

## Written evidence submitted by Arriva (BUS0052)

### 1. About Arriva

1.1 Arriva is a leading provider of passenger transport across Europe employing around 43,000 people and, in 2021, delivered around 1.3 billion passenger journeys across 14 European countries. It is part of Deutsche Bahn (DB), one of the world's leading passenger and logistics companies.

1.2 We operate over 5,000 buses across the UK, including in London, the South East, the Midlands, Yorkshire, the North East, the North West and North Wales, employing over 15,000 people. Arriva UK Bus also operates the innovative Demand Responsive Transport (DRT) ArrivaClick.

1.3 We are also a major train operator in the UK. Arriva's UK train operating companies include CrossCountry, Chiltern, Arriva Rail London ("the Overground") and open access operator Grand Central.

### 2. National Bus Strategy

2.1 Arriva supports the National Bus Strategy (NBS), which provides a welcome framework for bus policy. Such a Strategy is long-overdue. As 'Bus Back Better' recognises, with a few exceptions, buses haven't had the necessary focus of policymakers despite being the country's favourite mode of public transport.

2.2 Taking a long-term approach to policy and funding is particularly crucial given the central role for buses delivering a range of societal and governmental objectives, including stronger economies, improved community cohesion, better health outcomes (physical and mental well-being) and environmental gains. As the NBS recognises, better buses should be one of the major acts of levelling-up.

2.3 The aspirations for the NBS are rightly ambitious. To ensure a sustained focus on delivery, we recommend the Government reports annually on progress against delivering the Strategy. Crucially, such reporting should set out not just progress with the delivery of the policy interventions and update on the allocation and effectiveness of funding, but also report on the outcomes. This should include the evidence of modal shift, which is essential if the NBS's aims are to be delivered.

2.4 Effective Bus Service Improvement Plans (BSIPs) are fundamental to the delivery of the NBS. While our understanding is that all Local Transport Authorities committed to BSIPs, it is not until they are in the delivery phase that a much clearer view will be available about their impact. However, it is already apparent that funding requests from authorities significantly exceeded the funds available as the Confederation of Passenger Transport has identified.

### **3. Post-pandemic travel patterns**

3.1 Arriva strongly welcomes the support from government to fund bus services through the pandemic and as services recover. Such funding has been essential to keep services running when demand was low. Patronage is growing across the industry month-by-month and the recent extension of funding support to October 2022 will help to ensure that passenger levels can grow ahead of improvements delivered via BSIPs.

3.2 While bus usage throughout the pandemic and during the recovery period has proved more resilient than rail, it is also clear that travel patterns have in many cases changed permanently. More hybrid working and studying is likely set to stay, with online shopping accelerated. We do not believe that bus patronage will return to 100% of pre-pandemic levels soon without stimulus measures. Further, we do not believe that it is helpful to use pre-pandemic passenger levels as the baseline as travel patterns have changed.

3.3 Such new passenger trends are establishing across Europe (see Arriva insight paper<sup>1</sup>). The bus sector, and policymakers, can hope for things to return to 'normal', or we can respond to the evolved needs of passengers and communities, for example catering for those who previously commuted into city centres five days per week but now are spending more time in their local areas.

3.4 Networks must therefore evolve to meet these new and emerging patterns. Collaborative partnership working is essential to recognise and respond to these changes.

3.5 Arriva therefore welcomes that the 1 March 2022 announcement of £150 million funding for local transport is “dependent on local areas and operators co-designing a financially sustainable and passenger-focused public transport network, that works for changing travel patterns post-pandemic<sup>2</sup>.”

3.6 It is also necessary to reflect that a 'one size fits all' approach to networks and services isn't appropriate. Bus transport is inherently local. Network design and interventions to support bus travel will need to reflect local needs and the passenger segments served. For example, we see patronage recovery amongst students and young people close to, and in some instances exceeding, pre-pandemic levels while concessionary customers are lagging behind. This contributes to varied levels of overall recovery between urban centres and rural locations.

3.7 Public transport must meet evolved expectations as society emerges from the pandemic, with customer-centric approaches, including boosting multi-modal journeys and active travel. On all Arriva bus services outside London, customers can now pay for their ticket in advance on an app or by using contactless payment. 'Capped' fares have started to be introduced on Arriva services to enable unlimited travel in an area on a 'tap on', 'tap off' basis.

3.8 Project Coral, an initiative backed by DfT, involves a consortium of operators working together on solutions to introduce multi-operator day and weekly 'best fare' contactless capping. Arriva is supporting a pilot in Leicester to inform the delivery of a universal multi-operator fares and payment solution across England, which will make bus travel seamless for existing and new customers.

3.9 In the Netherlands following the award of two pilot projects Arriva launched 'glimble', a 'Mobility as a Service' solution, a smart mobility app to connect passengers to multiple modes and operators of public transport, shared transport or micro-mobilities. The app has the potential for a wider rollout in Europe.

## **4 Market approaches and funding**

4.1 When considering the NBS and the delivery of improved outcomes, it is important to reflect that the bus market broadly splits into three:

- Fully commercial services – passenger fee income covers the cost of running the services which are operated commercially
- London Franchised services model – such services could largely be run on a commercial basis but the awarding authority, in this case TfL, takes revenue risk and cross-subsidises routes as is deemed appropriate. This is a model which is being pursued by some other authorities

- Socially valuable tendered services – these services are deemed to be socially important but can't be operated on a commercial basis and are tendered with subsidy involved.

4.2 In the regions of the UK, services are a mix of fully commercial and socially valuable services.

4.3 A successful NBS must not only deliver transformation and a step-change in bus services and usage, but also address the challenges of socially valuable services with low passenger flows, which cannot be provided on a sustainable commercial basis.

4.4 Despite the many benefits of the NBS, and associated funding, new approaches and thinking are now required to address concerns about the funding and sustainability of socially valuable services, ensuring that communities are appropriately connected to reflect post-pandemic patterns.

4.5 An essential first step to address this is operators and local areas collaboratively co-designing financially sustainable networks that reflect demand, as announced with the extension of recovery funding to October.

4.6 Alongside this process and given the risk of a 'cliff edge' as recovery funding ends, the coming months must now be used to develop and implement new approaches to ensure appropriate support is in place to deliver the essential services required that can't be operated on a commercial model.

4.7 To help provide such services in the short-term, Government funding should be ring-fenced to support with keeping communities connected while longer-term innovative approaches are put in place. This will also help to provide stability and certainty for affected communities.

4.8 One such approach is greater use of Demand Responsive Transport (DRT), including through tendering, with smaller vehicles providing on demand services to passengers where a timetabled service is not commercially viable, such as in low-density areas and at low-demand times of day. The NBS recognises a potentially enhanced role for DRT as part of the BSIP process, but greater innovation is needed for this to be taken forward at scale.

4.9 To deliver such DRT services where there are low passenger numbers, subsidy is essential and/or services could be funded through blending various

funding streams, such as through providing non-emergency patient transport and school transport as part of a combined DRT offer which also includes commercial passengers.

4.10 Arriva would welcome working with all interested parties, including the third sector, to develop such solutions.

## **5 Decarbonisation**

5.1 The Government's support for the decarbonisation of the bus sector is extremely welcome. This includes the commitment for the introduction of 4,000 zero-emission (ZE) buses, as well as the 'ZEBRA' (Zero Emission Bus Regional Areas) funding scheme for ZE buses and the infrastructure to support them.

5.2 A long-term and planned approach is key for decarbonising bus fleets. While the fuel costs of ZE vehicles are lower than fossil-based fuels, the cost of the ZE vehicles themselves is significantly higher than those running fossil-fuels and the capital costs will be depreciated over many years (industry will often depreciate a vehicle over circa 15 years). Charging infrastructure also needs to be planned and financed.

5.3 Funding support and mechanisms to accelerate the transition to ZE therefore play an important role, helping to keep fares for customers lower as the industry invests in decarbonisation. When the current ZEBRA 'tranche-based' funding rounds end, we recommend that government funding to boost decarbonisation efforts is focused on long-term, stable support rather than competitions or tranche-based funding. This will help to provide certainty and stability, as well as underpin investment decisions.

5.4 There are pros and cons of different ZE technologies - such as electric and hydrogen, which both have a role to play. However, it is important to use the right technology and put in place the appropriate infrastructure to meet the specific requirements to be served – for example, in terms of journey length and charging considerations.

5.5 Wherever possible we recommend that a consistent location-based approach to technology and infrastructure is encouraged, to avoid a potential situation with multiple fleet and charging technologies for comparatively small numbers of vehicles in an area, which could create unnecessary costs,

complexity and inefficiency. Commercial operators should advise on the approach to technology to be adopted.

5.6 We welcome the Government's leadership with the enhanced BSOG (Bus Service Operators Grant) for ZE vehicles which helps to secure the long-term business case for investment.

## **6. Modal shift**

6.1 The NBS will only be successful if it delivers modal shift. As the Strategy recognises "substantial" modal shift away from the car in congested areas will be needed "soon" if environmental goals are to be met.

6.2 The Committee on Climate Change has set out the balanced pathway for transport needed to reach net zero by 2050. As the Confederation of Passenger Transport notes, this requires that one in ten car journeys made today need to be made by bus by 2030.

6.3 While travel patterns are still evolving as society emerges from the pandemic, we share concerns about a car-led recovery and note that measures which will successfully deliver modal shift are already well-understood.

6.4 Such measures include pro-bus and pro-public transport policies, as well as considering the appropriate use of levers to encourage private car users to switch to public transport.

6.5 The NBS and BSIPs are a starting point to deliver such measures but a sustained focus must be adopted to deliver change.

6.6 As noted, Arriva recommends the Government reports annually on progress against delivering the NBS. This should include evidence of modal shift and progress with switching from private car use to active travel and public transport. Should such modal shift not be delivered, government should set out the barriers as to why this hasn't occurred alongside further measures to deliver it.

6.7 Given such high-profile government messaging to avoid public transport during the pandemic, which may have inadvertently undermined public transport (once a bus passenger has purchased a car to make a regular journey, they will be particularly reluctant to return to bus travel) government

should fund a national marketing campaign to encourage bus travel. Such campaigns should also support active travel.

April 2022

## Endnotes

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<sup>1</sup> <https://news.arriva.co.uk/news/arriva-group-publishes-insights-paper-which-explores-a-new-era-for-public-transport>).

<sup>2</sup> <https://www.gov.uk/government/news/over-150-million-provided-to-safeguard-local-transport-services-as-the-country-emerges-from-the-pandemic>