change in transport behaviour through the three methods; via avoiding travel, where trips can instead be made by other methods such as online shopping, shifting travel, by using more sustainable modes of travel and improvements in land planning, and improving travel by designing and innovating out current vehicles and their fuels.

April 2022