

LGA Briefing

The decline in the use of buses in England

House of Lords

8 March 2018



Key messages

- More people travel to work by bus than by any other form of public transport.ⁱ
- Outside London bus network funding fell by around half a billion pounds in real terms in the four years after 2010/11.ⁱⁱ According to the Campaign for Better Transport over 2000 services have been reduced, altered or removed since 2010.ⁱⁱⁱ
- Councils have a statutory duty to fund the concessionary travel scheme in England. The scheme provides pensioners and disabled people with free off-peak travel on all local bus services in England.
- Due to financial reductions, local authorities have been compelled to divert money from discretionary subsidised bus services (such as free peak travel, community transport services and reduced fares), in order to continue supporting the concessionary fares scheme.
- As a result, council-supported bus services in rural areas have reduced by approximately 40 per cent in the last decade, and in urban areas outside London by just over a quarter^{iv}. The estimated cost of the statutory scheme to councils last year was approximately £764 million^v.
- Due to reductions in revenue support grant funding and without a designated funding stream, we estimate that there is at least a £200 million shortfall for funding the concessionary fares scheme^{vi}. We have called for the Government to fully fund this statutory duty.
- We are also calling for the devolution of bus service operator grant (BSOG) to ensure it is targeted at subsidising others unviable services that have significant social impact.

Background

A diverse range of bus services operate outside England's major cities, from inter-urban connectors through small networks around towns to relatively long-distance services often providing the only transport link to small communities other than a private car. The type of travel varies according to the nature of an area, with tourism more important in some places and travel-to-work more important in others. However, links to healthcare are seen as a vital service across the board.

Commercial bus routes

Around 80 per cent of bus services nationally are commercial^{vii}. These services are primarily funded by passenger fares, with no direct funding from councils. However, commercial operators receive a Bus Service Operators' Grant (BSOG)

Briefing

For more information, please contact:
Nina Paul, Public Affairs and Campaigns Adviser,
Local Government Association
catharina.paul@local.gov.uk 020 7664 3119

which is a fuel duty rebate paid directly to operators by central government. Commercial operators are also reimbursed by councils for journeys made under the English National Concessionary Transport Scheme (ENCTS).

Councils receive funding for ENCTS reimbursement through their grant from central government, but the grant falls short of the true cost of reimbursement and this means that even journey on 'commercial' services are costing councils money. The fact that the BSOG is tied to fuel duty means that its benefits accrue to operators irrespective of the wider social and economic benefits of a service and is paid even when a service would be profitable without it. It also acts as a direct disincentive to use the most fuel efficient technologies and modes of operation. Nevertheless, despite these inefficiencies, the BSOG still provides a critical financial lifeline to many bus services so it is vital that this level of bus subsidy is retained in some form.

The LGA would prefer this money to be devolved to local authorities who could target the subsidy at the most socially useful but otherwise unprofitable services and also to be used as an incentive to reduce emissions through use of the latest technologies. This approach has been trialled in Better Bus Areas (BBA) with encouraging initial results, for example patronage has grown in Merseyside since devolution of the BSOG and the formation of their BBA.

Council funded bus services

Where councils perceive a need for bus services that is not being met by the commercial network, they can fund services directly. These may be specific services put out to tender by the council or additional (for example, late evening) journeys, funded under de Minimis rules,^{viii} on routes that are otherwise commercially run.

Councils also have a statutory obligation to provide free home-to-school transport for children under 16 who live more than a certain distance from their nearest school or who have special educational needs (SEN) and in some other circumstances. Typically, the cost of home-to-school significantly exceeds the budget for supported services.

The 2010 Spending Review led to a 20 per cent cut in BSOG.^{ix} In the ensuing four years Government reimbursement to local authorities for the cost of ENCTS was reduced by nearly 40 per cent.^x The Ministry for Housing, Communities and Local Government (MHCLG) budget, from which council funding for bus subsidies comes, has seen larger reductions in funding than any other government department and, as a non-statutory service, council bus funding has inevitably suffered.^{xi}

Council activity to mitigate cuts to bus funding

Councils have done much to maintain the benefits of bus services in the face of reduced funding by working with operators to restructure the network, reducing frequency, identifying those services offering least value and seeking alternatives to the bus. Some services have been commercialised and some additional sources of funding identified. Fares on some tendered services had fallen below those on the commercial network. Others are pioneering a 'Total Transport' approach to delivering a more cost effective public transport service, by coordinating and aligning their transport plans with other parts of the public sector.

Where councils feel this can help keep a service on the road they have been increased, although this may not reduce the subsidy for tendered services until

the tender is re-let, depending on the contract. The picture is one of partnership and innovation in the face of necessity; nevertheless, there have still been significant reductions in bus services. The key question is 'On what basis do councils decide to remove one service and retain another?'

Councils tended to have a pre-existing means of prioritising services for funding. Cost per journey, fares as a percentage of costs or passenger numbers tended to be used to rank services, but this was a broad guide rather than an absolute test. The type of journey involved was significant; the need to maintain access to work, school, healthcare and shops was considered, as well as the crucial factor of whether a decision might leave a community without any service at all. Councils asked how the tendered services fitted into the bus network as a whole and what sort of network the area required.

Where home-to-school transport was already integrated into the bus budget, savings could be found by withdrawing non-statutory elements – payments for journey to schools chosen in preference to the nearest school or to post-16 students. Councils have found that improving cycle ways and footpaths can help to reduce home-to-school transport costs but is not popular with the public if it means subsidised transport is cut and there is a limit to what can be achieved here, as councils cannot expect children to traipse across fields.

In general, councils have looked to reduce frequencies rather than to withdraw services altogether and remain reluctant to remove 'last link' services, in particular those providing access to healthcare. Reductions tended to fall on evening and weekend services as these were less likely to provide access to jobs, shops, healthcare or schools; but councils understand that cutting evening services can reduce daytime patronage and that weekend services can have an economic value in providing access to leisure services as well as to jobs in the night-time economy.

Partnership working

Councils see their relationships with local bus operators as essential, both in providing an effective network in the first place and in managing the impact of cuts. Where this relationship breaks down, communities feel the impact. For example, it was reported that in one area where relationships are poor a bus operator withdrew service and the first the council knew about it was when pupils were unable to get to school. Where relationships are effective operators will feel comfortable raising problems with councils before a crisis is reached and councils can mitigate the effects of any withdrawal before buses cease to operate. This relationship is often dependent on an informal partnership between individuals.

Councils can encourage operators to run services of borderline commercial value with promotional support or investment in facilities. Discussions between officers and operators can find work for buses which would otherwise be idle. Councils talk to operators to resolve service issues without infringing competition law and as an independent guarantor that discussions are within the legal framework.

This kind of informal partnership requires trust on both sides and can involve a lot of work. In one council, for example, 42 operators were involved in discussions about how to manage funding reductions, both as a group and through individual meetings. In another, which cut all direct funding, officers are still working with operators to support the commercial network, home-to-school transport and mitigate the effects of cuts. One of the less obvious effects of cuts to bus funding is the reduction in council staff available to undertake such work and the risk that over time this erodes or even ends the relationship.

Alternatives to bus services

A further important element in framing service cuts was whether alternatives to the traditional bus could meet needs at a lower cost. Where passenger levels do not justify a taxpayer contribution, councils have sought to ensure alternative services are provided but this is easier to attempt than achieve. There is a broad consensus that community transport (CT) can work well but is no universal panacea. On-demand transport also has relatively high per-passenger costs.

However CT has suffered from similar difficulties to the mainstream bus industry. In one area two large CT operators went out of business at the same time as cuts were being made and CT did not take much displaced business. New CT schemes take time and effort to develop and are often dependent on key individuals in organising roles. Volunteer drivers can be difficult to find (a factor here is the change in driving licences from 1998 which means that those passing their test after this date are not automatically able to drive a minibus).

On demand services (variously referred to as a taxi bus, a flexi bus, or demand-responsive transport) are another option that has been widely explored. These services tend to encounter initial resistance from users who do not like the idea of having to pre-book. A good operator providing a good service can overcome this resistance and new technology can reduce the need for advance notice but it still requires funding.

Taxi buses are essentially a taxi which runs at a given time from a given place (for example, meeting a rail service at a remote station). The council may pay a per-head fee, the taxi has a guaranteed fare and the customer also pays. Alternatively taxi-bus services can be tendered like any other. The service then sets fares, but concessionary pass-holders travel free.

Some councils have taken provision to the individual level by funding Wheels to Work schemes. Wheels to Work is a well-established scheme providing mopeds to young people so they can access education and employment.

ⁱ PTEG press release www.pteg.net/media-centre/press-releases/major-new-report-hows-urban-bus-exceptional-value-taxpayer

ⁱⁱ Making the Connections, p.13 <http://www.pteg.net/resources/types/reports/making-connections-cross-sector-benefits-supporting-bus-services>

ⁱⁱⁱ Campaign for Better Transport Buses in Crisis a report on bus funding in England and Wales 2010-2015 http://www.bettertransport.org.uk/sites/default/files/pdfs/Buses_In_Crisis_Report_2014_Final.pdf

^{iv} Table BUS0101 <https://www.gov.uk/government/statistical-data-sets/bus01-local-bus-passenger-journeys#table-bus0103>

^v Table BUS0811 <https://www.gov.uk/government/statistical-data-sets/bus08-concessionary-travel>

^{vi} LGA analysis (November 2016)

^{vii} Table BUS0112 <https://www.gov.uk/government/statistical-data-sets/bus01-local-bus-passenger-journeys#table-bus0103>

^{viii} The EU takes the view that small amounts of state aid are unlikely to distort competition but may provide social benefits. The De Minimis Regulation allows small amounts of aid – less than €200,000 over 3 rolling years – to be given to an undertaking for a wide range of purposes. If you use this mechanism, you don't need to notify or get approval, but records of aid granted must be kept and all the rules of the de minimis regulation must be followed. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443686/BIS-15-417-state-aid-the-basics-guide.pdf

^{ix} IPPR Total transport authorities: A new deal for town and rural bus services. <http://www.ippr.org/read/total-transport-authorities-a-new-deal-for-town-and-rural-bus-services#what-s-happened>

^x LGA press release 28 February 2014 Funding needed to save vital concessionary bus services. http://www.local.gov.uk/media-releases/-/journal_content/56/10180/5971406/NEWS

^{xi} IPPR Total transport authorities: A new deal for town and rural bus services. <http://www.ippr.org/read/total-transport-authorities-a-new-deal-for-town-and-rural-bus-services#what-s-happened>