

Written evidence submitted by First Bus (BCC0038)

First Bus is part of FirstGroup plc, a market leader in the public transport industry, improving lives by connecting people and communities. We employ more than 13,000 people in bus across the UK, and our customers make more than a million daily journeys with us. Working with our trade union partners, we are the first national bus company to become a real Living Wage employer. We are at the forefront of decarbonisation with 14% of our fleet of 4700 buses already to zero emissions standard.

TERMS OF REFERENCE

- a. How the Government's proposed reforms of powers over buses in England, and recently-announced funding, should take into account the particular challenges of rural areas and local authorities outside major cities, and how authorities in these areas can make best use of those powers and funding.

The provision of local bus services is shared between two principal parties – bus operators and local authorities. Bus operators are legally required to provide services that are financially sustainable to prevent market distortion and ensure a level playing field facilitating market entry. This means that their revenue must cover their costs. Cross subsidy is not permitted in the deregulated market. Local authorities are responsible for identifying gaps in that commercial network and, where finances permit, tendering for the provision of services that fill these gaps. Local authorities are also responsible for the infrastructure used by buses – including highways, bus priority measures, and bus stops. In areas where local transport authorities have adopted the appropriate powers (which will be extended to all English authorities under the current Bus Services (No.2) Bill) they can franchise the operation of local bus services in their area, taking complete control and specifying all services and fares.

Other than making it easier for an authority to adopt the franchising approach the legislative proposals will have no impact on these matters. What is required is funding to address the rural mobility challenge, with sufficient longevity that it can enable commitment to the support and development of supported services and infrastructure improvements that will enable their efficient and attractive operation.

- b. The effectiveness of recent Government policy in tackling declines in bus services.

There is little recent success in tackling decline in rural bus services compared with services in general. Ongoing government funding support, post Covid, culminating in the two recent fares cap schemes, has had beneficial effects. Whilst it might be expected that the capped fares would have more benefit in rural areas, those who benefit the most are using long distance services where leisure-based travel has benefitted from the significant fares reductions. Many passengers who need to travel either have a concessionary (free) pass or a season ticket of some sort, and these are generally priced to offer a significant discount – reducing the benefits of any fares cap.

However the corollary to this is the impact of ongoing bus service support through the current BSOG and of mandatory concessionary reimbursement. Both of these provide “blanket” support which facilitates the ongoing provision of services which would not otherwise be financially sustainable. It is the guaranteed income from these sources which underpins many rural bus routes which would not be provided commercially (or at a level of tendered service support that would be financially viable) without them, and any change to these must be carefully considered in terms of its likely impact.

- c. How effectively bus services function as part of integrated multi-modal networks that improve mobility for people who live in areas with declining services.

Local bus services complement a wide range of other transport modes. They provide onward connections from rail heads, as well as serving intermediate communities and neighbourhoods where they parallel rail lines. They are themselves complemented by community bus services and by informal park & ride or kiss & ride by car, as well as sustainable access by cycling and walking. On their own many local bus services would not survive.

In many areas, through ticketing or area wide zonal travel offers combine these various travel modes, making it easier for people to use public transport by buying one ticket to cover all modes on a daily or weekly basis. Later in 2025 the availability of contactless capped daily travel across multiple operators should begin to reach rural areas as Project Coral begins to be rolled out beyond the initial West and East Midlands deployments. The benefits of this will in due course be extended to heavy rail.

PlusBus integrated bus/rail ticketing also provides significant benefits by making public transport simpler to use for trips into rural areas. Unlimited

zonal bus travel is available from over 280 rail stations, many in rural areas, for a small additional cost. PlusBus has been available with paper ticketing for over 20 years but in 2025 its appeal will be widened through its availability as a digital ticket.

- d. The social and economic impacts of poor connectivity on access to education, healthcare, employment, and social inclusion in communities, as well as on the economy of towns and villages.

There is no doubt that connectivity is a serious adverse issue for the social, economic and health welfare of rural areas, as well as restricting access to education, employment and leisure opportunities for their inhabitants. As goods and services continue to be consolidated with rural provision of healthcare, finance, retail and education continuing to be concentrated, a lack of connectivity for those without access to a private car increases the disparity of opportunity for those in rural areas, exacerbating the economic and social problems.

- e. The effectiveness of current funding models and governance structures in enabling local transport authorities and commercial operators to improve, sustain and keep bus services outside major metropolitan areas affordable, and the potential effectiveness of alternatives.

The biggest problem with the current funding regime is its short horizon, with funding settlements generally only being for the next 12 months. Some urban areas benefit from greater future funding visibility (for instance with CRSTS funding for the Combined Authorities) but other public transport support (such as BSIP funding) is still working to a 12 month window. This is insufficient and prevents commitment to measures to enable bus services to be provided sustainably, economically and in a manner that makes them attractive to potential users.

A longer term multi-year funding settlement for local authorities could be delivered in the next Spending Review, enabling commitment to infrastructure improvements and longer periods of operation of rail services in rural areas, giving them more opportunity to develop a passenger base that could sustain their financial viability. It is important that this includes both capital funding – for investment in infrastructure including bus priority and stop facilities – and revenue, for service support and maintenance of facilities. Operators and authorities can work in partnership to determine the most cost effective means of delivery maximising the benefit of such expenditure, including the use of the de-minimis funding mechanism to modify existing services to deliver additional benefits.

Bus Service Operator Grant (BSOG) is paid to operators of registered bus services on the basis of a payment that effectively reduces the duty paid on fuel used. It has been proposed in the past that a different method of payment is employed, alternatives proposed include payment per km, payment per passenger boarding, and a hybrid approach combining the two. Desk top calculations and practical experience from Scotland indicate that the former, a payment per operated km, would support rural services to a greater extent. But without an increase in the overall funding pot, this would have a corresponding deleterious impact on services in urban areas where services run more slowly and cover shorter distances. Conversely a payment per passenger boarding would favour those urban services at the cost of rural ones – but, it is arguable, would have a greater overall benefit as the scope for modal shift from car to bus is generally greater in those urban areas, therefore this approach would better deliver the wider governmental objectives of mode shift and environmental improvements. If BSOG is to be used to benefit rural services, without a potentially greater negative impact elsewhere, a move to payment per km would achieve this but only with a commensurate increase in the overall BSOG budget to ensure that there was no adverse impact on urban services.

- f. Evaluating the potential of alternative service models, including Demand Responsive Transport (DRT) and community transport, and other innovations or technologies which could support or replace buses serving less populated communities, and what steps the Government should take to support them.

Over the past 30 years there have been many suggestions for the solution to the rural public transport decline and unsustainable future. The most successful of these has probably been community transport, where local teams of people seek to provide a bus service to “fill the gaps” in their local community. Where such services continue to be complementary to the local registered bus network they continue to play a successful and important role, but some community transport operators have sought to expand and compete with local bus services. This has in some cases led to collapse of the initial service with detriment to those communities. The other challenge faced by community transport is its reliance on volunteers to take on many of the tasks associated with bus service provision, but even when paid staff are taken on, it can be difficult to recruit and retain such employees in rural areas where the very future of the service may be hard to maintain.

Demand Responsive Transport (“DRT”) has a poorer track record, with almost all of the DRT schemes introduced with “challenge” funding having fallen by

the wayside as unsustainable when that funding expires. Even the largest and most successful DRT networks, such as the "CallConnect" services in Lincolnshire designed from the outset to complement the local registered bus network of trunk services, has seen cuts since 2012 due to reduced funding. There are two problems with the DRT model. Firstly, financial – the vehicles may be smaller but that offers little cost saving, with driver costs accounting for typically 50% of the operation. With DRT, these are exacerbated by the costs of the call handling service which allocates passengers to particular journeys – which in many cases may not match the initial requirements of the passenger, and thereby reduce potential patronage and revenue as the offer is no longer suitable for the potential traveller. The second problem is one of perception – a fixed route bus service may only provide one journey a day (or even a week) for a local community, but people know where it will be for its departure and its visibility can be a reassurance even for the non-user. DRT does not offer that visibility and can lead communities to the conclusion that their bus service has already disappeared, thereby reducing patronage and revenue.

Both community transport and DRT services can also have image problems – predominant use by older people can reinforce an image of them not being for the mainstream community and this can be a self-sustaining problem, unless specific action is taken to strengthen the messaging that the service is a bus for everyone, as reported by the Rural Services Partnership. One that could be ameliorated by the adoption of cutting-edge technology – the 50% of cost associated with drivers could potentially, in time, be defrayed by the use of autonomous vehicles with one staff member being able to remotely supervise several such vehicles. The technology is available today and has been proven operationally in Oxfordshire and Scotland, but other barriers to its adoption remain – the financial outlay for the vehicle equipment, legal requirements to provide assistance to passengers with disabilities, perceptions of personal security and labour relations all need to be addressed, as well as the need for (and cost of) infrastructure maintenance – in particular management of vegetation, a significant rural problem.

Increased and longer term revenue support to provide a basic network of trunk bus services in rural areas remains the best solution, these being complemented by professionally run and supported community transport operations to fill the gaps and provide links to local communities.

- g. How successful Enhanced Partnerships (EPs) have been so far in improving bus services outside major urban areas, whether franchising is

likely to provide a better framework for these areas, and whether there are alternative models worth exploring.

Enhanced Partnerships have generally had a lesser benefit outside major urban areas, but this is often a result of them not having benefitted from the initial Bus Service Improvement Partnership (BSIP) funding awards which largely went to those urban areas, predominantly the major conurbations and metropolitan county areas with very few rural awards – most notably to Devon and Cornwall. Therefore EPs are playing “catch up” in rural areas in many cases. There are examples of rural success, such as Norfolk where services have been maintained and improved with BSIP funding and service operation has been made more efficient and attractive to passengers through investment in bus priority infrastructure on the radial routes into urban areas, with corresponding benefits to the rural communities beyond. Investment in Norwich’s radial corridors is a good example complementary to the investment in services. Again increased funding for rural EPs, together with an extended funding horizon, would deliver significant benefits for these communities.

- h. How well policy, funding and oversight of bus services allow services that straddle rural and non-rural areas, and local government boundaries, to be managed.

Many government policies and proposals have been considered for rural public transport, but these often overlook a key issue – that a high proportion of rural bus services are links between urban areas which serve rural communities along the way. Therefore it is an artificial distinction to make between rural and urban bus services.

A bigger problem is the splitting of local authority functions in many areas between top tier authorities which are responsible (and hold the budget) for public transport and lower tier authorities which are responsible for highways, footpaths and parking policies, as well as land use planning, which are not necessarily aligned with the wider public transport policies. Bringing all these responsibilities together under one single competent authority would have a greater benefit in improving the sustainable delivery of rural public transport. The proposals in the English Devolution White Paper published on 16th December 2024 should help alleviate this problem if they are realised in legislation.

Making public transport provision a statutory requirement for local transport authorities – in the form of a guaranteed minimum level of connectivity and service (a socially and economically necessary service network guarantee)

would also yield benefits for rural areas. There is currently no obligation to provide any supported public transport services (and some local authorities such as Cumbria did not provide any such services for many years). It is often forgotten that a £1 spent on public transport, improving access to goods and services and increasing social cohesion and mental/physical health, could lead to a £5 reduction in social care budgets [source – KPMG, The Economic Impact of Local Bus Services, September 2024] – a mandatory spending line that often abstracts from non-statutory budgets such as that for the public transport budget in order to balance the books.

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