

Briefing to Incoming Ministers

May 2015

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About Greener Journeys

Greener Journeys is a campaign dedicated to encouraging people to make more sustainable travel choices.

We aim to increase the value of bus and coach travel in stimulating economic growth, reducing congestion and CO₂ emissions and enabling access to jobs, retail, leisure and vital services. Launched in 2009, Greener Journeys is a coalition of Britain's leading bus companies and other supporters including Transport for London, RAC Foundation, Transport Focus, Confederation of Passenger Transport (CPT), Passenger Transport Executive Group (PTEG), and Campaign for Better Transport. Its primary funders are bus companies Arriva, FirstGroup, Go-Ahead and Stagecoach.

Greener Journeys works to raise awareness of the value of the bus among consumers and political stakeholders by developing research and analysis which demonstrates the economic, social and environmental benefits to be derived from bus use. In 2012, for example, we commissioned the Institute of Transport at the University of Leeds to examine the role the bus plays in the economy, as a means of ensuring access to jobs, shops and education. The research demonstrated the importance of buses for employment and the wider economy. Almost 2.5 million people in the UK travel to work by bus and a further one million use the bus as a vital back up and those commuters create more than £64 billion worth of goods and services¹. In 2014, we commissioned KPMG LLP to evaluate the economic returns on investment in local bus infrastructure² and to analyse the benefits and costs of the Concessionary Travel Scheme³ and the Bus Service Operators Grant⁴.

Looking ahead, Greener Journeys has commissioned KPMG LLP to undertake research, establishing an evidence base of the benefits of local bus infrastructure schemes, and to build a framework for evaluation both in terms of cost-efficiency and efficacy. Further details are set out below (page six). We have also established a research project to build a robust case for the environmental value of the bus. The research will examine how increased investment in bus priority measures can improve bus services, thereby encouraging a modal shift from car to bus that results in a reduction in carbon emissions per passenger kilometre.

Driving a modal shift from car to bus is central to the annual Catch the Bus Week. Now in its third year, the campaign is a national celebration of the benefits of taking the bus, which are too often overlooked. Catch the Bus Week is a unique and fun initiative to show people the benefits of taking the bus and a chance to profile bus services all over the country, which can hopefully lead to long term travel change.

Catch the Bus Week 2014 was hugely successful, with a variety of activity across the country and a notable uplift in the number of people catching the bus all over the UK. Over 100 bus operators, passenger bodies and local authorities participated and there was a whole range of fantastic activity taking place across the country during the week. MPs hosted constituency surgeries on buses, with 25 MPs taking part in bus surgeries and many more supporting the campaign through local press or through social media.

Catch the Bus Week 2015 will run from 29 June to 5 July 2015. We will be launching new research on the social value of the bus to communities and individuals during this week. We are calling on MPs, bus operators, councils, passenger transport executives and anyone else interested in the bus to get involved and help raise awareness about the campaign and the benefits of taking the bus.

Promoting Local Bus Infrastructure

Background

Greener Journeys applauds the UK's return to economic growth. In particular, we welcome the Government's commitment to delivering what the Chancellor of the Exchequer has called a "truly national recovery". We are aware, however, that the economic recovery remains a work in progress and needs to be sustained.

One major barrier to Britain's long-term prosperity is traffic congestion in urban areas which, according to the Cabinet Office, costs the UK economy at least £11 billion per year⁵.

The Case for Investment in Local Bus Infrastructure

The solution lies in making better use of existing road capacity through targeted investment in local bus infrastructure and selective priority measures that improve the performance of the transport network as a whole. Examples of the latter include bus lanes, junction priorities, bus gates and quality bus corridors. When they are implemented correctly in the right places, selective priority measures will make transport networks work more efficiently, generating improvements to reliability, reductions in delays and improvements in journey times.

The Department for Transport (DfT) has cited evidence from a series of case studies showing the impact of corridor-based priority measures⁶. Whilst the evidence shows the impact to depend on the nature of the built environment and the type and scale of priority measure implemented, the case studies note reductions in bus journey times of between 10 and 50 per cent and reductions in bus delay or excess waiting time of up to 65 per cent.

Improving bus service quality by reducing journey times and improving reliability is a key factor in encouraging modal shift from cars to public transport. A recent report by the Institute for Transport Studies estimated that between 18 and 23 per cent of car users could be encouraged to switch to buses if buses were quicker and more reliable⁷.

In May 2014, KPMG LLP carried out detailed analysis for Greener Journeys on the costs and benefits of targeted investment in local bus infrastructure and selective priority measures⁸.

The KPMG research used case study evidence from existing bus priority schemes and found that the typical costs and benefits of bus priority measures broke down as follows:

	10-year NPV per £1 of investment (2010 price and values)	£
1	User benefits Generalised journey time benefits	£4.05
2	Non-user benefits Decongestion, safety, local air quality, noise, greenhouse gases	£0.71
3	Bus operator benefits Change in operating profits	£0.19
4	Wider economic benefits Improved labour market accessibility and jobs from increased retail spend	£1.13
5	Cost to Government Government investment Change in concessionary reimbursement Reduced fuel tax	£1.00 £0.61 £0.21

For each £1 of capital investment, a bus priority scheme is expected to generate £6.07 of benefits (10-year NPV) to users, non-users and the wider economy. It is also expected to generate a £0.21 reduction in fuel duty as travellers switch from cars to buses and a £0.61 increase in concessionary travel reimbursement as a result of the increase in bus miles associated with increased service frequency. Taken together this works out at £3.32 of benefits for each £1 of cost to Government.

So long as priority measures improve the efficiency of the network as a whole, the relatively low capital costs of priority schemes mean that they represent high value for money according to the DfT's appraisal guidance.

Delivering the Benefits

The central challenge is, how to make sure that these benefits can be delivered in the most efficient way possible.

From this year, the DfT will devolve much of its capital funding to the Local Growth Fund for Local Enterprise Partnerships (LEPs) to spend on delivery of their Strategic Economic Plans. This will include £819 million of local major transport scheme funding and £300 million from other transport funding streams in 2015/16, and a further commitment of more than £5 billion of transport funding to 2020/21 to enable long term planning of transport investments in local areas. Subject to meeting the DfT's requirements, LEPs will review and approve business cases, decide which investments should be prioritised, and make sure that investment programmes are effectively delivered.

There are good examples of city regions and LEPs working together to promote public transport infrastructure. For example, Transport for Greater Manchester is investing £122 million in 25 miles of bus network improvements, including the £54 million Cross City bus package and the £68 million busway between Leigh, Salford and Manchester. The creation of the Local Growth Fund presents an opportunity for local stakeholders in other areas to provide similar leadership in the provision of transformational improvements in the performance for urban transport networks.

The devolution of transport funding from central government to the Local Growth Fund presents a challenge to local decision-makers to make sure that their local transport networks can support their growth initiatives and an opportunity to commit to a longer term programme of investment in transport infrastructure. Under this new regime, transport initiatives will need to compete for capital

investment with other growth initiatives. Local decision-makers will have to deliver local growth initiatives that will help create new and better jobs. They will want to seek out the investments that are going to deliver the greatest returns to local economies. It will, therefore, be critically important to make sure that local decision makers are fully aware of the key role that buses play in boosting economic growth.

In contrast to the rail network and the strategic road network, there is no national strategy or policy framework covering investment in improved bus services. The Government has not, to date, published a statement explaining what it expects the bus sector to deliver in return for public funds and resources.

Proposal: a National Statement on Local Bus Infrastructure

Greener Journeys contends that national and local government, working in partnership with local bus operators, should take the lead in delivering improvements in bus infrastructure. We believe that this is the best way to make sure that co-ordinated local growth initiatives can realise their full potential.

Greener Journeys submits that the incoming Government should issue a National Statement on Local Bus Infrastructure, to encourage local decision-makers to invest in bus infrastructure, as part of local transport plans.

The Statement would describe what the Government expects the bus sector to deliver in return for public funds. Growth Deal awards would be linked to the quality of the Strategic Economic Plans, and these would have a supporting Local Transport Plan. This way, the criteria for assessing Strategic Economic Plans and the case for funding would be aligned to the aims set out by the Secretary of State in the National Statement.

The Statement would provide guidance to LEPs on best practice and explain how bus-related infrastructure can enable networks to perform better and help local economies to grow. It would include case study evidence based on how schemes work in practice rather than how models work on paper.

In developing this proposal, we consulted extensively in autumn 2014 with LEPs, local authorities and bus operators. We believe that it strikes an appropriate balance between the need to ensure a strong commitment to a long-term programme of investment in local bus infrastructure, and the need to avoid conflicts between national standards and devolved decision-making.

Further Research: Evaluating Bus Infrastructure Schemes

Greener Journeys has commissioned KPMG LLP to undertake a project to improve the evidence base around bus infrastructure schemes. The objectives of the project are to better understand and demonstrate the benefits realised as a result of investment in bus infrastructure, and to ensure lessons are learned from delivery in order to optimise the effectiveness and efficiency of delivery going forward.

Respondents to Greener Journeys' consultation on local bus infrastructure confirmed strong support for monitoring and evaluation of the impacts of new local bus infrastructure schemes. Evaluation

was as an effective way to help realise the benefits of infrastructure schemes once operational and it allows lessons to be learnt on the planning, design, delivery and operation of schemes, ultimately leading to better decision-making.

As part of this project, KPMG LLP will:

- Develop a framework for the evaluation of local bus infrastructure schemes
- Establish an evidence base on the outputs from local bus infrastructure schemes based on a selection of suitable case studies covering selective priority measures, stops and interchanges and the application of new technologies (including digital busways). The case studies will not only assess the costs and benefits of specific schemes, they will also include lessons learnt from those associated with their development and operation
- Review the merits of establishing an on-going programme of scheme evaluation with reference to the Highways Agency's Post Opening Project Evaluation (POPE) process. It will develop recommendations for how a similar programme could be established for local bus infrastructure schemes
- Undertake a programme of social and market research to establish primary evidence on the impact of investment in local bus networks on passenger behaviour, employment, access to essential services and other activities. This will build upon the evidence gathered through the case studies and is envisaged to provide a more detailed and in-depth evaluation including wider economic impact on 2-3 of these

The project will be concluded in summer 2015.

Supporting Local Bus Services

Background

Greener Journeys applauds the Government's commitment to boosting bus passenger numbers and improve services⁹.

The Bus Service Operators Grant (BSOG) is a subsidy paid by the DfT to operators in England of eligible local bus services and community transport organisations. The amount that each operator receives is based on their annual fuel consumption. The aim of BSOG is to benefit passengers by helping operators keep their fares lower and service levels higher than otherwise would be possible. Similar schemes operate in Scotland and in Wales, albeit with important differences in the way in which the subsidy is paid.

As part of the Spending Review 2010, the Government announced a 20 per cent reduction in BSOG from 2012/13 onwards, with further reductions in local authority budgets leading to a 25 to 30 per cent reduction in the budget for tendered bus services.

In 2012, the DfT's *Green Light for Better Buses* announced a programme of changes to BSOG, which following consultation, led to the first stage of reforms. These included: devolution of BSOG on supported services; devolution of BSOG for services in London; devolution of BSOG for 'in-house' community transport; changes to the eligibility rules; and introduction of Better Bus Areas.

In August 2014, the DfT started a consultation on the second stage of the reform of BSOG, which includes seeking ideas for alternatives to BSOG for commercially run services. The Coalition Government concluded that the case for moving away from payment by fuel is a compelling one, with the DfT arguing that BSOG is poorly linked to environmental objectives.

Value for money

Greener Journeys sought to assess the potential impact of removing BSOG on the performance of the bus sector. In October 2014, working with KPMG LLP, we assessed the value for money provided by the current operating model and considered the potential impacts of alternative approaches¹⁰. The analysis followed the DfT's core guidance on economic appraisal.

The key findings were as follows:

- BSOG delivers high value for money, with each £1 spent generating between £2.50 and £3.50 in benefits, including wider economic and social impacts
- Around 70 per cent of the benefits accrue directly and immediately to bus passengers in the form of lower fares and higher service levels
- Around 6 per cent of the benefits accrue to other road users from transport network improvements
- Wider economic impacts account for around 10 per cent of the total benefits. These impacts relate to a more efficient labour market and an increase in formal and informal voluntary work. Lower fares and better service levels make it easier for workers to connect with the labour market and easier for those eligible for concessionary travel to participate in voluntary activity
- The health and well-being benefits arising from more active lifestyles are valued at around 12 per cent of the total benefits
- BSOG is a material part of industry revenues. Its removal would induce significant changes to fares and service levels as operators adjust their behaviour to remain in business. The economic, social and environmental consequences of these changes would not only be substantial, they would likely be concentrated on services operating at the margins, requiring potential intervention from Local Authorities to tender socially necessary services

Table 2 below presents the benefits and costs arising from BSOG under a 'central' scenario in which operators reduce fares by 12 percent and increase service levels by 5 per cent as a result of receiving the Grant.

Table 2 – Benefits and costs arising from BSOG

Impacts for commercial markets in England, outside London	£ Million 2013/14
(a) User benefits	
From fare change	£154
From service change	£144
(b) Non-user benefits	£25
Option and non-use values	£9
Benefits to other road users (decongestion)	£27
Environmental improvements (noise, local air quality, GHG)	£3
Accident reductions	£5
Indirect tax revenues from modal transfer (fuel duty)	-£15
Bus operator impacts (change in profit)	-£5
(c) Wider economic impacts	£43
Economic	£38
Volunteering	£4
(d) Wider social impacts	£48
Health and wellbeing	£48
(e) Cost to the Government	£136
Change in BSOG	£198
Change in concessionary fares	-£62
Total benefits (a + b + c + d)	£413
Total costs (e)	£136
Benefit cost ratio (a + b + c + d) / (e)	3.03
Change in demand (million passengers)	144 (7%)

Further Reforms to BSOG

The DfT is currently considering the second stage BSOG reform which includes looking at commercial services, incentives, ‘outsourced’ community transport and scheme administration. The DfT has previously noted some possible options for reform, including moving to an alternative payment mechanism.

One of the main advantages of the current BSOG model is that it delivers benefits across a range of services and networks, arguably with a slight bias towards services operating on congested networks where the wider economic and environmental benefits are likely to be greatest. The scheme is relatively straightforward to administer and provides a reasonable degree of certainty in funding.

The challenge for any reforms is to improve the way in which funds are allocated, delivering better outcomes, whilst at the same time potentially compensating those who are made worse-off as a result of the change and avoiding unintended or perverse consequences.

The Incentive Per Passenger (IPP) model, for example, could reasonably be expected to produce greater overall economic benefits compared with the current model, especially if the incentives are strong enough to stimulate a material increase in demand. The concern with the IPP model, however, is that resources may be concentrated on a smaller number of routes and services in urban areas, leaving socially necessary services at the margin in need of additional revenue support. The adverse effects of this redistribution of resources could be mitigated by diverting a proportion of the available funding to those marginal services. However, the overall level of government funding may need to increase to provide incentives for growth.

An alternative way to support local bus services is to devolve the amount of money that would be spent on BSOG to local authorities. This is the idea behind the Better Bus Area Funds albeit these also benefit from a 20 per cent enhancement in funding. Local authorities would then be able to spend the money according to the specific requirements of the area and provide incentives to operators' behaviours that are most likely to benefit local bus users. The benefits of devolution result from the ability to target investment to local needs.

There are two material challenges to this approach. The first is that operators would be faced with an immediate cut in income requiring service level cuts and/or fare increases before the positive effects of local authority investment take hold. Second, there is a risk that devolving BSOG funds to local authorities could displace existing bus related expenditure leading to a reduction in the total level of funding for the sector. The risk of displacement arises whether or not the devolved funding is ring-fenced.

When considering any alternatives to the current BSOG model, an assessment will need to be made of both the magnitude of the costs and benefits arising from the intervention and their distribution across different market segments. Changing the way in which the local bus market is subsidised will benefit some groups more than others, and it will be important to consider how those who might lose out as a result of potential reforms can be effectively compensated.

Policies to subsidise local bus services have economic, social and environmental objectives, which require trade-offs to be made, in terms of local conditions. The different options will need to be considered in the context of Local Transport Plans. It will also be important to consider possible unintended consequences, perverse incentives and the potential for fraud or 'gaming'. Moreover, when seeking to incentivise the type of changes required to meet the objectives, it is necessary to look at the needs and travel behaviours of different market segments. Each segment will respond in different ways to specific incentives designed to deliver the various objectives.

Greener Journeys is, however, clear that, whatever the method of allocating funds, the existing type of revenue support to the bus market delivers value for money and it should be maintained.

The Future of the Bus Pass

Background

Since April 2008, the English National Concessionary Travel Schemes have provided all people aged over 60 or with an eligible disability with unlimited, free off-peak bus travel. Eligibility for a pass for

both men and women is based on the State Pension age for women. The scheme replaced the previous entitlement to free off-peak travel within the pass holder's local area, introduced in 2006.

In England, the Government provides funding for Travel Concession Authorities to reimburse bus operators for carrying concessionary passengers free of charge. Reimbursement to private bus operators is funded by central government under the principle that they are “no better and no worse off as a result of the scheme”, and administered at a local level by Travel Concession Authorities, some of which offer discretionary enhancements to the statutory scheme. The Government also meets the cost to Travel Concession Authorities of administering the scheme. Concessionary travel in Scotland is administered by Transport Scotland, which provides those over the age of 60 with unlimited free travel on local buses and selected long distance bus services. In Wales, the Welsh Assembly Government provides those over the age of 60 with free unlimited bus travel. In Scotland and Wales, as in England, local enhancements to statutory minimums are possible. Funding for reimbursement is paid directly to operators.

The policy is very popular, with four out of five of those eligible taking up bus passes. The scheme has resulted in a big increase in demand for bus travel in England. In 2013, it delivered more than 1.2 billion trips to 12 million pass holders¹¹.

The Benefits of Concessionary Travel Schemes

In 2014, Greener Journeys, working with KMPG LLP, analysed the benefits of the Concessionary Travel Schemes in England, Scotland and Wales¹² (the study did not examine the administration of the schemes and its reimbursement arrangements). The key findings were as follows:

- The scheme delivers excellent value for money. Each £1 spent generates at least £2.87 in benefits
- Half of the benefits of the scheme go to those older and disabled people who make use of their concessionary travel passes. They have more freedom to use shops and access healthcare and other services and activities. Bus pass users are more able to visit family and friends
- Concessionary travel brings important benefits to bus passengers who do not access the scheme. In particular, when free passes encourage more people to use the bus, operators need to provide additional services. Services are more frequent and waiting times at bus stops are shorter. By boosting demand and enhancing bus service quality, the concessionary scheme encourages people to use the bus instead of their cars. One in three bus journeys generated by the scheme would be made by car if the concession was not available. As a result, bus services are better and there is less road congestion, lower levels of air pollution and fewer traffic related accidents. All passengers and the whole community are better off
- The schemes also have positive impacts for the wider economy. Free bus passes give older people more freedom to take part in volunteering, with a value to the UK economy of £10 billion. We concluded that if the concessionary scheme were to be taken away, some £297 million worth of volunteering benefits could be lost
- The scheme increases retail and commercial activity on the high street and delivers savings on social services and community transport. The scheme has a value to such activities that is significant but cannot be measured easily
- Free bus passes enable older people to improve their health and wellbeing. There is growing evidence that free bus passes encourage the over-60s to be more physically active. Taking the bus usually involves a short walk to and from the bus stop. Since the scheme was brought in,

older people are more likely to walk. As a result, they enjoy better mobility, greater strength and lower risk of heart disease, falls and broken bones. We estimate the value of these benefits at £458 million

- If the schemes were to be withdrawn, the Government would spend less on reimbursing operators. Those concessionary passengers who continue to use the bus would need to buy a ticket, possibly diverting spending from other goods and services which provide revenue from VAT and expenditure taxes (bus pass users can spend more on goods and services that are subject to an expenditure tax). The Government, would, therefore, receive less revenue from indirect tax as passengers switched their expenditure from taxed goods and services to untaxed bus services

In recent times, however, the benefits described above have been placed at risk by reductions in funding. At the same time, local bus operators have not always been sufficiently reimbursed, with the result that they have often struggled to keep services running. The UK cannot afford to let the schemes falter as a result of inadequate funding. Operators should be properly reimbursed under the principle that they are “no better and no worse off” as a result of the schemes.

Annual impacts of the bus pass for Great Britain	£ Million 2013/14
(a) Impacts on concessionary bus passengers	£1,336
Free travel	£1,073
Service enhancements	£72
Smart and integrated ticketing	£191
(b) Impacts on other bus passengers and other road users	£573
Benefits to non-concessionary bus passengers from service enhancements	£447
Options and non-use values	£17
Benefits to other road users (decongestion)	£139
Environmental improvements (noise, local air quality, GHG)	£14
Accident reductions	£21
Indirect tax revenues from modal transfer (fuel duty)	-£66
Bus operator impacts	£0
(c) Wider economic impacts	£297
Voluntary work	£297
Social care and child care	not estimated
Retail productivity	not estimated
Patient, social services and community transport	not estimated
(d) Health and wellbeing impacts	£458
Physical health	£458
Social inclusion, mental health and wellbeing	not estimated
(e) Cost to Government	£927
Cost of reimbursing operators	£1,057
Administration costs	£23
Change in indirect taxes (VAT)	£-152
Total benefits (a + b + c + d)	£2,664
Total costs (e)	£927
Benefit cost ratio (a + b + c + d) / (e)	2.87

Change in demand (million passengers)	144 (7%)
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The case for concessionary travel will become even stronger over the next two decades and beyond. The number of concessionary journeys has remained relatively stable over the last five years. An increase in the population of older people has been offset by increases in the State Pension age in England.

The picture is likely to change over the medium to longer term, because people are living longer. Between 2012 and 2037, the number of people in England aged over 60 is expected to grow from 12 million to over 18 million. The gradual increase in the pension age for England means that the number of people eligible for a bus pass in Great Britain will decline slightly to 2020, but then increase to more than 17 million by 2037. In Scotland and Wales, the minimum age of eligibility is not expected to rise, meaning that the total numbers who can claim a free pass bus will continue to rise.

Greener Journeys submits that the incoming Government should reiterate its commitment to ensuring that the concessionary travel schemes remain in place and they have secure and adequate funding.

¹ Institute for Transport Studies, University of Leeds, *Buses and Economic Growth*, 2012

² Greener Journeys and KPMG, *A National Statement on Local Bus Infrastructure*, 2014

³ Greener Journeys, *The costs and benefits of concessionary bus travel for older and disabled people in Great Britain*, 2014

⁴ Greener Journeys, *Costs and benefits of the Bus Service Operators Grant*, 2014

⁵ Department for Transport, *Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen*, 2011

⁶ Department for Transport, *Bus Priority: The Way Ahead Resource Pack Edition 2*, 2004

⁷ Institute for Transport Studies, University of Leeds, *Buses and the Economy II: A survey of visitors to city and town centres*, 2013

⁸ Greener Journeys and KPMG, *A National Statement on Local Bus Infrastructure*, 2014

⁹ Department for Transport, *Green Light for Better Buses*, 2012

¹⁰ Greener Journeys, *Costs and benefits of the Bus Service Operators Grant*, 2014

¹¹ Greener Journeys, *The costs and benefits of concessionary bus travel for older and disabled people in Great Britain*, 2014

¹² Greener Journeys, *The costs and benefits of concessionary bus travel for older and disabled people in Great Britain*, 2014