

The 3rd Coming of public sector investment in England's buses

With Royal Assent for the Bus Services (No 2) Act imminent, it is an appropriate time to put the Act in its historical, political and practical context.

It will be the third **major intervention by a Secretary of State for Transport in the English bus market** channelling substantial public sector investment through local transport authorities to breathe life into bus networks swamped by the unregulated use of private cars in our towns and cities.

We have been here before and are dealing with what has proved to be an intractable problem. We need to head the lessons of those previous unsustainable, failed interventions to ensure that the Bus Services (No 2) Act truly succeeds in the long term in reducing car dependence and revitalising the bus as a desirable and relevant mode of travel.



The **1st Coming** was led by the formidable Secretary of State for Transport, **Barbara Castle**, in the late 1960's creating powerful, large scale Passenger Transport Executives in the major Metropolitan Counties with wide powers to consolidate and control integrated conurbation wide

publicly supported bus networks – *sound familiar?* - and to nationalise most private sector bus operations of scale through the creation of the state owned National Bus Company.

A huge effort, consuming substantial public funding, took place over the subsequent 15 years including major ground breaking work in South Yorkshire which successfully reversed the trend of bus decline but at a financial cost which became its undoing.



Ultimately, the major big city local authority integrated bus networks and state owned provincial bus operations created by the 1968 Transport Act were transferred to the private sector through the 1985 Transport Act sponsored by the chain smoking, patrician Secretary of State for Transport, **Nicholas Ridley**.

Two lessons can be learned from that period.

Firstly, public sector ownership, restructuring, integration and funding alone were not enough to reverse the decline in bus use across the whole country which fell by over 30% in its wake.



Secondly, South Yorkshire's unique success in halting the decline came through a policy of drastically reducing fares,

increasing frequencies and delivering bus priority and high urban parking charges but accompanied by work practices and a cost structure around its delivery which proved to be too high and unsustainable.

Indeed, it was South Yorkshire's rapidly growing financial demands which led the Conservative Government to turn the financial taps off and try a new approach.

Sadly, whilst the flagship policies of the Socialist Republic of South Yorkshire were on the right track in terms of fares, network supply and an improved operating environment, unnecessarily high costs of delivery were their undoing and their bold, brave and worthwhile experiment died a brutal death.



The **2nd Coming** came broadly from **John Prescott**, Deputy Prime Minister, ironically nicknamed 'Two Jags' referring to his own personal means of transport.

He produced a very bold pro bus policy entitled '*From Workhorse to Thoroughbred – A Better Role for Bus*

Travel' after the 1997 election of a Labour Government which sat behind a series of initiatives.

- Legislation supporting 'Quality Bus Partnerships' between private sector bus operators and local authorities
- Opening up the possibility of London style franchising in major conurbations
- Local authorities to consider congestion charging
- A nationwide concessionary fares policy for senior citizens across England
- Improved pedestrian priority in towns and cities
- Significant statutory above inflation increases to fuel duty to reduce car use
- A target of a 10% increase in bus use over 10 years

Regrettably, every Chancellor of the Exchequer, Labour, Conservative or Conservative/LibDem coalition, since has chickened out of even increasing fuel duty by inflation let alone the target of inflation plus 6% per annum!

If they had had the courage to follow that policy through, levels of car use and available funding for bus networks 28 years later would be far, far more sustainable.

We did, however, see Government respond positively to operator offers to co-invest in 'KickStart' Projects on routes with growth potential.

It is no coincidence that the structural decline in bus travel which had persisted since the 1950's slowed during that period - not through dramatic structural legislative change to the industry but through sensible partnership working and joint funding between the public and private sector to deliver improved networks.



However, all of this good work was undone by the 2008 Recession leading to the Coalition Government's financial policy of 'austerity' which hit hard on local authorities and, since bus funding was discretionary and not statutory, was hit hardest of all with many authorities simply ceasing to support bus services.

So, now we have a **3rd Coming** in the guise of the Bus Services(No2) Act – a natural follow through and consolidation of the National Bus Strategy launched by the last Conservative Government which means it has had two sponsors – **Grant Schapps**, with some encouragement by **Boris Johnston**, and the current Secretary of State for Transport, **Heidi Alexander**.



Will it prove to be any more sustainable than the previous two?

Clearly, it simply won't work without government funding which has, since 2021, at least been a little more generous than in the previous decade.

Currently, that is running at a rough figure of £1bn per annum – a sum which wouldn't put a dent in the Great British Railways petty cash tin but will only broadly fund the current status quo. Any real ambition for a radical improvement in the long term volume and quality of bus services needs a couple of billion more at least if we genuinely want to see the bus as a major long term component of mobility as opposed to the private car.

Indeed, if we are to meet the required 25% reduction in car use to achieve Net Zero, we will need an almost doubling of bus use by 2050.

Quite where security of funding is going to come from in an economy which is flatlining in terms of growth whilst government debt and taxation income is at historically high levels is uncertain.

It will not, therefore, be easy to find the money to truly deliver on the opportunities opened up by the Act.

It would not be unimaginable for local authorities to stumble back into the issues which blighted the bus industry of the early 1980's of spending beyond the UK Government's means.

Transport may be important but so, too, is health, social care, defence and education whilst government finances are currently in poorer condition than they were in 1968, 1997 and even 2010.

It is imperative, therefore, that both the public and private sectors are fully mindful that buses are not simply a means to meet certain social, economic and political objectives but a major customer facing consumer retail trading business. Maximizing revenue generated through successful trading on strong, growth corridors is imperative to supplement government funding if the Act is to deliver the outcomes expected from the new transport authority powers.

Transport Authorities need to be alert to the fact that they have many other levers they can actively use to optimise the bus environment and

deliver modal shift in mobility from private cars to walking, cycling, bus, tram and rail travel which will enhance the benefit they get from the Act instead of simply relying on taxpayer funds.

Every Transport Authority which chooses to use the powers open to them also need to embrace the behaviours which stand behind the world's best consumer retailers and those are skills which aren't easily found in the public sector - especially in local government management teams hollowed out by austerity.

They **do** need to focus on the protection of lifeline services but need to be very careful about any policy to deliver equity in bus access.

All bus networks consist of routes with different characteristics with commercial performance varying from poor to stellar with many in between.

The knee jerk reaction to rob the rich to feed the poor, diverting resources from the strongest high frequency routes to supplement the weakest is a road to ruin as it will simply increase the need for scarce public funding.

Where a route has the demographic and demand characteristics to generate significant levels of profit, it is imperative that it is allowed to grow in strength and provided with the resources to do so in whatever shape they might take.

The stronger cash flow and profits from those routes eases the demand for public funding across the broader network.

Killing golden geese is never a smart move and certainly played a part in the failures of the early 1980's. Let the strong be ever stronger as it vastly improves the service delivered on those corridors, encourages modal shift from the car and creates free cash for wider investment.

There is certainly merit in having a bold, integrated brand for an integrated public transport network across major conurbations but that brand needs to contain flexibility to boldly promote key corridors and provide route based price promotions etc where those steps can generate demand.

Even TfL has now made steps in that direction with their new outer suburban limited stop 'Superloop' operations.





Local transport authorities will also, quite reasonably, seek to invest resources in developing bus operations to underpin urban development and economic growth.

How that is done, however, needs to be in the context of ensuring that the local bus operation trades successfully and delivers those issues as cost effectively as possible with substantial effort goes into optimising the levels of demand for powerful services which can generate profits to ensure the viability of the network as a whole.

Successful consumer retailing requires skills in marketing in its broadest sense plus skills in pricing, sales promotion, advertising, customer service,

operational HR, training, development, creativity and innovation.

Even the smallest authority needs access to those skills in one form or another if it is to get the best return for any public funding injected into their local bus networks.

Looking back at the late 1970's / early 1980's, South Yorkshire Passenger Transport Authority was bold and strong in reducing fares and increasing services and frequency but weak on business management which saw its social and political objectives undone by inefficient working practices and the absence of retailing skills.

Local Transport Authorities, especially those embarking on big city franchises, and intending to own depot and fleet assets, have to be mindful of how the procurement, funding and maintenance of those assets is managed.

Rash decisions to replace significant volumes of existing fleet with newly procured high volumes of EV's either debt or grant funded may undermine their long term financial security and performance standards.

Expenditure on buses, for example, is effectively an operational maintenance spend and should be carefully phased to create an appropriate average age over the life of the fleet and be affordable in the long run when government funding may not necessarily be forthcoming.

The Bus Services (No 2) Act is a strong, positive development and a blessing on bus operations across the country but it will need to be managed well, not simply in a social and economic benefit context, but as a substantial consumer retail business where income, expenditure and cash flow need to be kept in balance and under control.

There is an excellent current example of how that can be done at scale in Edinburgh with Lothian Buses – an operation owned by the local authorities but managed along commercial lines whilst cognisant of its shareholders wider social and economic ambitions.

There is no reason why the 3rd Coming should not prove much more successful than the previous 2 provided local Transport Authorities equip themselves with the operational, commercial, creative and consumer retail skills required to manage an enterprise delivering on social and economic benefits as part of a large commercial consumer retail trading business.

In that sense, it is a very different and greater challenge than delivering education, social care, highways management and refuse disposal.