

**Ken Skates AC/AM**  
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith  
Cabinet Secretary for Economy and Infrastructure



Llywodraeth Cymru  
Welsh Government

Members of the National Assembly for Wales

22 August 2017

Dear Assembly Member,

On the 28 February, I made a statement in Plenary about the future of bus services in Wales and my intention to begin a policy discussion with the bus industry, local authorities and passengers about how in the longer term, we can better design and deliver local bus services for the people of Wales.

This consultation ended on 31 May and I am pleased to be able to share with you a summary outcome report that has been prepared for publication following an assessment of the 81 contributions that were received during the consultation period. It is encouraging that passengers using local bus services and passenger user groups have taken the opportunity to take part in this consultation.

Whilst I am pleased that the headline results appear to overwhelmingly support my proposals that I outlined in my statement to members on the 28 February, I am conscious that some operators have expressed some reservations about the introduction of bus franchising and other measures in Wales. I have asked my officials to continue to work with local authorities and bus operators in Wales to ensure that our final detailed proposals, that I hope to consult on early next year, will better meet the needs of passengers, local authorities and bus operators alike.

Yours sincerely,



**Ken Skates AC/AM**  
Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith  
Cabinet Secretary for Economy and Infrastructure

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



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Welsh Government

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## BUS SERVICES POLICY DISCUSSION

Improving local bus services in Wales

Consultation outcome report

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

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The views and opinions expressed in this consultation outcome summary report are those expressed by stakeholders responding to the consultation, not the views of the Welsh Government.

## Headlines

- 81 responses were received during the consultation exercise, of which 32 responses (39%) were received from service users.
- A significant proportion of the responses we received were made by groups and people living in south east Wales, which accounted for 31 (or 38%) of the total number of responses received. In this group, 21 of the 31 responses (or 67%) were received from service users.
- 94%<sup>1</sup> of respondents expressing a view told us that they agreed that local authorities should set out how bus services will be delivered as part of the Local Transport Plans.
- 63% considered that the notice period for bus registration with the Traffic Commissioner, currently 56 days, should remain the same.
- 92% told us that they agreed that bus operators should be required to consult with local authorities before applying to the Traffic Commissioner to add, vary or remove local bus routes.
- 88% agreed that the Welsh Government should have the power to set up regional and national ticketing schemes.
- 75% agreed with the proposal that the Trawscymru bus network should be managed by the Welsh Government under bus franchising agreements and that local authorities should be able to introduce bus franchising in their areas. 17%, mainly bus operators did not agree.
- 91% agreed that the Welsh Ministers should establish the quality of local bus services to be met by operators and bus infrastructure by issuing statutory guidance after consultation with stakeholders.
- 79% agreed that the restriction imposed on local authorities being able to set up their own bus operating companies should be removed.

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<sup>1</sup> All Percentages are expressed as the number of respondents expressing a view on a particular question within the consultation document.

Whilst the policy consultation document contained information about the mandatory concessionary fares scheme and its operation in Wales, no specific questions were asked about the scheme during this consultation. Some respondents did take the opportunity to tell us what their thoughts were about the scheme.

A UK wide bus operator suggested that the Welsh Government takes direct control of concessionary travel administration and reimbursement, pointing out that a recent study by Traveline Cymru suggested that this action could yield a cost saving of up to £1m per annum in reduced administration alone. Other suggestions put forward during the consultation included provision of ongoing concessionary fares for younger people, whilst another respondent suggested that older people would be willing to make a contribution towards to older persons' free bus pass.

A key theme throughout the responses provided as part of the consultation returned to the issue of a more stable public sector funding environment for the planning and delivery of local bus services. One local authority told us about the need to review the funding mechanism that currently exists, claiming it to be bureaucratic especially when combined with a reduced workforce.

## **Background**

On 8 March 2017, the Welsh Government published a consultation document setting out a number of suggested outline proposals about how the planning and delivery of local bus services in Wales could be improved. The consultation was published as part of the ongoing policy discussion between the Welsh Government, local bus operators, local authorities and passenger groups building on the work undertaken by the Welsh Government's Bus Policy Advisory Group in 2014 and more recently, the Welsh Bus Summit held in Wrexham in January 2017.

As set out in our consultation document, action is being taken to address some of the issues emerging from the summit, but in the longer term, there is a need to establish a framework for the delivery of local bus services that benefits all: Better services for passengers, a fair deal for bus operators and clearer arrangements for local authorities to plan and organise local transport in their areas.

## How we consulted

In the oral statement made in the National Assembly for Wales on 28 February 2017 about the future of bus services in Wales, Ken Skates AM, the Cabinet Secretary for Economy and Infrastructure declared an intention to begin a national policy discussion about how best we can plan and deliver local bus in the longer term. The consultation document that was subsequently published on 8 March set out a number of proposals as the basis for the consultation to take place.

The consultation document, together with a policy summary setting out the aims and objectives that the Welsh Government is hoping to achieve in the longer term, were published to the Welsh Government website. The consultation remained open until 31 May 2017. Additionally, the consultation document and accompanying response form was issued electronically to members of the National Assembly for Wales, local authority representatives, the Welsh Local Government Association, bus operators in Wales, Passenger groups and equality groups.

Pre consultation discussion groups were held with the Association of Transport Co-ordinating Officers, the Confederation of Passenger Transport in Wales, the Traffic Commissioner for Wales and the Competition and Markets Authority. Because of the importance of cross border transportation links between England and Wales, the consultation document was shared also with neighbouring local authorities in England, together with the Department for Transport, Transport Scotland and the Competition and Markets Authority.

During the consultation period, Welsh Government officials attended a number of events and group meetings and undertook a series of visits to operators to raise awareness of the consultation. These meetings included LINC Delivery Group meeting, CILT Forum in Llandudno, ATCO meeting in Abergavenny and Community Transport Regional Forums in West and East Wales.

By the 31 May, the Welsh Government received 81 formal consultation responses. By far the largest group responding to the consultation were service users, accounting for 32 (39%) of the total responses received, as illustrated below.

## Respondents by sector

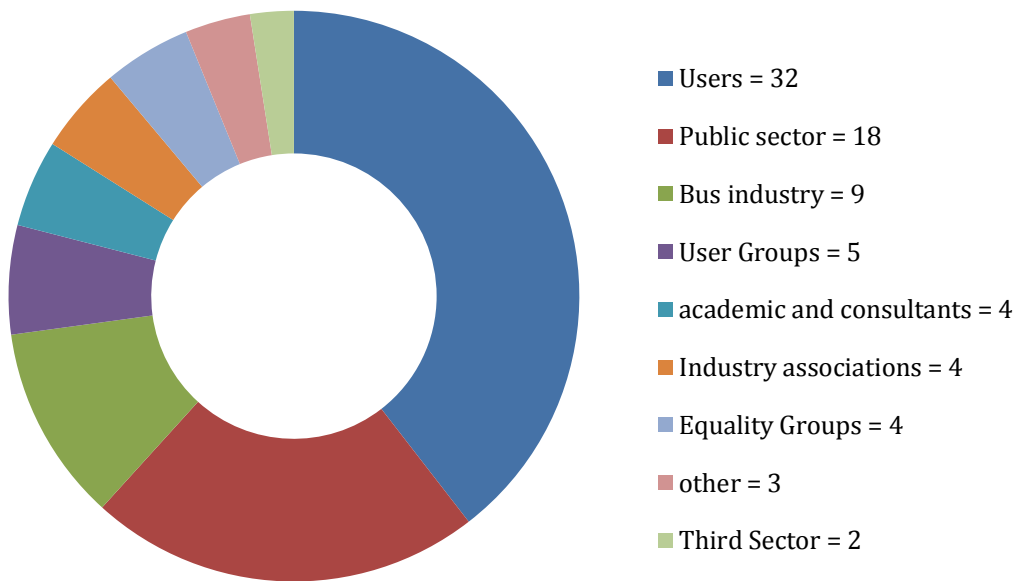


Figure 1 Number of responses received by sector

A significant proportion of the responses we received were made by groups and people living in south east Wales, which accounted for 31 (or 38%) of the total number of responses received. In this group, 21 of the 31 responses (or 67%) were received from service users.

## Number of responses received during the consultation by area

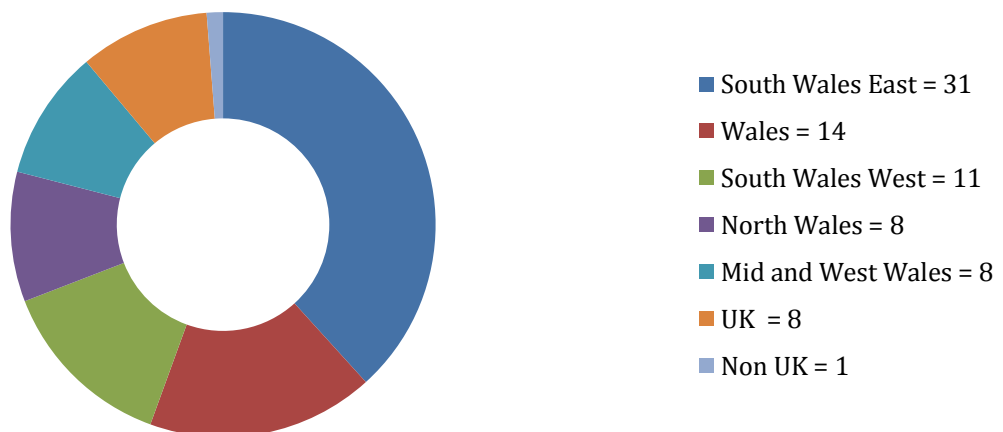


Figure 2 Number of responses received by area

As illustrated in figure 1 above, the largest group responding to this consultation were service users and user groups. Of the 37 responses from this group, the greatest number was received from RCT, accounting for 19 (or 51%) of the total number of responses received.

## Responses from users and user groups by location

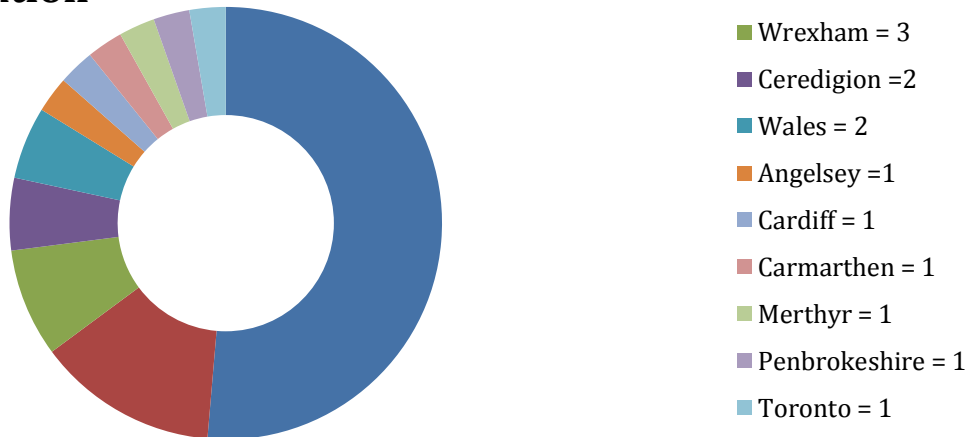


Figure 3 Responses by users and user groups by location

## What people have said

### Bus services as part of Local Transport Plans

As part of the consultation, we asked people if they agreed that Local Transport Plans should set out how local authorities are going to deliver local bus services in their areas. A majority of respondents expressing a preference, 64 of 68 or more than 94% told us that they agreed that local authorities should set out how bus services will be delivered as part of the Local Transport Plans.

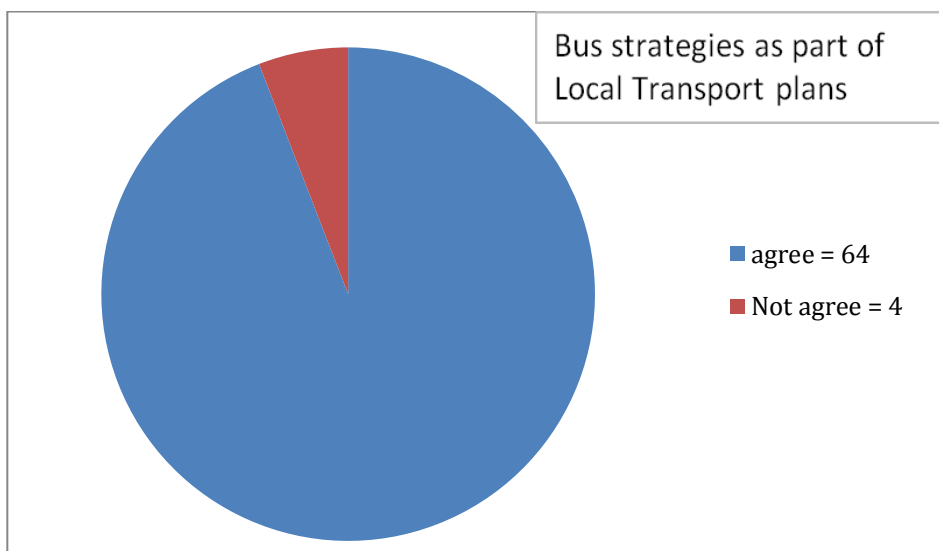


Figure 4 Breakdown of responses about bus strategies being included as part of Local Transport Plans

One respondent commented that “more control over bus companies is essential to achieve levels of quality and frequency required by Welsh Government”. Some respondents that agreed with the proposal expressed some concerns, such as the perceived lack of relevant experience in some authorities able to plan local bus routes. A local authority suggested that whilst not opposed to the suggestion, the delivery of local bus services in some areas was dependant on the availability of funding and care should be taken not to raise expectations where there is no funding to deliver them.

In its response on behalf of the bus industry in Wales, the Confederation of Passenger Transport (CPT) in Wales told us that Local Transport Plans (LTPs) are probably the most likely place where funding is laid down and committed to bus issues, be it infrastructure funding or revenue support (which might include ‘kick-start’ funding for a service to a new area of employment, for example). This is one area where the small size of Welsh Local Authorities allows drilling down to the detailed level where bus services and their passengers’ interests naturally lie.

The CPT also expressed concern about funding, commenting that over the five year period of the plan, funding can vary significantly, with each financial year suffering its own level of spending reduction. The CPT in Wales also shared the concerns about the balance between capital and revenue funding, with particularly severe limitations on the latter. A simple example cited to support this issue is the availability of capital for the provision of new bus shelters, then lacking any ongoing revenue funding to clean and maintain them.

The CPT also told us that in England, LTAs do separate out bus-related issues into a ‘Bus Strategy’ document, although there is no longer a legal requirement to do so. The quality of bus strategy documents varies considerably from firm commitments and concrete policies to wish lists and woolly statements of support for buses, such as the promise of ‘integrated ticketing within a few years’. While bus strategy documents allow greater examination of bus-related issues, they then tend to be somewhat sparse in the main LTP. Overall, the Welsh ‘inclusive’ principle is likely to be better.

One bus operator commented that the local authorities are best placed to understand local issues but need encouragement through finance and planning to achieve the recommendations made in any plans.



A bus operator providing local bus services under a social enterprise model outside Wales commented that local authorities should produce transport plans which detail the provision of local bus services. In addition, these plans should address how authorities plan to improve services, how changes will be funded and that all options have been explored, be it franchising, bus improvement plans or simply retaining the current system.

One of the larger bus operators endorsed this view. In particular, the operator was keen to see that local transport plans address the major issue of congestion and traffic delays which, if left unchecked, will make bus services increasingly more expensive to deliver and less attractive to use, either through longer journey times or through disruption and delays. Where partners are aware of congestion pinch points, local authorities should be required and empowered to remedy them by the Traffic Commissioner for Wales.

To reinforce this point, the bus operator highlighted research by KPMG, on behalf of Greener Journeys, that shows for every £1 spent on bus infrastructure, £7 is generated in terms of wider economic benefits (KPMG, 2015).

### Bus registration periods

As part of the consultation, we asked whether the period of notice required to register a bus service with the Traffic Commissioner (56 days) should be lengthened, shortened or remain the same. Of the 65 respondents who expressed a preference, 41 (or 63%) considered that the notice period for bus registration should remain the same, whilst 4 (or 6%) of respondents felt that the period should be shorter and 16 (or 24%) considered that the notice period should be lengthened.

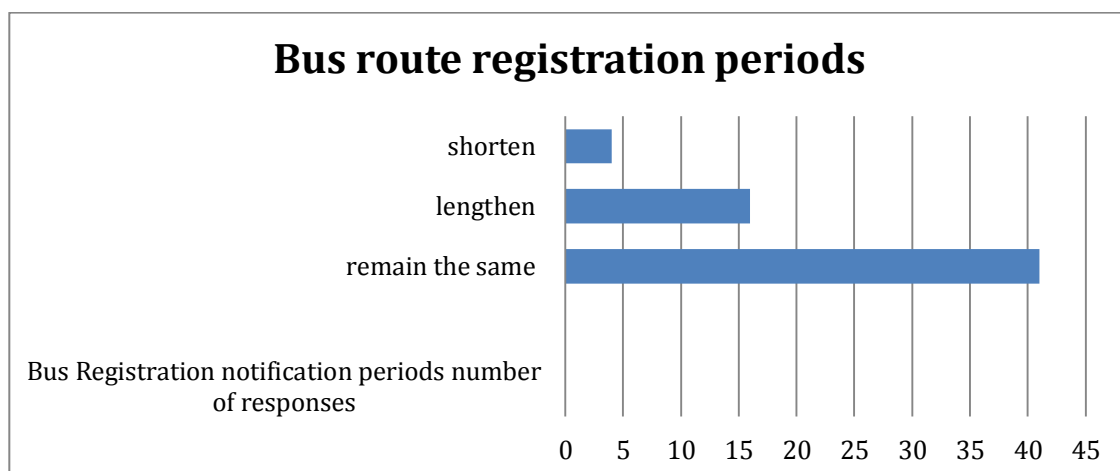


Figure 5 Breakdown of responses about bus route registration periods

In support of the case for lengthening the notice period for bus registrations, one respondent said “It is absurd that bus operators can change their services at will with no obligation to consult users and with the expectation that local authorities run along behind them trying to update timetables and other information services at the public expense”.

A local authority commented that whilst service stability is a key issue for maintaining passenger confidence and goodwill across the network, it is also important that the local bus operators are able to respond flexibly to any changes in passenger demand and journey patterns. It is considered that the current 56 day period of notice to the Traffic Commissioner for service changes appears to achieve the right balance in this regard.

In its response, CPT Wales told us that bus operators often need to make changes to services with some urgency. In particular, there are many timetable adjustments to match scheduled times with achievable times so that operators comply with Traffic Commissioners’ reliability standards and passengers see an advertised arrival time which is achievable. These now form the majority of registration changes to bus services.

Noting that the current notice period of 56 days is almost two months, the CPT pointed out that this ought to be sufficient length of time to properly carry out functions associated with changes to services such as publicity preparation, readying other channels of communication with passengers and for the local authority to decide whether it needs to take action in response to the registration change.

The CPT also pointed out that in Scotland, the basic notice period is 70 days, but this is made up of a 28-day consultation period and then 42 days notice to the Traffic Commissioners. In the case of changes where operator and Local Authority are in agreement, the consultation period can reduce to 14 days making the overall notice period 56 days. It should be noted that the consultation period only allows local authorities to respond to a proposed change, they have no power of veto over service changes. To do so might force an operator to continue a known loss-making service, which is illegal (in the view of CPT) under EU Regulation 1370/2007 as it would effectively amount to a Public Service Obligation without due compensation.

The period of notice for the registration of local bus services was a point picked up on behalf of the North East Wales Economic Ambition Board (NEWEAB) who told us as a general rule, this should be 70 days to give adequate time for transport authorities to assess gaps, seek political approvals, implement changes and publicise them.

The NEWEAB told us that it goes without saying that local authorities will continue to require flexibility from the Traffic Commissioner where replacing commercial services, as 70 days probably only a compromise between the current arrangements and, in some more complicated situations, the actual time required to implement any changes.

One respondent to the consultation pointed out that the present 56 days' notice from a bus company's viewpoint is probably about right for withdrawing a service which is not viable with or without subsidy. From a user's point of view however, particularly for essential journeys to work, school or health facilities, it will often be too short a period of notice to find alternative arrangements or find a new job or school.

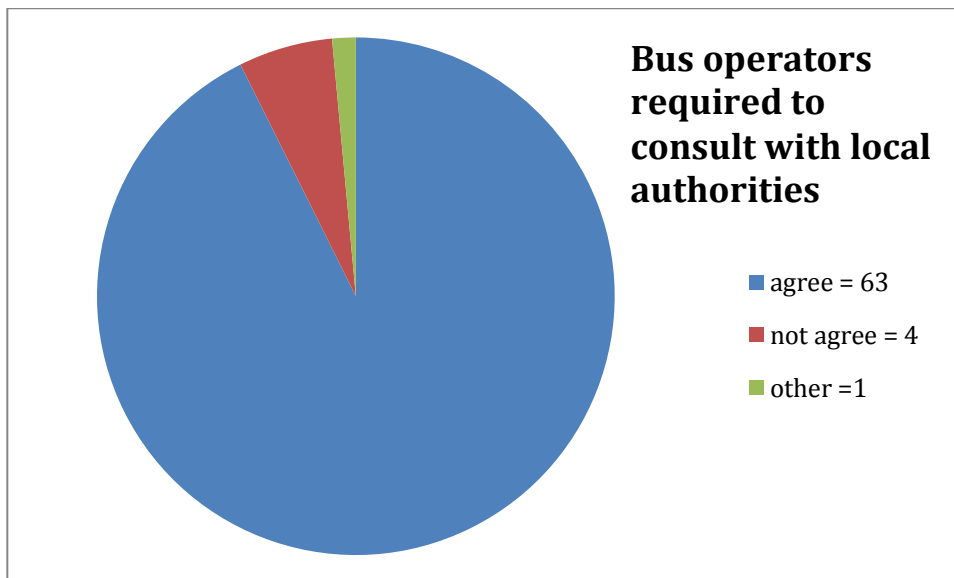
One operator suggested that there might be scope to arrange matters differently and to agree change dates across the year to which service alterations would be confined as far as possible. These could number four in total and cover the start of September for the new school year, early January for the new year and the beginning of April and June to catch seasonal variations. It would be important that local authorities also commit to producing and posting timetable information to coincide with these dates.

The Competition and Markets Authority acknowledged that this is a complex area. The 56 day period helps provide a stable basis for competition to take place and deliver passenger benefits. In its 2011 market investigation report, the Competition Commission recommended extending the notice period to 90 days in certain circumstances, though appreciated that this can carry risks in terms of reducing the flexibility with which operators can respond to demand.

### Bus operators to consult with local authorities

Linked to the question about the length of time that should be required for bus operators to register bus services with the Traffic Commissioner, we asked if bus operators should be required to consult with local authorities before applications to the Traffic Commissioner are submitted to remove, vary or add bus routes.

A majority of respondents expressing a preference (92% or 63 respondents) told us that they agreed that bus operators should be required to consult with local authorities, with some claiming that registering routes without first consulting local authorities undermines local collaboration.



**Figure 6 Breakdown of responses about the proposal to require bus operators to consult with local authorities before registering local services with the Traffic Commissioner**

One local authority commented that good working relationships between the local authority and bus operators should be fostered and encouraged throughout Wales. Introducing pre-registration discussion on a more formal basis will assist but if this cannot be implemented, and if some bus operators do not ensure that adequate consultation is carried out with local authorities before a service alteration, then the current 56 day period of notice should be extended.

A local authority covering a more rural area agreed with the principle that bus operators should consult with local authorities, before applications are made to the Traffic Commissioner, noting that this already happens when a bus company wants to register changes to make services more reliable, or respond to passenger needs. What was not clear is the legislative framework that would support local authorities 'approval' of a registration before it goes to the Traffic Commissioner. If there are no such powers, the 'added benefits' to the passenger for this additional bureaucratic step is questionable.

One respondent suggested that consultation periods need to be defined and should be proportionate to intended purpose of the change. For example, registering services urgently needs a shorter consultation period.

In supporting the proposal, some respondents suggested that bus operators need to consult more widely with passengers, public authorities and trip generators, who will be affected by proposed changes to bus services and routes.

One operator pointed out the importance of consulting with local authorities before changing, varying or adding a bus route because, as per question two in the consultation about periods to register routes with the Traffic Commissioner, as a route cannot be considered in isolation and even changes to a single route can have significant impact on the whole network.

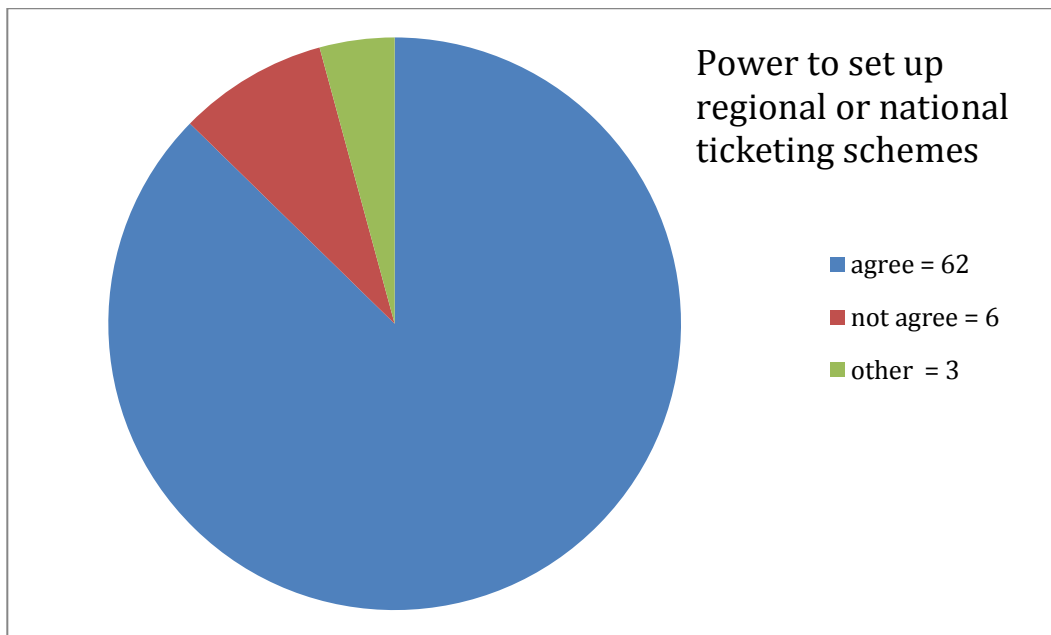
Not all respondents were supportive of requiring bus operators to consult with local authorities before making changes to the bus network. Some expressed concern that cut backs in the local authority will serve only to delay bus registrations whilst another commented that Local authorities need to understand bus services for the consultation to be meaningful.

One UK bus operator pointed out that it is good practice for operators to pre-notify local authorities of their intent to make service changes, as part of their general consultation with passengers and other affected parties. This already works well on an informal basis and the opportunity for authorities to engage with operators in the development of a local Service Stability Code of Conduct, whereby operators voluntarily commit to restricting service registration changes to pre-determined dates in any given year (except in response to unexpected changes in demand or supply) can give a significant element of control to such situations.

Another local operator pointed out that “the original extension from 42 days to 56 days notice for change or variation was intended to give a consultation period, but the 1985 Act failed to give adequate definition of consultation”.

### Ticketing schemes

As part of our consultation, we asked whether local authorities and the Welsh Government have the power to set up regional and national ticketing schemes. A majority of respondents expressing a preference (88% or 62 out of 71) told us that they agreed with this proposal, whilst six respondents did not agree.



**Figure 7 Breakdown of responses about the proposal to give the Welsh Government the power to set up regional or national ticketing schemes.**

The CMA told us that the potential benefits of multi-operator ticketing schemes are recognised under the public transport ticketing schemes ‘block exemption’ which exempts certain types of agreements between Local Authorities and commercial operators from competition law. Provided they meet the terms of the block exemption, agreements relating to schemes such as multi-operator travel cards and individual tickets, through tickets and add-on tickets are expressly allowed by the Competition Act 1998. However, schemes should not unnecessarily constrain the ability of operators to offer their own ticketing arrangements where they can best meet local needs or compete to offer the best value fares.

Other respondents commented that there is a need to establish ticketing schemes allowing travel irrespective of the provider with some suggesting that an all Wales bus pass should be made available. Another passenger highlighted that integrated ticketing needs to be supported by integrated time tabling. Making ticketing schemes without the ability to co-ordinate timetables undermines the benefits to passengers.

The CPT told us that the current legal provision has limitations. Chiefly that only local authorities or consortia of local authorities may set up statutory schemes. The Welsh Government may not do so and, more fundamentally, the (current) legislation does not allow any forcing of participation by rail or light rail operations. Neither of these restrictions, of course, applies to voluntary multi-operator schemes. It would be a small legislative change to give the same powers to Welsh Government as those held by local authorities.

The CPT in Wales also told us that they would not be in favour of legalising any method of introducing a ticketing scheme where the Welsh Government or any other public body, imposed a price that either undercut its members' (bus operators) own ticketing products, or was hopelessly un-economic. The CPT also stressed that the vast majority of successful multi-operator and multi-modal tickets are run as *voluntary* schemes, which follow the guidance laid down by the competition authorities, particularly with regard to pricing and revenue distribution. The majority of these established voluntary schemes have functioned successfully for many years without the need for expensive new technology.

A local bus company also told us that “the fixation with including inter-availability with rail services misses the opportunity of bus inter-availability which should be the starting point.

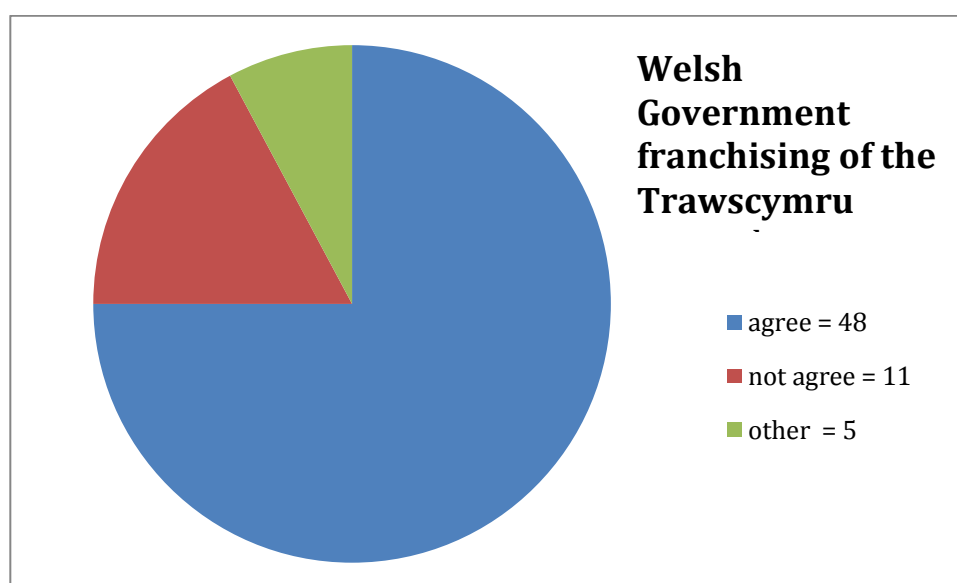
On the other hand, a number of local authorities pointed out that the emphasis under the current legislation to encourage competition between bus operators has made it difficult to introduce integrated ticketing arrangements. This is particularly the case in areas where there may be a dominant bus operator who chooses to market its own 'Travel card' facility and not participate in an alternative multi-operator scheme - so as to strengthen its competitive position.

Previously, competition legislation created a barrier towards the introduction of joint ticketing schemes between bus operators but, to a large extent, this has been removed through the Competition Act 1998 (Public Transport Ticketing Schemes Block Exemption (Amendment) Order 2005). Compliance with (the requirements of) this Order is not a simplified process and the bureaucratic barrier, as well as the need to ensure the equitable allocation of revenue from the sale of tickets, can deter the more widespread participation amongst many of the smaller local bus operators in a regional integrated ticketing scheme. For this reason, new legislation is required to simplify and encourage operator participation in a regional, integrated ticketing scheme.

One local authority suggested that instead of looking at regional and national ticketing schemes, the Welsh Government should consider how bus fares could be regulated in Wales as part of the quality standards.

## Delivering the Trawscymru network

As part of our consultation, we asked whether the development and delivery of the TrawsCymru® longer distance bus network should be brought under the control of the Welsh Government under franchise agreements. Of the 64 respondents who expressed a preference in the consultation, 48 respondents (or 75%) agreed with the proposal, whilst 11 respondents, mainly bus operators (or 17%) did not agree.



**Figure 8 Breakdown of responses about the proposal for the Welsh Government to directly franchise the Trawscymru bus network**

One bus consultant considered the case put forward to bring the network under the control of the Welsh Government using bus franchising agreements to be “naive and simplistic”.

The CPT said that this proposal draws important questions about the difference between a contract and a franchise, assessing this simply as being that a contract involves a payment to perform a specified activity whereas a franchise implies some sort of exclusivity.

In making the case against franchising the network, the CPT pointed out that the bulk of the Traws Cymru network operates under contract currently. At present, the contracts have to be let by Welsh Government through a local authority as under the terms of the 1985 Transport Act, the Welsh Government is not able to award its own bus service contracts.



On the face of it, it would appear to be a sensible and minor change to legislation to allow the Welsh Government to tender bus services. But there is some merit in channelling the contract through a local authority in that they could then influence the timetable and amend its own tendered services if the Traws Cymru service also fulfils a local need.

The CPT also highlighted the collaborative nature of the current arrangement, whereby local contracted services are linked with commercially registered services to provide the current network, noting the partnership approach such as the interlinking of Traws Cymru T4 and Stagecoach X4 between Brecon, Merthyr and Cardiff. If Welsh Government takes the revenue risk on Traws Cymru it effectively becomes the 'operator'. If it adopted a particularly protectionist approach on its sections of route, it could be construed as anti-competitive.

A UK bus operator commented that there is no objective justification for this action. The TrawsCymru network currently performs well under a public-private partnership that sees operators take the revenue risk but receive a degree of revenue support for sections of the network that cannot be operated commercially. Franchising this network, with restrictions on parallel services which this approach would mandate, would have serious adverse consequences in those areas where the provision of such (indirectly) competing services is a reasonable prospect (for instance Merthyr Tydfil – Cardiff, Ystradgynlais – Swansea) and the operators of these services would need to be compensated for what is effectively confiscation of their businesses without justification.

Not all bus operators supported this view. Another bus operator suggested that these bus services are vital arteries of the Welsh bus network. They have political, economic and social value and as such, should be operated using whichever is the best model for ensuring a population gets the service they need. Franchising provides this model. It allows the commissioner to design services and routes for the passengers that will be using them, not for the commercial profit of operators. Specifically, franchising allows commissioners to design a network which will embed socially-necessary routes, reduce social isolation and maintain vital economic access to employment, education and services.

Another large bus operator supporting the proposal, noting that the bulk of the TrawsCymru network is covered by tendered contracts, suggested that whoever ends up with this responsibility should consider the advantages of leaving operators to supply the buses and coaches to a specification contained in the tender, rather than sourcing the vehicles themselves.

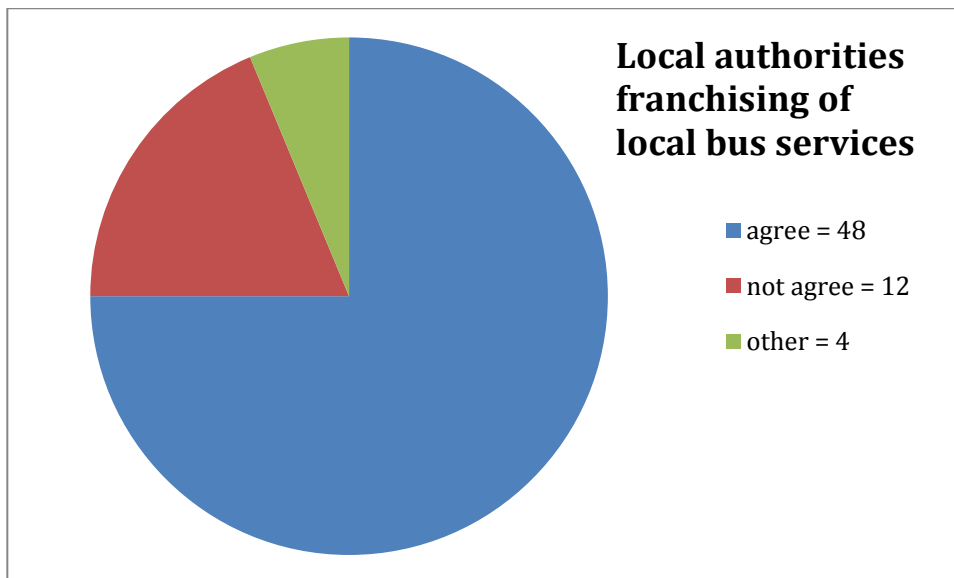
One local authority commented that a franchise brand for both Welsh Government rail and bus services would be an opportunity to improve integration. Full integration will provide Wales with more opportunity to extend the bus network and seek to include further services under the franchise growth plan, to include both local services and services that connect cross border with the rail network in England, such as Shrewsbury and Hereford. This point was echoed by some bus user groups. The TrawsCymru® network is key to linking settlements not served by the rail network and as such must not be allowed to suffer from or compete with operators' market pressures.

The NEWEAB expressed some concern about this bus network being directly managed by the Welsh Government, stating that local authorities should be fully involved in the development and management of the TrawsCymru® network, whether tendered or franchised. The ambition board noted that the principal users of these services, certainly in the north, is for local trips rather than regional travel. There is some concern that funding of TrawsCymru® results in a concentration of resources on specific corridors, leaving other supported bus services to struggle through a lack of investment. The superior level of service and funding enjoyed by the TrawsCymru® network should be available to all strategic bus services, whether commercial or supported.

In its response, the CMA said the introduction of franchising may be appropriate in specific circumstances, but on-road competition should only be abandoned in favour of competition for the market in circumstances where it is clear that this is the only way to secure better outcomes for the travelling public.

### Bus franchising by local authorities

As part of our consultation, we asked whether local authorities should be allowed to set up bus franchising schemes in their areas and if so, what safeguards should be in place to ensure that the benefits of a competitive bus industry is not lost. Of the 64 responses received from respondents who expressed a preference on this proposal, 48 (or 75%) agreed with the proposal, whilst 12 (or 18%) did not agree.



**Figure 9 Breakdown of responses about the proposal for Local Authorities to be able to franchise local bus services**

Whilst not against the introduction of bus franchising, the CMA told us that in their view, any proposals should make clear that Local Authorities are expected to seek to make the existing market work better for consumers in the first instance, including through local partnerships. In many cases, enhancements to a deregulated market such as multi-operator travel cards, may deliver desired outcomes without sacrificing the benefits of competition. It should be for the local authority to demonstrate failures which would justify the choice of moving to a franchising model.

Local authorities should be required to properly identify and explain their concerns through a published assessment which should take sufficient account of competition issues, including but not limited to:

- Risks associated with franchising, relating both to outcomes and implementation;
- Benefits associated with on-road competition that they may be giving up; and
- The circumstances in which franchising is likely to be least/most effective

Previous work undertaken by the CMA identified a number of risks associated with franchising, including:

- Requiring local authorities to acquire and develop additional skills and capabilities in areas such as network design and monitoring;

- Incentives for efficiency and service quality may be less marked than under a deregulated system, particularly if there is no effective competitive threat posed during the contract period, meaning that the network may be less responsive to changes in customer demand; and
- the need for effective competition for the franchise requiring enough competitive operators in a position to bid.

Some other respondents, whilst supportive of the proposal, expressed some concern suggesting that cut backs in the local authorities could mean that it will be difficult to implement bus franchising in local areas. If introduced, the approach to local bus franchising needs to be standardised across local authorities.

One bus operator agreeing that local authorities should be allowed to set up bus franchising schemes said that franchising is **not** anti-competitive; it simply moves competition from on-road competition to competition-at-tender in a franchised market. Instead of two operators offering competitive services on a particular route, an authority designs a competitive tender process and awards routes on the strength of an operator's bid.

The operator told us that it could be argued that it is the current deregulated model which is anti-competitive as the existing big bus companies operate a de-facto cartel. They have unofficially divided the whole of England and Wales between them, and actively avoid competing on-road. The UK Competition Commission's own report from 2011 - *Local bus services market* - recognised that very little direct competition takes place and that this costs local authorities £5 million to £10 million a year. The challenge is to ensure the correct balance - supporting authorities to make the best decision for their local population whilst not derailing them with overly-challenging bureaucratic hurdles. Such constraints may deter to authorities from considering the full range of franchising powers available, forcing them to accept the default, lower-quality, status quo. Additional safeguards could include open book arrangements and periodic reviews.

Supporting local franchising, an academic in the transport sector told us that there are a number of benefits to be gained from introducing local bus franchising in Wales. It allows competition in terms of service provision ideas and funding levels, providing a more secure bus market and service not entirely dependent on the commercial market. It allows other economic, environmental and social factors to be taken into account and prevents instability in the market through the transport authority being 'an operator of last resort'.

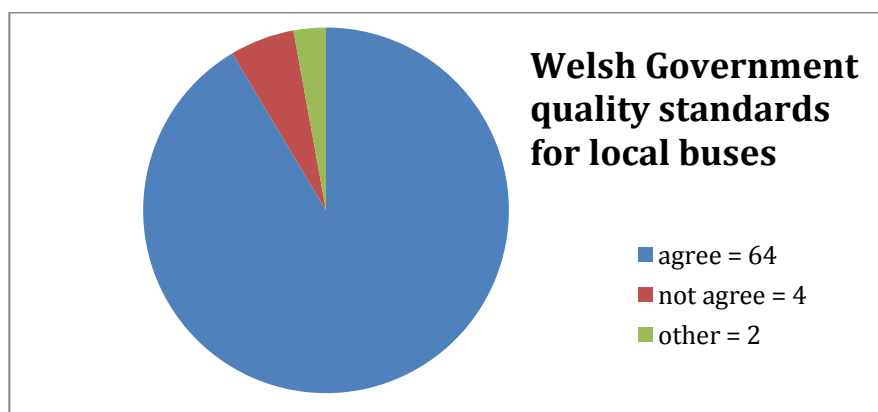
A number of local bus operators warned against introducing local bus franchising arrangements in Wales. One operator told us that you cannot replicate the London franchising system in Wales, a point reinforced by the CPT, who “stand vehemently against any form of franchising without compensation for sequestration of businesses”. Referring to the comments made by the Quality Contract Panel set up to consider the Quality Contract Scheme proposed in Tyne and Wear, that the size of dis benefit to the operators was wholly disproportionate, being in excess of fines imposed by regulators in other areas for serious misdemeanours.

In that case, the CPT told us that operators frequently are still servicing debt raised for the acquisition of businesses or capital expenditure and they have significant pension liabilities. If their operations are taken away then the remaining, smaller core of the big groups will assume the debt or pension obligation (even if part transfers to a new franchisee) and might lead to network instability elsewhere.

A UK wide bus operator also commented that the current regime takes the best knowledge of operators who rely on being able to respond to market conditions – and potential growth opportunities – to maintain and grow their businesses. It is hard to envisage a scenario where a local authority taking on the responsibilities of network and service design and specification, without the expertise amassed over years of experience, would be able to achieve this in a manner which would be cost effective and sustainable.

### Quality standards for buses

As part of our consultation, we asked whether the Welsh Ministers should establish the quality of local bus services to be met by operators by issuing statutory guidance after consultation with stakeholders. Of the 70 respondents expressing a preference, 64 (or 91%) agreed with the proposal, whilst 4 respondents representing the bus industry did not agree.



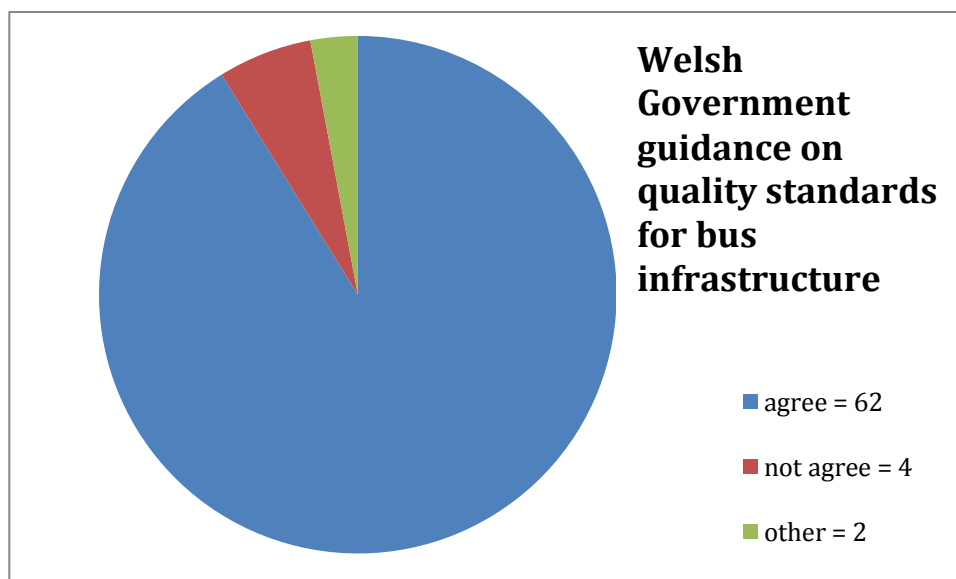
**Figure 10 Breakdown of responses about proposals for the Welsh Government to publish quality standards to be met by bus operators providing local bus services**

One campaign organisation for the improvement of public transport suggested that quality standards should also include requirements in relation to service frequency

One respondent not agree with statutory guidance but suggested policy guidance rather than statutory was appropriate, a point again picked up by the NEWAB, who whilst agreeing that there was a need for national standards, expressed some concern about the term “statutory guidance” and feel that standards should either be mandatory (i.e. statutory) or they should offer a direction of travel (i.e. guidance). Working alongside the Welsh Government, NEWAB believed that there is a role for local authorities locally or regionally to decide upon and develop own quality standards and to monitor them. Whatever approach is adopted, quality standards can only be adopted given sufficient funding and staff resources.

### Quality standards for bus infrastructure

In our consultation, we asked whether the Welsh Ministers should issue statutory guidance after consultation to establish the quality expectations for infrastructure (bus stops and bus shelters) and the display of accessible passenger information. Of the 68 respondents who expressed a preference, 62 respondents (or 91%) agreed with the proposal.



**Figure 10 Breakdown of responses to proposals for the Welsh Government to issue guidance about quality standards to be met for the provision of bus infrastructure**

Respondents supporting the proposal suggested that bus Interchanges need to be improved and fit for purpose, whilst other pointed out the provision of appropriate bus shelters, bus stops and timetable information, especially in rural areas is problematic.

Whilst recognising that it is perfectly within the remit of Welsh Ministers to specify standards for any aspect of bus operation that it wishes to, including imposing additional duties on local authorities, it must be recognised that standards come at a price. The Welsh Government must be wary of imposing standards to the point where costs are unsustainable and the result is the loss of more services.

Another respondent told us that there is no doubt that passengers react well to clean, well-maintained bus shelters equipped with information cases. The lack of revenue funding to maintain the upkeep of shelters and information displays leads to a dirty and unwelcoming waiting environment which lowers the degree of personal security which passengers feel. In a similar vein to standards imposed on operators, a 'one size fits all' standard was cautioned against. For example, what is an acceptable standard of bus stop infrastructure in rural Powys for a twice-daily service is unlikely to be adequate on a main corridor in Cardiff.

From the local authority viewpoint, we were told that there are three key issues here:

- Almost all spending on buses other than school transport and concessionary fare payments is discretionary. With other calls on ever-squeezed local authority budgets, all discretionary spending is at risk;
- There is a view among some officers and councillors that spending on buses only benefits commercial operators and puts money straight into their coffers. Thus they are reluctant to commit funds to bus-related schemes. This viewpoint totally disregards benefits to residents and/or constituents and the impact on modal split and air quality issues.

Local authorities seldom have sufficient funds to cover their current responsibilities. Without additional funding, improved standards can only be achieved by taking money away from something else – libraries, sports facilities, social care etc. Even if there is additional funding (as with the direct payment of BSOG to local authorities in England, unless ring-fenced it can easily be diverted to other areas of spending.

A UK Bus operator, whilst supportive of the proposal, commented that they recognise that some local authorities have ceased to clean and/or maintain bus shelters as this is non-statutory expenditure. This has a deterrent effect on bus use. Therefore, we support the issuance of statutory guidance and action to be taken by the Welsh Government should local authorities fail in their obligations.

In supporting this proposal, a leading sight loss charity told us that transport infrastructure plays a key role in enabling people with sight loss to travel independently. The location of bus stops and shelters and the environment around them can determine how easily, or even whether, they are able to access bus services. For example, a frequent problem for people with sight loss is the pavement furniture that often lines the route near bus stops and that can create an additional hazard when getting on and off the bus. Surveys conducted in 2012 and 2014 found that half of respondents said they'd collided with obstacles on the pavement that obstructed the exit doors.

In welcoming statutory guidance that would establish clear expectations of standards for infrastructure and prevent situations like this occurring, the charity recommends that the following factors should be included:

- Proximity of the bus stop or bus shelter to safe road crossings (including controlled crossings) and the distance from junctions;
- The condition of the pavement including the width of the pavement, provision of dropped kerbs and appropriate tactile warning surfaces. Consideration should also be given to the presence of grass verges which may be wet and slippery;
- The likelihood of attracting cars to park inappropriately, and block access to buses and the use of measures to prohibit parking, and monitoring by parking enforcement officers;
- The design of the bus shelter itself, including using appropriate colour contrast on bus shelters, so that glass and metal structures stand out from their surroundings to maximise visibility;
- Use of planters and seating should not obstruct access to the bus stop or shelter or reduce visibility. Manifestations on the glass should adhere to Department for Transport guidelines;



- Clear quality standards for the display of passenger information would also be welcomed. The majority of people with sight loss cannot access standard print information. Some of the specific issues in using bus services are difficulty reading timetables or information at bus stops, difficulty reading route information on the front of buses.

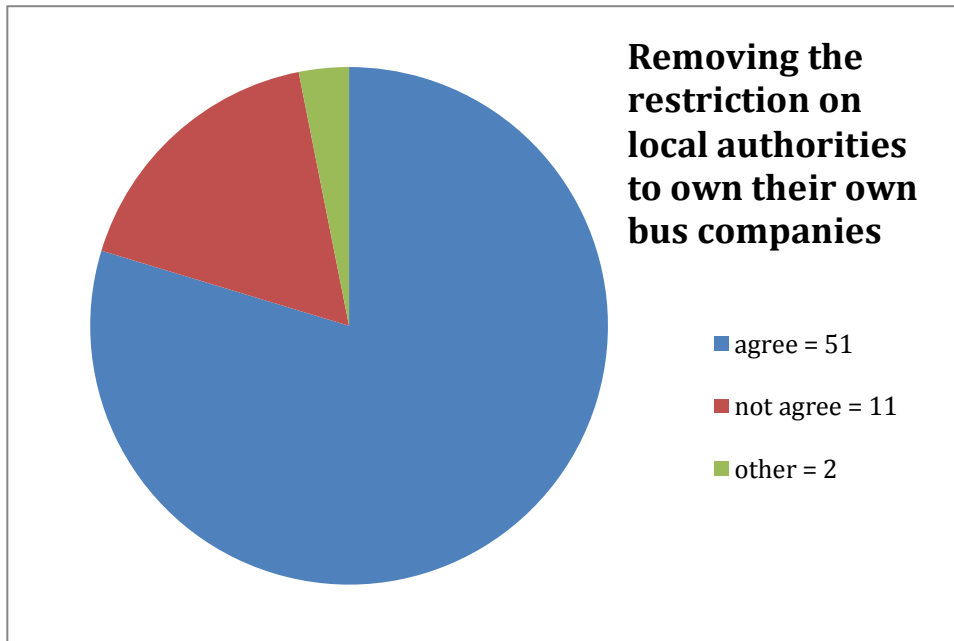
These requirements were echoed by other equality groups. For older people, for example, with limited mobility, getting to the bus stop is a significant issue, compounded by a lack of facilities at bus stops. Some older people are able to walk short distances and stand for short periods only, so more bus stops and shelters with seating would help to make public transport more accessible. Bus users Cymru told us that regrettably, infrastructure quality is variable which is not helpful for increasing passenger confidence. Local authorities are responsible for the installation and upkeep of bus stops, information displays etc but all too often these items are last on the list when funds are thinly stretched. The passenger needs to know what to expect with a consistency across Wales and improvements in quality will increase confidence and patronage

One respondent not agreeing with statutory guidance suggested that policy guidance rather than statutory was appropriate. Another respondent not agreeing with requiring local authorities to improve the quality of local bus infrastructure told us that there was little point in doing so as the shelters are simply vandalised.

The NEWEAB told us that waiting for the bus is probably the least pleasant aspect of the overall journey. There needs to be a consistent and regional approach, determined regionally/locally, to the type of infrastructure, facilities within and adjacent to it and information provided at it that is proportionate & consistent to the location and number of passengers using it. This should include all publicly maintained facilities, irrespective of owner. This would balance any investment in bus services against infrastructure. We feel that Welsh Government involvement in this would be unnecessary.

### Local authority owned bus companies

In our consultation, we asked whether local authorities should be able to set up bus companies in their areas. Of the 64 respondents expressing a preference, 51 (or 79%) agreed that the restriction imposed on local authorities being able to set up their own bus operating companies should be removed. One local authority and 10 bus operators did not agree, pointing out that municipals previously operated in the south Wales Valleys, which were not operated well and provided poor service.



**Figure 11 Breakdown of responses received in relation to proposals to remove the restriction imposed on local authorities to set up their own bus companies**

A UK bus operator commented that there were suggestions in the consultation paper that the establishment of such new local authority operators might attract some form of grant funding, which would be strongly opposed as it removes the level playing field upon which all operators should be required to operate and constitutes illegal state aid. Any funding available to set up such new operations would need to be available on an equivalent basis to existing operators whatever their ownership. Any such municipal operators established on this basis should compete against the open market on a transparent basis with no hidden subsidies or preferential treatment in respect of tender awards.

Another UK bus operator told us that they did not see a case for local authorities to be allowed to set up their own bus companies. There is ample opportunity for the Welsh Government to procure local bus services, and even networks, from reputable quality operators without the need to set up costly infrastructure and management structures that could divert funds from other public spending priorities.

The CPT in Wales told us that they did not believe that there is any necessity to set-up local authority bus companies. Running a bus company:

- Requires significant time, finance and commitment to establish;
- Needs commitment, time, experience and expertise to run the business to the exacting standards required;

- Needs to be the core activity of the business and
- Is likely to function at a very small profit margin.

The only circumstances where a local authority operator would be appropriate would be if there was a complete market failure – collapse of an existing operator and/or either no or single bids for contracts. It is certainly not clear what benefit there would be in councils running services themselves.

Also picking up the point made by another respondent, the CPT also told us that many Welsh authorities had previous experience of running their own bus companies. Since 1986 all but two of these have sold to other operators or ceased trading, leaving the current two examples. Cardiff and Newport have survived due to serving a densely populated urban area with loyal markets and strong networks. The collapse of the major former nationalised company in South Wales helped to strengthen these two companies in the early years of deregulation.

The Welsh major operators made an average post tax profit of 10% which, in the main, was retained for capital investment. The smaller operators operate on lower returns. Thus the idea that a council-owned company could provide better services by absorbing excess profits is not true. Any council company would need to allow some profit for fleet renewal etc. and to establish some sort of reserve so that a sudden downturn did not drain council finances.

The CPT also emphasised that profits do not simply go to ‘line the pockets’ of shareholders. On average, only 2.5% of profit is paid as dividend. Almost ten times the cash paid out as dividend is reinvested in the business.

One local authority not fully supportive of the proposals did recognise other areas of Wales may benefit by establishing its own arms-length bus company to operate local bus services, providing that there is a strong business case for undertaking this course of action. It must demonstrate how it can achieve better value for money for the public sector, offer a potential solution towards improving local bus service provision in Wales as well as meeting the goals of the Well-being of Future Generations (Wales) Act 2015.

Beyond the long-standing operations in Cardiff and Newport, this is unlikely to be achieved in the urban areas of south east Wales and targeted funding within the current market place offers the more realistic way forward. The circumstances in rural areas may be materially different and may warrant alternative approaches.

Another local authority told us that many authorities are finding it increasingly difficult to sustain funding to support local bus services due to the current financial constraints and the current bus funding arrangements, which creates a culture where transport operators can be more interested in carrying 'subsidies than passengers'. Operating local bus services or starting up new bus companies is not really the 'core business' of local authorities, and we feel that the existing arrangements, although in need of some review, do not really require local authorities added to the mix of service providers, unless there are particular issues locally such as little or no competition or no service providers that then may require local authority intervention.

With the local authority operating local bus services in a large rural authority, it can become quite complex to deliver as there may be different political priorities across the county. Commercial bus companies do not have the same political issues, but rather a commercial interest to keep the return coming in to their shareholders. There are clearly pro's and con's to both sides of this argument and these need to be explored in far more detail.

In principle, Bus Users Cymru told us that it has no objection to local authorities setting up bus companies but history shows a decline in the numbers and very few municipal operators survive. There are other ways of achieving consistency of services such as targeting funding where commercial operators do not consider services to be viable. A major drawback is (in local authorities operating bus companies) is a reduction in experience and skilled staff following funding cuts.

Other comments made by respondents included the setting up of local authority owned bus companies should be permitted only when private companies refuse to operate and perhaps this is not the preferred option at a time when local authority reform is taking place. One respondent expressed concern about local government interference.

One respondent told us that not-for-profit bus operation could bring many additional advantages to franchising, not limited to cost savings from removal of profit leakage to private shareholders. Municipal bus companies are the norm in many continental European countries and provide excellent services (e.g. cities like Munich, Vienna). Municipal operation of buses would benefit Wales too and should be the norm here. There should be no requirements to be met before a local authority sets up its own bus company. The requirement should be on commercial operators to justify why they should be permitted to continue to take monopoly rents from buses that are essential public services. Bus services should be run as public services, not vehicles for private profit.

The CMA told us that competition between bus operators can bring real benefits to the travelling public. By contrast, where bus operators face little or no competition, passengers often experience fewer and less frequent services and, in some cases, higher fares. Generally speaking, the introduction of a new operator can be beneficial to competition whatever their ownership. The Competition Commission's local bus services market investigation concluded that reducing the number of bidders for bus franchises can reduce competitive pressure and therefore reduce competitive (downward) pricing pressure.

Therefore, allowing local authorities to set up bus companies to operate local bus services may increase help ensure competitive outcomes, including where franchising is being considered. However, steps should be taken to ensure that no operator (local authority owned or not) has an unfair operating advantage in a deregulated market or in the bidding process for a franchise.

### **Other representations we received**

In addition to the specific questions we asked as part of the consultation, we encouraged people to share their thoughts with us about how the planning and delivery of local bus services in Wales could be improved.

Many of the proposals put forward in the consultation rely on the our local authorities in Wales to plan and support the delivery of local bus services as part of an integrated public transport system in Wales. Whilst supportive of many of the proposals within the consultation document, the Welsh Local Government Association (WLGA) expressed some reservations as there was little or no reference to how these long term proposals will be funded, beyond the references made by the Cabinet Secretary in the statement made on 28 February about the use of the Local Transport Fund to strengthen the bus network.

The WLGA pointed out that this is currently a competitive fund of £19.8m per annum and one of the few options a local authority has to fund active travel infrastructure. It is not considered appropriate that long term improvements to bus infrastructure is competitive and based on the capacity of local authorities to submit quality funding applications.

The WLGA also noted a decrease in the capacity of local government to focus on bus network planning and bus infrastructure improvements. In their view, this had resulted in a limited strategic bus planning capacity in local authorities and this will need to be addressed if Wales is to have an improved bus service. A number of the proposals have additional resource implications.

The CPT expressed the ever-growing congestion and resultant fall in road speed and, probably more importantly, the unpredictability of journey times is causing a cycle of decline in ridership, which has now spread to affect London. Despite the introduction into service of a further 160 additional buses, ridership in London declined in the past two years by 3.7%. The main reasons behind this appear to be the withdrawal of the ability to pay cash fares on the bus, the increase in traffic congestion, the narrowing of highways, loss of bus priority measures and introduction of cycle priorities in suburban centres. The CPT suggested that these are all issues unrelated to the operating regime. Without addressing the congestion issue, bus ridership is destined to decline regardless of the regime in place and will not be reversed simply by being franchised.

The CPT explained that in their view, there is no unique market for bus travel which is untouched by any other modes. Clearly if buses are slower due to congestion, a parallel rail service becomes more attractive and improvements to, or new rail services will attract previous bus passengers. The main competitor to, and abstractor from, bus services is the car. Car ownership in a household has perhaps the biggest influence of all on bus demand.

This point was echoed by some local authorities, one commenting that increasing demands placed upon land use, has resulted in increased congestion levels across Wales and the UK, notably in urban areas. The impact of congestion upon local bus services results in slower journey times, and therefore requires additional vehicle and staff resources in order to maintain service frequency.

This increases the costs borne by operators and places at risk the level of services deemed commercially viable. Initiatives to assist in land use planning, and bus priority measures that speed up journey times will serve to keep public transport as an attractive proposition to existing and potential passengers.

### Wrexham

A number of residents living in north east Wales where bus services had been provided previously by GHA coaches, claiming to be without a bus service twelve months after the company failure. Respondents living in this area supported the proposals on the basis that local authorities would have greater flexibility to intervene in bus service delivery before failure occurs.

### Improved Consultation

A number of respondents from equality and passenger user groups told us that both local authorities and bus operators need to improve engagement and consultation with passengers, so that it is meaningful. This was especially an issue for more vulnerable passengers who are dependant on local bus services for meeting their daily travel needs.

### Customer care / Passenger injuries

Some older passengers responding to the consultation expressed specific concerns about divers pulling away from the bus stop before passengers, especially the elderly are seated. This can lead to injury to the passengers, sometimes severe. It was also suggested that bus drivers should be trained to deal with incidents resulting in injury, when to call for medical assistance and bus operators should ensure that vehicles have a first aid kit on board.

Three respondents commented specifically that the procedure for dealing with a customer complaint needs to be simplified and published.

### Need to improve times of operation and connection to other modes of public transport

A common theme emerging from the consultation was a need to improve the off peak availability of local bus services and to make improvements to ensure that these services connect more easily to other forms of public transport. A resident in Wrexham told us that they are regularly required to attend hospital, but that the first bus service in the area begins at 11:40 making it impossible to use public transport for attending regular hospital appointments.

A Part time worker living in the Gorseinon area told us about the difficulty using public transport for work, which often led to long waits due to poor frequency and punctuality claiming that local resident frequently have to wait more than an hour for the next bus.

A respondent from Glais in Swansea echoed these comments claiming it was difficult to access shopping facilities in Neath and Swansea using public transport, also suggesting that the lack of park and ride facilities could be improved and so reduce congestion in shopping centres.

One respondent who is a regular visitor to Wales also commented about the difficulty accessing sites, in this case visitor attractions and heritage sites when using public transport in Wales, telling us that the T1 service operated as part of the Trawscymru network is a “step in the right direction”. But the lack of public transport to heritage sites and points of interest, especially in rural areas, is a significant disincentive for tourism in Wales.

### Passenger information

One company expressed some disappointment that work they had undertaken on behalf of the Welsh Government had not been reflected in the consultation document, but stressed the need for information to be shared to ensure passengers have the information they need to plan journeys. Other respondents told us that accessing information to plan door to door journeys needed to be improved to include all modes of Transport. It is important that information about timetables and fares is made more widely available.

### Concessionary fares

Whilst the policy consultation document contained information about the mandatory concessionary fares scheme and its operation in Wales, no specific questions were asked about the scheme during this consultation. Some respondents did take the opportunity to tell us what their thoughts were about the scheme.

A UK wide bus operator suggested that the Welsh Government takes direct control of concessionary travel administration and reimbursement, pointing out that a recent study by Traveline Cymru suggested that this action could yield a cost saving of up to £1m per annum in reduced administration alone.



Other suggestions put forward during the consultation included provision of ongoing concessionary fares for younger people, whilst another respondent suggested that older people would be willing to make a contribution towards to older persons' free bus pass.

### Funding and patronage

A key theme throughout the responses provided as part of the consultation returned to the issue of a more stable public sector funding environment for the planning and delivery of local bus services. One local authority told us about the need to review the funding mechanism that currently exists, claiming it to be bureaucratic especially when combined with a reduced workforce. There may be better ways to administer local bus service funding to ensure that it provides the best outcomes for the public. If there is to be more central regulation of the industry, then it probably makes more sense to administer centrally too.

Technology needs to be embraced and developed (tracking / ticket machine data / mobile applications) all have a role to play in developing a transport network fit for the 21st century that showcases Wales as a good place to do business in, that is accessible and progressive.

Another local authority pointed out that funding is the key to sustainability and maintaining affordable networks. Operators repeatedly state that they need a guarantee of funding for between three and five years in order to invest in newer vehicles and offer affordable and attractive tender prices. It is therefore vital that Welsh Government funding made available to Local Authorities comes as a multi - year package so that a level of confidence and certainty can be given to operators allowing them to tender for supported services and invest in vehicles. The current regime of single year BSSG funding is only service to damage an already fragile operating environment.

A larger national bus operator told us that In the face of an increase in changing working patterns, an increase in the distances travelled by employees with regular commutes; demographic changes meaning an ageing population; a continued increase in the number of vehicles owned and car journeys; continued development of edge of town, out of town retail parks, internet shopping and home delivery and stretched Local Authority budgets, bus patronage has continued to decline.

In some cases, this decline has been arrested by private sector operator investment delivering better buses, improved ticketing technology, real time systems and new web based digital platforms. Too much of the political and policy discourse that takes place about the bus services tends to view the industry in isolation, looking for simplistic answers of the “if only” type: “if only they did not put the fares up” or “if only they had not deregulated”, or now – from some at least – “if only we could take control”.

The operator pointed out that the forces governing the market for bus services are, to a remarkable extent, beyond the control of its managers. This is partly to do with the fact that people’s use of bus services is derived demand: most people do not travel for the sake of it, as they might buy a book or music track; they only travel as a means to an end. When the reason for that journey is taken away, as for example when people bought televisions in the 1950s and stopped going to the cinema so often, the journey itself will not happen, and demand will fall. We can see that currently in the fall in journeys to visit High Street shops and other retail outlets.

If we can understand all those reasons for travel, and at the same time get to know what makes people choose one means of transport (or “mode”) over another, then we are in a more powerful position to plan for the future and to do what we can to influence those decisions.

That the decisions are capable of being influenced is surely beyond doubt. How else could one account for the remarkable difference in ridership levels between different parts of England and Wales – even when areas are otherwise remarkably similar in economic and demographic terms. We would like to see Local Authorities and the Welsh Government focus on using existing powers more effectively to mitigate use of private cars. Parking availability should be limited and workplace parking controls should be enacted. Existing planning powers should be used to restrict developments that are more likely to favour private car as the primary mode of transport.

In north Wales, an operator told us that passenger growth has been achieved in through the consistent provision of good quality, safe, reliable and punctual bus services. It continues to grow and bucks the trend seen elsewhere in Wales. Through partnerships with local authorities in Wales and its constructive dialogue established with the Welsh Government, the operator will be seeking to deliver quality bus services for the foreseeable future.

## **Next steps**

The representations and contributions that we have received during this consultation, taken together with the work emerging from the workshops to consider issues identified by the Welsh Bus Summit held in Wrexham 2017, will inform the development of more detailed proposals setting out how bus services will be planned and delivered in Wales.

It is intended that these more detailed proposals will be published for consultation in 2018.