

To members of the Leeds City Council Scrutiny Board (Sustainable Economy and Culture)

ABOWY – CONSIDERATIONS AHEAD OF 31 JANUARY 2013 INQUIRY ON BUS SERVICES IN LEEDS

First of all, on behalf of bus operators in Leeds and the wider area, we should like to thank Leeds City Council for inviting the Association of Bus Operators in West Yorkshire (ABOWY) to its Scrutiny Board (Sustainable Economy and Culture) Inquiry on bus services in Leeds.

To confirm, Keith McNally, Chairman of ABOWY, will attend the Inquiry, and will be accompanied by both Nigel Featham and David Alexander, heads, respectively, of Arriva and First Bus in Yorkshire, plus Andrew Stirling of Ross Travel, representing smaller operators.

As noted, the main aim of the Inquiry is to explore how to increase bus patronage in Leeds. It goes without saying that this objective is paramount to bus operators – no business wants to experience a dwindling customer base.

It's important to understand the decline and to be aware of the nature and complexity of the reduction in bus patronage. The rise in car ownership and reduction in the cost of motor ownership were primary contributors in the decline of bus patronage from the 1950s onwards, and a number of other factors, such as increasing traffic congestion and macro-economic trends (distance travelled to work/geographical and travel time patterns etc) have also had a marked effect.

The default 'year zero' for bus patronage comparisons is inevitably 1986 ('bus patronage has declined out of all proportion since privatisation'). However, a more scientific and evaluative analysis of patronage figures is vital when looking at how to *increase* bus patronage. If, for example, we took bus patronage in Leeds in the past decade, then the number of bus passenger journeys has actually increased on many routes, and stabilised overall.

If we may, and to aid the inquiry, we have used two key topic headings from the invitation letter to present our top line observations. We appreciate that the scope of the inquiry may not address all of these points, but we offer them as a snapshot of the key considerations facing the bus industry as we, too, explore how we can increase bus patronage. We trust that this approach may provide beneficial in focusing debate.

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1. Improve journey times and the reliability of public transport

Passengers suffer if bus services (public transport in general) are inconsistent, late, overdue, take longer to arrive than scheduled. The economic impact on the city and the region is significant if such conditions prevail, and there is no doubt that uncertainty over journey times and reliability adds to the burden of travel stress for an already pressurised worker, parent, citizen going about their daily lives.

From a bus operator point of view, of course, the inability to deliver services on schedule - reliability - has a negative financial impact as well as depleting brand goodwill towards operators – clearly not in our interests.

1.1 How do we define 'unreliable'?

One of the major frustrations bus operators face is to hear or read that buses are 'unreliable' when in fact, against very exacting circumstances, performance levels are consistently high.

How 'unreliable' and inefficient are bus services in reality? What is the current performance level and where does it need to be? What's 'good', 'bad', and 'average' in this context?

Operators zealously collate daily data on operational performance. Clearly we aim to be 100% reliable. In fact, average 'performance accuracy' for the majority of operators on route and journey time is over 90%.

Why does this misconception persist? Partly because it's an anecdotal 'truth' that's easy to promote if, for example, a passenger has a poor experience, partly because, on ideological 'public vs. private provision' grounds it suits opponents to cite truisms without producing any hard 'evidence' to support their case, and partly because bus operators have been slow to promote the actual 'delivered' statistics.

Why should operators be slow to 'defend' their performance? There are a number of factors. Firstly, as competitors, operators' reliability and punctuality data sharing isn't as widespread as it should be. Secondly, given the number and size of operators providing bus services in Leeds and surrounding districts, it has been difficult to speak with one voice (making it easier for a counter-argument to be built based on 'the lowest common denominator'). Thirdly, operators have been largely reluctant to publicly face down accusations of unreliability, not least as a number of aspersions cast on bus operators' performance actually emanate from contract providers (as any media trawl will

demonstrate) making it difficult for operators, on commercial grounds, to engage in a public quarrel.

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The creation of ABOWY will hopefully help to address these omissions in the future. Please be assured, we intend to put the record straight on performance in future with accurate, in-depth data collated across a number of operators in a bid to stop the perpetuation of what we consider the 'unreliability' myth.

From a commercial point of view, every incremental improvement in circumstances that allows for quicker journeys and optimum reliability is in our interests. We invest £millions each year in buses, drivers, staff, training, marketing and analysis to maximise journey times and reliability.

1.2 Factors impacting on bus patronage

Regarding how to increase bus patronage, operators have spent decades and £millions in investment to address this challenge.

Traffic volumes, congestion and other influencing factors such as weather can be unpredictable, so operators deploy between 5 to 10% of available resources each day to mitigate for this and ensure efficiency targets - reliability - can be met.

Traffic congestion is the bus operator's greatest enemy. How can this be reduced? More bus lanes, more bus priority measures such as traffic light priority, improved parking controls and enforcement, and fewer road works all have a marked bearing. Not only could reliability and journey times be improved through reduced road congestion, there would be an immediate and significant impact on reduced CO2 emissions.

Fares are obviously central to this conundrum - in some respects this is the classic 'chicken and egg' poser: 'reduce fares and more passengers will travel' versus 'get more people on the buses and fares can then be reduced.' In actuality, and again in the face of anecdotal 'fact', bus fares in Leeds have kept in line with inflation over the past 5 years.

If bus patronage increased, operators could accord more flexibility over fare prices, season and multi-travel ticket options. Operators already offer a variety of deals and options and bus travel still represents high competitive value over car and rail, but more can be achieved particularly if traffic delays could be quelled.

On **ticketing**, bus operators presently offer a Metrocard for cross-region, multi-operator use in West Yorkshire and this is generally acknowledged as being one of the most successful and welcome ticket solutions offered to bus passengers in the whole of the UK.

However, we are aware that the West Yorkshire Integrated Transport Authority (WYITA) for example has called for bus services 'similar to the public transport system that operates in London and most European cities' while citing an Oystercard type solution (it is worth noting that this 'Oyster type functionality' is included within partnership proposals for WYITA developed by ABOWY).

Obviously there is a clear historical precedent and a significant level of public funding involved in providing such services in London and other European cities. As many of the larger bus operators in the region are actually running bus services in London and leading European cities, we believe we have considerable knowledge and experience to add to this discussion.

Routes

Ongoing route planning and frequency is central to providing an effective bus service, and a critical element in boosting passenger patronage. In line with this, ABOWY has drawn up a proposal, presented to WYITA, to review the full route network in the region in conjunction with the PTE, District / City Councils (including Leeds), members and operators while also taking account of a full public consultation. We would be happy to go into this proposal in more detail should the Inquiry wish to do so.

It should be noted that the Area Bus Network Review Programme currently being conducted by Metro is a review of tendered / subsidised bus services in Leeds and not a far reaching all inclusive network assessment such as proposed by ABOWY.

2. A Bus Quality Contract Scheme for West Yorkshire

It's no exaggeration to state that the proposed QBC will have far reaching consequences for all involved in bus transport, not least the actual bus travelling passenger.

In ABOWY's opinion, the proposal to introduce a Quality Bus contract (QBC) scheme in West Yorkshire is highly contentious. Whatever decision is finally taken on a QBC by WYITA, bus services in Leeds will be directly affected. It is also worth noting that given the importance of cross district service provision an isolated stance for a QBC in Leeds only would be impossible to deliver.

2.1 A QBC will be detrimental to the bus travelling passengers of West Yorkshire

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In our view, there are considerable grounds for doubting a QBC will improve bus transport in the region, or in Leeds specifically. We believe that the case for a QBC remains highly theoretical and unsubstantiated and that the decision, made by the WYITA in June 2012, to discontinue partnership discussions with ABOWY over improving bus transport in the region is both premature and disadvantageous to the taxpayer. In short, and in ABOWY's opinion, a QBC will be ultimately detrimental to the bus travelling passengers of Leeds and the wider West Yorkshire region

We note (WYITA Agenda No. 15 of 29 June 2012) that the WYITA is mindful that 'operators are likely to view a Quality Contract Scheme as a threat to their current businesses' and, furthermore, WYITA's acknowledgement that 'operators (will have) understandable concerns about potential loss of business.'

While that observation has some validity, this is not our members' primary concern over a QBC – after all, as private operators tendering for services under existing transport legislation, bus operators in the region are already subject to strict performance criteria where failure to meet contract standards equally threatens operators' businesses. This is an important distinction, as it is all too easy to classify any opposition to the proposed QBC by bus operators as being motivated purely by self-interest.

2.2 Is a QBC actually warranted?

Quality Contracts can only be introduced where a local transport authority, or two or more such authorities acting jointly, are satisfied that:

- *Making a Quality Contracts scheme is “the only practicable way” of implementing the policies set out in their bus strategy or strategies in the area to which the proposed scheme relates, and The proposed scheme would implement those policies in a way which is economic, efficient and effective*

ABOWY is of the opinion that neither of these grounds has been satisfactorily established by WYITA. Firstly there is a strong partnership proposal, drawn up by ABOWY and still on the table, which would, in our opinion, achieve better results for the bus passengers of West Yorkshire.

Secondly, to date, WYITA has been unable to demonstrate that it has in fact evolved a more 'economic, efficient, and effective' scheme to implement its policies via a Quality Contract Scheme.

2.3 Pursuing a QBC scheme entails a number of risks

WYITA has determined to pursue a Quality Contract scheme despite, according to its own assessment, the many risks the scheme contains for the Authority and therefore the bus travelling passengers of Leeds and West Yorkshire.

For example, WYITA acknowledges (in Agenda no 15 *passim*):

'The Competition Commission recognised Bus Quality Contract Schemes as a legitimate remedy but preferred a range of other measures...'

'A set of preliminary forecasts prepared by independent consultants indicate that a business case is likely to exist for both a partnership approach, based on the ABOWY submission, and a Quality Contract Scheme, based upon the parameters established by the Authority.'

'The Authority has been advised previously that there are significant risks in both developing and managing a Bus Quality Contract Scheme.'

'The West Yorkshire branch of the Campaign for Better Transport have previously expressed their support for a partnership approach as an alternative to a Bus Quality scheme, whilst acknowledging that there is still some debate among their members on which approach is most appropriate.'

WYITA also acknowledges that *'such a course of action may well be open to legal challenge.'*

2.4 'Dis-benefits' of a QBC

In addition, WYITA's own 'option analysis' (Agenda Item 15, Appendix 3) cites that a Bus Quality Contract Scheme would have the following 'dis-benefit':

Jeopardising working relationships with operators, with the risk of adverse impacts on customers;

Increasing short and longer-term risk to the Authority, who in the longer term would be responsible for decisions on fares and service levels;

Incurring additional costs in scheme development;

Exposing the Authority to risk of legal challenge and delay;

Possibly jeopardising bidding for a Better Bus Area status, devolution of BSOG and additional funding (although it may be possible to bid for this status and

funding within a quality contract scheme). Note: DfT has since made it clear that this wouldn't be possible.

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ABOWY would respectfully question on what grounds these risk factors could be eventually deemed acceptable or manageable?

2.5 How Will WYITA actually run bus transport following a QBC?

WYITA acknowledges that it currently possesses no infrastructure or operational expertise to run a franchised bus transport system post a QBC. Clearly, to do so will require the considerable additional expense of a dedicated management tier. On the rationale produced by WYITA to date on the value of a Bus Quality Contract Scheme there is scant reference to how adding the cost of an extra layer of bureaucracy – as ‘franchisor’ - would lead to increased patronage, more competitive fares or better services (other than the suggestion that this will somehow be funded out of margins that would otherwise accrue to private bus operators).

2.6 Lack of a business case for a QBC

No detailed business case has yet been developed for how WYITA would run a QBC *economically, efficiently, effectively*. While WYITA can argue that it is to commission a detailed feasibility study as part of the process going forward, ABOWY is of the opinion that such a detailed business case should have been undertaken and assessed *before* the decision to proceed down the QBC route was taken.

2.7 Cost to the taxpayer

The next stage of the QBC process is a consultation period, followed by a Public Interest Statement. By WYITA's own estimates, and at a time where the WYITA has just cut funding by £3m for tendered service in the region, the overall QBC process could take four years to complete and will cost in the region of £3m of taxpayers' money to implement. A further sum can be added to this cost calculation - some £3m worth of investment planned by operators over the next three years into improving services in West Yorkshire is now at risk as the operators making this level of fresh investment into the region may not form part of the service solution post the proposed Quality Contract tender.

2.8 Will fares be increased further and more routes cut under a QBC?

In addition, WYITA has not been able to demonstrate how it will protect fares and services should, under a QBC, it become ‘franchisor’. Having removed bus operators from the front line of commercial responsibility, can the WYITA guarantee it will not increase fares or cut services if, for example, fuel costs were

to rise exponentially at some point in the future or if passenger numbers continued to fall? In that eventuality, WYITA could well be forced to fund the continuation of bus services at a *greater* cost to the taxpayer in the future, or have to *increase* fares/cut costs to meet budgets. Cont/d

2.9 The Partnership proposal

The partnership proposal made on behalf of West Yorkshire bus operators via ABOWY went a considerable way towards addressing key issues identified by WYITA as being integral to its transport strategy, including integrated ticketing, consistent customer service standards, competition for the market, a better framework for long term partnership.

That proposal was rejected by WYITA in June 2012. However, in recent months, further dialogue has been entered into between leading bus operators and proponents of the QBC scheme (WYITA, Metro) to explore how certain areas of the partnership proposal can be explored further. Those discussions remain ongoing at the present time and, we believe, represent the best hope of improved bus services in Leeds and the rest of the West Yorkshire region.

Bus operators make considerable investment into the region and undertake financial risks to deliver services. Operators are major employers and help to keep the economy and the community on the move, quickly, cheaply and efficiently. Despite accusations to the contrary, bus operators are not always profitable, but nevertheless take a long-term view.

We take our responsibilities as provider of bus transport to the region exceptionally seriously and have much to contribute.

We appreciate our views being sought in this Inquiry, and have tried to flag up the operators' perspective as succinctly and as openly as we can.

We look forward to contributing to this process.

Keith McNally
Chairman, ABOWY