

## Written evidence submitted by First Bus (BUS0047)

### About First Bus

1. First Bus is the second largest regional bus operator in Great Britain, transporting hundreds of thousands of passengers a day. We serve two-thirds of the UK's 15 largest conurbations, including a fifth of the market outside London. We are a leading operator in the majority of our markets, including major urban areas such as Glasgow, Bristol and Leeds.



2. With a fleet of approximately 5,000 buses across 53 operating depots, from Penzance to Aberdeen, we provided 465,000 passenger journeys a day in 2020/21 despite the pandemic. We are committed to investing in customer-facing technology and sustainable vehicles and have worked closely with national government, our Local Transport Authority partners (LTA) and industry to enhance operating conditions, transform our fleet and improve the customer experience. In line with the ambitions of the National Bus Strategy, we have also been working with our local partners to deliver tailored Bus Service Improvement Plans and Enhanced Partnerships that meet the needs of local populations.

First Bus services in the British Isles, 2022

3. We are committed to decarbonising our fleet and have pledged to operate a zero-emission bus fleet by 2035; and in 2019/20, we removed over 56,000 tonnes of carbon emissions, relative to alternative modes of transport that would have been used in their absence<sup>1</sup>. Our parent company, FirstGroup was the first bus and rail operator in the UK formally to commit to setting an ambitious science-based target to achieve net zero emissions by 2050 or earlier.

## **Challenges facing the sector as it recovers from the pandemic and the effectiveness of steps taken by both Government and stakeholders in response**

4. The Government provided funding for First Bus and other bus operators throughout the pandemic in order to keep vital services running for key workers, and in recognition that bus services support customers and local communities as they recover from coronavirus. This funding included the Coronavirus Bus Services Support Grant, the Bus Recovery Grant and the recent allocation of £150 million to support local bus and tram services through to October 2022. While we await guidance on the distribution of the latter funding pot, this combined support has enabled us to keep the majority of our services running continuously across the country, particularly during periods where extra capacity was required to maintain social distancing.
5. However, despite this support, the bus sector still faces numerous challenges in its aspirations to return to pre-pandemic levels of patronage and market provision. We have outlined the main challenges in detail below.

### Reduction in passenger numbers and travel habits

6. During the pandemic, following the imposition of stay-at-home guidance and social distancing guidelines, we ran a reduced timetable of 90% of mileage compared to our pre-Covid baseline. In the last six months, we have been running an average of 85% of pre-Covid mileage, reflecting varying levels of passenger demand, sickness and self-isolation among our workforce and shortages of drivers due to a challenging employment market for heavy goods/bus as the country recovers from coronavirus.
7. The main obstacle to rebuilding patronage is a change in travel habits, with reduced demand for bus services across all demographics and services compared to pre-pandemic levels. Department for Transport data for October to December 2021<sup>2</sup> shows that there was 30% reduction in bus journeys in Great Britain outside London compared to the same quarter in 2019 despite the relaxation of coronavirus restrictions . It is not yet clear whether these changes are temporary or permanent in nature.

8. Moreover, the pace of recovery to pre-2019 levels of both concessionary travel and peak-time commuter trips continues to lag significantly behind the recovery of leisure trips and journeys to and from school, reflecting the increase in working from home and the apparent reluctance of many concession pass holders to return to bus travel.
9. One reason for reduced bus travel is the increased share of trips using the car since the pandemic began. Department for Transport data<sup>3</sup> shows average car use was found to have reached 93% of pre-pandemic levels during March 2022, compared to 82% for bus travel in England outside of London during the same period. At weekends in March 2022 average car use reached 100% of pre-pandemic levels compared to just 85% for bus trips.

#### Car use and modal shift

10. While car use dropped significantly during the early stages of the pandemic while the country was in lockdown, it later rose significantly, with car use returning to over 80% of use on the equivalent day by June 2020, rising to over 110% of equivalent use by September 2021<sup>4</sup>. In the week of 27 March 2022, car use was at 109% of the equivalent day pre-pandemic.
11. Yet despite these trends, we have not yet seen a public campaign to encourage people back onto buses, as we have seen in the rail sector. Last summer, the Rail Delivery Group with the support of government brought forward a national marketing campaign across all major broadcast, digital and out-of-home channels to encourage people to return to the rail sector. Preliminary results show that the campaign was effective, with 15% of people buying a ticket after seeing the campaign and those surveyed reporting an average recall of the campaign of 54%<sup>5</sup>.
12. Government should consider launching a similar, targeted campaign to encourage people back on to buses in partnership with industry. This would not only help local authorities and bus operators to boost patronage, in line with the aims of the National Bus Strategy; it should also help to propel a modal shift away from private car use to public transport following the

pandemic, supporting the objectives of the Transport Decarbonisation Plan and the Net Zero Strategy.

### Bus funding and local authority capacity

13. As aforementioned, Government funding was made available to the sector throughout the pandemic in order to keep vital services running for key workers, and in recognition that bus services support customers and local communities as they recover from coronavirus. However, bus funding is often announced and delivered at short notice after protracted delays. Emergency funding during the pandemic provided at times with only a week's notice and decisions on the Bus Service Improvement Plans repeatedly delayed. This has created uncertainty and limits the ability of bus operators and local authorities to plan bus service levels and routes in advance. We recommend that a six-week lead-in time for any bus funding changes would be more appropriate to allow for service changes to be planned and communicated effectively. More details on bus specific funding are provided in the relevant section.

14. This need for clarity is particularly pertinent with uncertainty over local government financing and the development of strains on public services. Government provided an additional £1.6 billion of new grants to support local government in each of the next three years at the last Spending Review<sup>6</sup>, however the Local Government Association estimates that councils will face pressures of almost £8 billion in the same period, with many facing cuts<sup>7</sup>. Government funding for tendered bus services has declined significantly since 2010, and support for concessionary fares is now under particular strain.

15. This undoubtedly constrains the ability of local authorities to budget for, and deliver, Bus Service Improvement Plans effectively. If authorities are not financed sufficiently, there is a risk that these aims will be unable to be fulfilled and services could be lost.

16. During the pandemic, the DfT encouraged Local Transport Authorities to fund concessionary fares support at pre-Covid levels, adjusted for lower levels of usage. As we move out of the pandemic, funding is intended to support higher levels of mileage while patronage returns. However, if

concessionary fares funding is adjusted too quickly, there is a risk that services may need to be cut as they may be unsustainable while patronage is still at lower levels than pre-Covid.

17. Moreover, from our experience, we have found that some local authorities have been unable to build and maintain the internal skills and capabilities to deliver effective transport planning due to budget cuts, leading instead to a reliance on external consultants in the development of strategies and assessment of the impact of proposals. We welcome government's ambitions in the National Bus Strategy to deliver a new Bus Centre of Excellence and would encourage the focus of this centre of excellence to be around sharing best practice for traffic engineers around the design and implementation of bus priority schemes.

### **Progress against the ambitions and targets set out in the National Bus Strategy including the effectiveness, pace and priority of the strategy's implementation**

18. First Bus welcomes the overall ambitions of the National Bus Strategy and its desire to ensure that bus services deliver for local populations, propel innovation and increase the speed and reliability of bus services. However, we believe that more and earlier clarity is necessary over the allocation and distribution of funding, to ensure that Bus Service Improvement Plans (BSIPs) are focussed on outcomes that deliver for patronage and decarbonisation objectives.

#### Enhanced partnerships and BSIPs

19. We support government's prioritisation of enhanced partnerships (EPs) between Local Transport Authorities (LTAs) and bus operators over franchising. They offer more flexibility long-term in responding to local needs and share risk between operators and LTAs. First Bus has a track record of working with our LTA partners to deliver improvements to bus services and believe that EPs are an effective vehicle for nailing down commitments from both local authorities and transport operators.

20. Historically, through the development of bespoke partnerships with LTAs that focus on the needs of passengers and communities, we have been able to maximise investments that support regional economic recovery and

underpin long-term growth. For example, our Leeds Bus Deal is helping to deliver 274 new buses, improved passenger information, punctuality, and marketing, whilst unlocking circa £200 million of public sector investment to boost bus priority. Our Bristol City Council partnership delivered unrivalled bus growth in the UK, increasing patronage by over 55% in the six years to 2018/19.

21. Since the publication of the National Bus Strategy, we have worked hard with LTAs, other operators and wider stakeholders to develop BSIPs that deliver for local communities. Some local authorities have had the expertise to develop cohesive and ambitious strategies, but as noted above, other local transport authorities have lacked the skills internally to bring forward change and remain reliant on external consultants. In order to ensure that BSIPs truly deliver for passengers and local economies, we urge government to work closely with LTAs to ensure that they have the resources they need to make the most of EPs and to upskill capacity for the future.
22. The initial timeline set out by the Department for Transport in the National Bus Strategy for the establishment of both BSIPs and Enhanced Partnerships was very ambitious. While this put pressure on both operators and local authority partners to meet deadlines, it helped to generate momentum and pace. However, the recent changes in this timetable around dates for draft Enhanced Partnerships has introduced uncertainty into this process and risks dissipating some of the momentum built up.
23. The Government has announced £1.2bn of funding for BSIPs and further monies for Combined Authorities through the City Region Sustainable Transport Statements. However, we are yet to receive clarity on how future funding will be distributed. We encourage government to bring forward guidance as soon as possible to enable local authorities and operators to plan for the future effectively.
24. Overall bus funding remains sizeable, albeit reduced from the £3bn of investment announced by Government at the time of the National Bus Strategy. To make the best use of current funding, government should look to prioritise the most ambitious BSIPs that will deliver the greatest

improvements for journey times and reliability, passenger growth and integration with other forms of public transport.

25. Finally, we would like government to provide additional clarity on the future of the Bus Services Operator Grant (BSOG). This will help operators and local authorities to plan for the provision of services in the long-term. More detail on this is set out in the relevant section below.

#### Bus priority measures

26. We welcome the recent drive from central government to boost bus priority measures, however we would like to see greater engagement on how funding is spent to ensure that promised improvements to infrastructure actually deliver for passengers, reduce journey times and congestion and improve the reliability of services. Too many of the bigger authorities, develop their bus priority plan, without effective consultation with the very operators who run the services that are meant to benefit.

27. Some recent government initiatives to introduce bus priority measures have been hugely successful and will undoubtedly deliver for communities in the long-term:

27.1. Following successful bids to different Government funding pots, Portsmouth City Council has been able to deliver junction improvements at key bottlenecks and extend the existing Eclipse bus route in Gosport. We are currently supporting Portsmouth City Council to implement their Transforming Cities Fund (TCF) projects which will enable First Bus to invest also.

27.2. Following its allocation of TCF funding, Leicester City Council is improving the frequency of park-and-ride schemes to offer an alternative to car travel; and delivering new bus priority schemes to help make bus travel the default mode of transport in the city. This will again unlock investment from First Bus.

27.3. Norfolk County Council has already delivered a number of bus priority measures, following a successful allocation of TCF funding. Some of the planned 5.6km of bus lanes have already been provided on key bus corridors, and are delivering significant journey time savings, over and above the levels originally anticipated. Further bus priority schemes, developed in partnership with

operators, will see improvements made across the city. This will in turn unlock investment from First.

28. However, other schemes have been less successful, with government funding often used to support new bus stations or shelters that do little to increase patronage or reduce journey times. In distributing future funding to deliver new bus priority infrastructure, we urge government to work closely with LTAs and operators to examine the business case for investments and ensure that funding is targeted at schemes that deliver the most economic value and benefits to local people.

29. We believe it is vital that BSIPs and Enhanced Partnerships continue to emphasise bus priority measures, complementary traffic management and car parking policies, in order to deliver long-term sustainable change. We welcome the Government's focus on this and hope to see this continue through the finalisation and delivery of Enhanced Partnerships.

30. These measures must be the most transformative ones, rather than cosmetic interventions, and must be supported by clear delivery plans and strong accountability to stakeholders and the public.

### **Innovation in the sector, including examples of new methods that have been trialled successfully;**

31. First Bus is at the forefront of bus innovation and has a sustained track record of bringing forward new measures that improve the journey experience for passengers. We continue to strive to implement new technologies across our portfolio at every opportunity.

#### Fares and ticketing

32. We support government's ambition to simplify fares and expand the use of modern and integrated ticketing. We were the first major operator to roll out the use of contactless bank payments and Express Mode on Apple Pay on services across 100% of our vehicle fleet and have led the way in the development of digital ticketing and fares reform. The introduction of our app and contactless payment methods means that less than one-fifth of all trips are now paid for with cash on the bus.



33. We have also now introduced London-style capping, with 'tap and cap' ticketing in cities including Southampton, Bristol and Doncaster, and are rolling out 'tap on/tap off' capped ticketing across our markets more generally by the end of 2023, with West Yorkshire having gone live in December 2021. We are ambitious about the potential for this and will work with LTAs to expand functionality where there is customer demand for it.

34. To fulfil the National Bus Strategy's ambition for multi-operator contactless capping across England to simplify the customer experience and encourage new users to take the bus, we are contributing to the development of Project Coral alongside Transport for the West Midlands and other operators. This involves a consortium of operators working together on a consistent and cost-effective basis to develop a technical solution to multi-operator fare capping that delivers for passengers, agnostic of bus operators' ticket equipment suppliers. In advance of that universal solution to simplify fares and payment across England, a pilot project was launched in March 2022 in Leicester, with a further to follow in Bournemouth in April 2022, to prove the concept and gain insight from customers and operational experience.

35. In its communications with local authorities on the project, the Department for Transport advised them not to use their BSIP bids to ask for funding for this technical platform, stating that such a platform would be available for this purpose. However, we have struggled to get timely guidance from government on how and when this funding and platform will be delivered. This is delaying the delivery of Project Coral. As a result, we urge government to clarify as soon as possible its plans for supporting multi-operator fare capping to enable it to proceed and to deliver savings for passengers across the country.

#### Service provision and integration

36. We are also supportive of the National Bus Strategy's ambitions to increase the number of demand-responsive services and to integrate bus travel with other modes of transport.

37. First Bus has introduced advanced data analytics to assess passenger demand and design our services around travel patterns. During the pandemic this enabled us to adjust services, in consultation with local stakeholders, to respond to changes in travel habits at pace and deliver savings for local authorities. Going forward, this data will be fundamental in enabling us to continue to shape our networks to align with evolving customer needs and trends while being commercially sustainable.
38. During the pandemic, we launched a trial in the West of England to enable passengers to book spaces on buses, with the view to rolling out technologies across the country. Bookings could be made up to seven days in advance of the journey, with the flexibility of being able to reserve a space, subject to availability, right up to 15 minutes before departure.
39. We also continuously leverage data systems to keep passengers updated on service provision at all times.
40. To help us respond to an ageing and more diverse population, we are using both training and technology to improve the service that we offer to passengers with a range of accessibility needs and work with disability organisations to do this. Our First Bus application allows customers to track the location of buses and provides accessibility information including wheelchair access. We have invested £220m in brand-new buses fitted with extra space for wheelchairs and buggies as standard as well as extra grab-rails. Working with the Alzheimer's Society we have implemented a module in our driver training programme to enable frontline staff to assist customers who have dementia where required. We also worked with Disability Action Alliance and Age UK to introduce 'Extra Help to Travel' cards which discreetly allow customers to let drivers know if they need additional help or assistance and are proud that this has now been adopted across the bus industry.
41. We are also at the forefront of efforts to decarbonise the bus sector, deploying innovative technologies to reduce carbon emissions and accelerate the transition to cleaner vehicles. In 2021, we commenced the world's first double-decker hydrogen service in Aberdeen, while we have also recently delivered the UK's largest electric Park & Ride fleet in York.

Additional details on our efforts to propel decarbonisation are provided below.

### **Bus funding over the short and long term.**

42. We welcomed the initial pledge from government upon the launch of the National Bus Strategy to invest £3 billion over the course of this Parliament in the bus sector. However, funding has been scaled back and additional guidance is required on how government intends to fully support the delivery of the bus transformation deals and zero emission vehicles.

#### Scale and certainty of BSIP funding

43. As previously mentioned, we welcome the support that was provided by government to keep bus services running during the coronavirus pandemic. However, during the pandemic, funding was often provided at short notice. This means that the sector has been constantly operating in short-term windows, with limited bandwidth to plan in advance for changing customer needs.

44. We would like government to issue clarity on where the £3 billion of investment in bus services promised in March 2021 will be delivered. To date, £1.2 billion has been ringfenced for the development of BSIPs in England, although as of end March 2022 no guidance had been issued on how this finance will be distributed. An additional £355 million was allocated to support the shift to zero-emission vehicles at the last Spending Review and unspecified sums are being spent on the bus sector through the City Region Sustainable Transport Statements. No further clarity has been provided on how the remainder of funds will be allocated.

45. Both operators and local authorities would benefit from early certainty on BSIP funding allocations. We understand at present that draft Enhanced Partnerships should be submitted by the end of April and expect that these EPs will be signed off later in the year. It would be helpful to understand when LTAs will know the funding they are going to receive.

#### Bus Service Operators Grant (BSOG)

46. We recognise that the current BSOG system needs reform, particularly as it incentivises the use of diesel. We welcome government's commitment to consult on changes to the BSOG to align with the priorities of the National Bus Strategy, including decarbonisation objectives. However, we would like more clarity on when this consultation will take place following delays, and the scale of reforms, particularly as BSOG remains an important funding mechanism that supports services across the country that might not otherwise be commercially viable to operate.

47. In the National Bus Strategy documentation, government outlined its intention to move from a grant system based on fuel consumption to a distance rate system. We recognise the need to break the link with fuel, but we would urge ministers to consider carefully any changes to ensure that funding is targeted where it is needed most. This includes keeping pace with new zero-emission technologies, striking a balance between rural and urban areas, and ensuring that there is full alignment with the delivery of funding for BSIPs. The transition to the new funding arrangements will need to be managed in such a way as to avoid disruptive change and minimise uncertainty. The challenging exit from covid, is not the moment to throw sector support up in the air.

48. Any new BSOG arrangements will also need to continue the recently introduced 22p/km incentive for supporting environmental objectives and the shift towards zero-emission buses.

### **Decarbonisation of the sector and modal shift from other forms of transport.**

49. First Bus welcomes the ambition of government to bring forward a green bus revolution and deliver zero emission bus services.

50. First Bus helped to avoid 56,000 tonnes of carbon emissions in 2019/20, relative to alternative modes of travel. In the absence of First Bus services, the additional car and taxi traffic alone would replace just under half of the bus journeys and emit more CO<sub>2</sub> whilst doing so. In March 2020, we committed to operating a 100% zero-emission bus fleet by 2035 and to not purchasing any new diesel buses after December 2022. This enables us to phase out our existing diesel vehicles over an average bus lifespan of 15 years but requires investment at scale now.

## Our investment in zero-emission buses

51. We have been steadily increasing our deployed zero-emission fleet, progressively building experience and growing our ambition over time. Some of our recent projects to introduce zero-emission vehicles include:

51.1. In 2019, First Bus announced a significant investment in 21 new double-decker electric buses from Optare, alongside funding secured by the City of York Council from the then Office for Low Emission Vehicles (now OZEV). This has increased our electric fleet in York to a total of 33 vehicles.

51.2. In January 2021, First Bus launched the world's first fleet of double-decker hydrogen vehicles, in a project led by Aberdeen City Council. The 15 new buses, manufactured by Wrightbus in Northern Ireland, provide a range of environmental benefits, including saving 84 tonnes of CO<sub>2</sub> a year per bus and limiting air and noise pollution for passengers and residents.

51.3. During 2020 and 2021, First Bus introduced three separate electric services, all based at our Hunslet Park depot in Leeds: nine single-decker buses on a local bus service in central Leeds; five double-decker electric buses (built by ADL in Scotland) on Park and Ride services with support from the West Yorkshire Combined Authority; and a new seven vehicle on-demand bus service for the residents of East Leeds, connecting people to local places, transport hubs and key destinations within the area, again with support from West Yorkshire Combined Authority and Leeds City Council.

51.4. In June 2021, we stepped up our ambition, beginning work to upgrade our Caledonia depot in Glasgow, the UK's largest bus depot. We are introducing 150 new electric buses, built by ADL, with an onsite overnight high-voltage DC charging solution. The first phase of this upgrade is now complete. We expect that all 150 buses will be operational by March 2023, making the fleet 45% electric and making this the largest electric vehicle charging hub in the UK. This transformation represents an investment of £35.6 million from First Bus and £28.2 million from the Scottish Government's Scottish Ultra Low Bus Scheme.

51.5. Working in partnership with Leicester City Council, First Bus is in the early stages of delivering 68 new single-decker electric buses in the city, investing £15.7 million of our money. All of the new buses will be in operation by autumn 2024.

52. Looking ahead we have now secured further zero-emission funding in Scotland in February (electric 74 single decks for Scotstoun Glasgow and Aberdeen) and England in March (125 electric single decks for York, Leeds, Portsmouth and Norwich).

53. We have learned from each of these experiences and as a business are moving away from small-scale introduction of electric and hydrogen buses to a volume rollout approach, which will help us meet our ambitious climate targets while securing economies of scale and providing more certainty for UK bus manufacturers.

#### Considerations in decarbonising buses

54. As an operator, transitioning to zero-emission vehicles requires a series of key decisions and challenges, including:

- I. Technology – electric, hydrogen or hybrid
- II. Fuelling – should this be on-site, off-site or on-road
- III. Capability – range, route mileage, topography and depot ergonomics
- IV. Employee investment and training
- V. Identifying appropriate energy partners
- VI. Continuing operations while depots and other infrastructure are converted to support new alternative fuels
- VII. Securing planning permission for necessary infrastructure and supply
- VIII. Access to funding.

55. The optimum configuration of any project will depend on local circumstances and evolving technology. We are well-advanced in addressing these technical, infrastructure and operational issues through our Caledonia and other pathfinder projects, but for the transition to electric or hydrogen fleets to become a commercial proposition, we require greater policy certainty and sustained co-investment from Government.

56. We believe that government should continue to explore the potential of both electric and hydrogen buses as the technology develops and maintain collaboration with operators to ensure that new fleets are reliable, cost-effective and future-proofed. At present, government support in England and Scotland falls short of what is required to deliver volume introduction of hydrogen and all current hydrogen rollouts are based on public sector purchase of buses. This will significantly limit the penetration of hydrogen into bus networks and government should therefore explore a specific hydrogen uplift to kick-start the market.

#### Support from government

57. As outlined, while we welcome the ambition of government to decarbonise the bus network and introduce 4,000 new zero-emission vehicles, we are disappointed with the pace of action. To date in England, we have had one phase of funding to deliver 335 zero-emission buses to five areas and an only recently announced second phase for 943 vehicles in 12 areas. By comparison, in Scotland, despite its much smaller size, we have seen several rounds of funding delivered through the Scottish Ultra-Low Emission Bus Scheme and the Zero Emission Bus Challenge Fund, providing funding for over 500 new vehicles.

58. If government is serious about decarbonising the bus network, then it must urgently bring forward a long-term plan and policy framework for the delivery of zero-emission buses with the funding to match. Effective transition to zero-emission buses will require government, operators and manufacturers to work together and jointly invest, and we urge government to accelerate dialogue with the sector to bring forward change.

59. We would also like to see a step-change in the delivery of funding for transition to zero-emission vehicles, with government providing multi-year settlements to enable the sector to prepare for the long-term, as it does for investment in rail and road infrastructure.

April 2022

**Endnotes**