

Blaenoriaethau ar gyfer y Chweched Senedd / Priorities for the Sixth Senedd
Y Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
PR43



CPT Cymru

Ymateb gan Cydffederasiwn Cludiant Teithwyr Cymru /
Evidence from Confederation of Passenger Transport Cymru

Dear Llyr,

Thank you for the opportunity to contribute to the Climate Change, Environment and Infrastructure Committee's call for evidence on its priorities over the coming 12-18 months. The Committee has a vital role to play in scrutinising the Welsh Government on matters around climate change and the environment, particularly as we transition towards a low carbon economy in order to meet Wales' statutory climate change targets.

As the organisation representing coach and bus operators of all sizes in Wales, CPT Cymru looks forward to working closely with you to ensure the policy developed in Wales helps us to achieve those targets in a positive and equitable way.

CPT Cymru has identified the following issues as key priorities for the Committee in undertaking its work scrutinising Welsh Government:

Recovery from Covid-19

Whilst the restrictions on operator activity has largely eased, the longer-term impact of Covid-19 is a major issue going forward. For bus operators, the Bus Emergency Scheme 2 will come to an end in July 2022. Should passenger levels not recover by then, there is likely to be significant pressure on bus networks that could lead to increased fares or reduced service levels without government support.

Furthermore, as a result of issues at the DVLA and DVSA and broader labour market trends, both bus and coach operators are currently experiencing a driver shortage that has put an upward pressure on costs and placed services at risk. For coach operators in particular this will be a concern as school services return in September.

As such, the Committee should undertake an **inquiry into the transition out of current Covid-19 support arrangements for services.**

Implementation of Llwybr Newydd

The publication of Llwybr Newydd earlier on in the year marked a step change in Welsh Government's transport policy, with a stretching ambition to shift from 32% of journeys made by sustainable means to 45% made by sustainable means. This will require a significant amount of policy change in order to realise and CPT Cymru is clear that both bus and coach operations offer part of the solution in getting us towards this level of modal shift.

Under the transport strategy, a number of accompanying delivery plans were promised including a Statement of Funds Available (SoFA), National Transport Delivery Plan (NTDP) a Decarbonisation Pathway, Equality Pathway, an Integrated Journey Planning Pathway and a Rural Pathway. Furthermore, Llwybr Newydd envisaged a layer of Regional Transport Plans.

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With so much of the delivery of Llwybr Newydd still to be determined by these subsequent documents, the Committee should consider an **inquiry into the delivery of Llwybr Newydd** in the next 18 months.

Bus Plan and Bus Services Legislation

Welsh Government has committed to publishing a Bus Plan for Wales under the current transport strategy Llwybr Newydd. This, along with a new Bus Services Bill proposal are suggested to be published by the end of 2021 and will mark a significant change in the landscape for bus services in Wales.

The proposals are likely to relate to three key areas; the regulatory model for bus services, the local government footprint and regional organisation and policy ambitions relating to transition of the fleet to zero-carbon emissions.

CPT Cymru has set out its proposals for the bus plan and legislation in the attached document. The Committee should undertake an **inquiry into bus services in Wales to inform the development of this policy concurrently with Welsh Government.**

Clean Air Bill

Welsh Government has a commitment to a clean air Bill during the life of this Senedd term. Such a Bill will have significant implications for bus and coach operations in Wales. For instance, many coach operators run tourism-based services from rural areas into Wales' major cities or to our tourism hotspots such as in Snowdonia. Done correctly, clean air legislation has the potential to disincentivise excessive car use in these areas, which brings with it harmful emissions, and instead to encourage a shift to bus and coach operations that are better for the environment.

Furthermore, clean air legislation is likely to have a significant impact on the vehicles used by operators across the broad range of services our members provide such as home to school transport, regular bus services, long distance coach travel and private hire activity. Scotland, for example, introduced its Scottish Bus Abatement Retrofit Fund (BEAR) to help coaches reach emission standards for entry into their low emission zones.

As such, the Committee should undertake an inquiry into **Wales' approach to Clean Air policy and legislation.**

Conclusion

CPT Cymru welcomes the opportunity to contribute to the Committees priorities over the coming 18 months. The Committee will have a key role to play in scrutinising Welsh Government and helping to improve the policy development process in Wales. CPT Cymru looks forward to engaging its membership in the important work undertaken by the Committee.

Your sincerely,

J W Miles

Joshua Miles
Director CPT Cymru



CPT Cymru

About CPT Cymru

Cyddfederasiwn Cludwyr Teithwyr Cymru/The Confederation of Passenger Transport Wales (CPTCymru) is the professional trade association of the bus and coach industry in Wales and is part of CPT UK. Its members in Wales include operators forming part of large multinational transport operators, municipally owned operators, medium sized independent operators and small family businesses. CPT Cymru members provide over 80% of all bus journeys and some 70% of all public transport journeys made across Wales. Our members are often significant local employers, especially in the rural parts of Wales, and make major contributions to their local economies. The bus and coach industry as a whole employs some 4000 people across Wales.

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09.09.2021

National Bus Strategy for Wales – Bws Cymru A CPT Cymru Approach

A Vision for Wales' Bus Sector

The development of a strategy for bus services in Wales by the Welsh Government comes at a critical juncture for bus travel in Wales, across the UK and globally. As the world emerges from the pandemic and continues to grapple with key challenges such as climate change, the decisions made now will have a bearing on the future of services for many years. Wales has an opportunity to lead the way and to innovate by setting out long-term interventions that lead to real modal shift away from car use and to make our bus services part of the solution in tackling climate change.

The creation of a National Bus Strategy would help ensure greater coordination of bus policy across government and help deliver long term funding. Our vision is of a bus network that is clean, flexible, and easy to use. It needs to be given priority, along with improved supporting infrastructure, if we are to better connect our communities, support successful economies, drive up productivity and meet the country's net zero carbon emission targets.

Introduction

This document sets out CPT Cymru's approach to a National Bus Strategy for Wales. It highlights the approach that bus operators would like to see undertaken by Welsh Government across the broad policy objectives over the life of the new Welsh Parliament and beyond. It does not cover in granular detail activities that would be undertaken by regional or local bodies, or by individual operators. Rather, it sets out a vision for the sector as a whole and the policy and institutional governance needed to deliver it.

The context for the document is important. As Wales emerges from the worst stages of the pandemic, the bus sector has been under sustained pressure from lockdowns and changes in passenger behaviour that may become permanent. The Welsh Government has provided significant support to the sector throughout the pandemic, without which many operators may not have been able to continue to provide the service passengers need. Moreover, we now have the Bus Emergency Scheme 2 to help us through the transition out of covid restrictions and into a new era of bus policy in Wales.

Operators want to return to commercial operations in an organised and sustainable way. However, against the backdrop of regulatory uncertainty and significant change in the organisation of the public sector on transport issues, they need certainty to do so. BES 2 allows us to achieve this through progressing the Umbrella Partnership Agreements with Transport for Wales (TfW), local authorities and corporate joint committees when they arrive. It also allows us to address critical issues such as bus open data usage, reviewing the reference networks and multi-operators ticketing schemes as agreed with TfW.

Besides our ongoing relationship and discussions with TfW and Welsh Government, much of the evidence base used to inform this document comes from a number of reports undertaken by the TAS Partnership for CPT Cymru that reviewed the key issues facing the bus network and its development in Wales.¹

¹ The TAS Partnership Report was commissioned by CPT Cymru during 2020/21 to undertake a review of the reform options that could potentially be undertaken in Wales. It consisted of interviews with all the key

The following **strategic issues to address** in delivering a national bus strategy were identified as common ground between operators, Welsh Government, local authorities and TfW in the TAS Partnership report commissioned by CPT Cymru in 2020 and subsequent partnership working:

- a) An overall vision for the future of buses in Wales
- b) Recovery from Covid-19, reassuring the public that travel by bus is safe
- c) Challenge of turning modal shift aspirations into reality
- d) Failure to tackle congestion, which is key to reducing bus costs and making bus travel more attractive
- e) Lack of and uncertainty of public funding, especially for revenue expenditure.
- f) Lack of expertise and capacity at local authority level, and demographic profile of officers
- g) Poor co-ordination with infrastructure and land-use planning
- h) A desire to bring more coherence to the network with easy interchange and common ticketing
- i) Network instability and the desire for greater public sector involvement
- j) Transition of the bus fleet to zero emission vehicles
- k) Ensuring a strong pipeline of diverse talent entering the industry

Core Objectives

In addressing these issues, CPT Cymru believes the following **core objectives** should form the overarching top level aims of a National Bus Strategy for Wales:

- To improve the passenger experience in order to deliver an increase in patronage on the bus network
- To engender modal shift and contribute to the WG ambition in Llwybr Newydd of moving 32% of journeys undertaken by sustainable transport to 45% by 2040.
- To reduce the environmental impact and carbon footprint of the bus fleet
- To ensure bus companies are financially viable and have the ability to invest in buses, facilities and people
- To support the development of the bus network to help deliver the better functioning of Wales' economy and society.
- Regional working within the framework of the Wellbeing of Future Generations act with all stakeholders

These objectives are broad in nature and should set the tone for actions that will be undertaken by all partners in delivering a National Bus Strategy for Wales.

Principles

In addressing the issues raised and delivering the core objectives of the strategy, CPT Cymru believes the following **principles** should be followed:

- A presumption for partnership and early engagement on the design and delivery of the strategy.
- A policy environment that instils confidence to invest over the longer term by;
 - Setting out clearly WG's intended regulatory model
 - Setting out clearly the policies and budgets commitments for the next 5-10 years for BSSG, bus priority measures and concessionary fares

stakeholders involved in bus policy (Welsh Government, Operators, Local Authorities etc) and sought to bring together shared issues and concerns and develop potential solutions to those. The report also set out the various pros and cons for different regulatory models and undertook a full costing of a proposed franchise model for Wales.

- Delivering a clear policy statement on the transition to lower emission vehicles and the policy mechanisms and funding schemes to achieve it
- Governance that encourages transparency and co-delivery between the public and private sector with clear roles for Transport for Wales, regional transport authorities and local authorities
- A recognition of the different needs of local bus markets across Wales, with flexibility to adopt the right framework for the needs of local customers and communities
- An approach that fosters respect and trust from all parties where risks are openly discussed, and parties decide how to deal with them

By working this way, a strong partnership can be developed between operators and the public sector that focuses on modal shift and patronage growth through delivering better services for passengers and non-users alike.

Key Deliverables

In order to deliver the core objectives, the strategy should focus on the following **key deliverables**:

- A vision for the complementary role between rail and bus services, including better integration.
- Welsh Government Ministers to champion bus as a mode of travel.
- Capital funding for the reallocation of road space and intelligent systems to give buses priority, including traffic signal measures. This would tackle congestion, improve journey times and reduce costs on operators.
- Better integration of services and ticketing, including with rail (but not to the detriment of vast majority of bus passenger who do not interchange) through the development of multi-operator or multi-modal ticketing schemes
- Open data on routes, fares and service performance
- Network planning that allows for investment in more intensive services on key corridors, including higher frequencies enabled by lower congestion and better journey times
- Supporting operators to maintain or lower fares including consideration of flat fares and price caps where appropriate with revenue support
- A Welsh Green Bus Fund developed with operators to drive increased investment in zero emission buses, including ongoing revenue support.
- Greater investment in RTI and clear information for passengers at stops and on bus.
- A greater role for passenger voice in the policy process
- Consideration of how to support socially necessary transport such as Fflecsi (DRT), community transport schemes and Bus Rapid Transport.
- Integrated transportation and land use planning with a presumption in favour of public transport

The National Bus Strategy will need to identify key deliverables, but it should be recognised that these will be delivered locally or regionally by partners including operators, CJs, local authorities and Transport for Wales. In achieving this, there is a clear need for reporting lines and rationalisation at a regional level.

What needs to happen to deliver the strategy's aims:

CPT Cymru believes three key changes are required in order to deliver on the core objectives highlighted above and transform the bus network in Wales. They are; setting out the operating model, creating a long-term regional footprint and providing clarity on future funding streams.

The three changes highlighted above will help create a supportive policy environment for Wales' bus network. However, passenger transport does not exist in a vacuum. As such, there is also a section

on tools that could be undertaken to discourage car use. Our own modelling suggests that whilst bus positive measures can have a significant impact on bus patronage, deterring private car use can be significantly more effective. Indeed, this is a key part of the story around growth elsewhere in the UK such as in London following the congestion charge or Nottingham with its Workplace Parking Levy.

1 Operating Model

There has been much confusion over the future of Wales' regulatory framework for the bus network in Wales, owing to the postponement of the previous Bus Services (Wales) Bill due to Covid-19. The original bill included a number of approaches that could be adopted by local transport authorities, including greater municipal ownership, a Welsh Partnership model similar to the Enhanced Partnerships in England and bus franchising.

The National Bus Strategy for Wales needs to articulate clearly what the regulatory model is going to be over the longer-term. It should set out what model Welsh Government intends to pursue and the timelines and process by which we will get there. A lack of certainty about the future operating model is likely to have a chilling effect on investment. The operating model should follow the issues that we are trying to address. For our part, we set those out in our core objectives above.

Voluntary Agreements and the Umbrella Partnership Agreement

CPT Cymru's preferred model would be to develop voluntary partnerships in the short term. This process is effectively already underway through the umbrella partnership agreement (UPA) process detailed as part of the BES 2 agreement. The UPAs are expected to last for 5 years and would therefore provide a solid foundation upon which to build partnerships.

As our research carried out by the TAS Partnership has highlighted, voluntary partnerships are capable of addressing the issues highlighted as needing to be addressed by both operators and the public sector, such as; network planning issues, multi-operator ticketing, bus priority measures and road space reallocation and decarbonization of the bus fleet.

The advantages of a voluntary approach in the first instance would be the speed at which benefits could be delivered for customers, the low levels of legislation and 'institutional structures' needed to make it operational and the requirement of input from all parties to make it work. For the public sector in particular, they would gain input into network, ticketing and fares and partnerships could be used as leverage for further investment – which would of course benefit passengers. However, to be successful this approach requires local authority 'buy in' which will also give them better control of their expenditure on a variety of budget lines including My Travel Pass, concessionary travel and BSSG.

Regional working, which is discussed in further detail below, creates an opportunity for strong voluntary partnership in the short-term. CPT Cymru has supported the formation of Corporate Joint Committees and they have the potential to delivery much greater benefits for passengers through their scale and additional capacity, particularly when agreeing joint approaches with operators.

In the short-term, the National Bus Strategy should pursue voluntary agreements between operators and the public sector through the Umbrella Partnership Agreements set out under BES 2.

Statutory Partnerships

The drawback of voluntary partnerships are that they aren't statutorily binding and therefore cannot prevent operators, particularly those operating at standards below those specified in the partnership, from not being involved in the scheme.

For this reason, over time the voluntary partnerships could develop to include a statutory underpinning. There are a number of ways that this could be done and it would be important to ensure the use of statutory measures is to the benefit of passengers. In the shorter term, more use of existing legislative powers such as Quality Partnerships could be developed to underpin coordination between local transport authorities and operators as they seek to invest in higher standards and to develop the network.

Over time, the voluntary agreements should be supplemented by Statutory Quality Partnerships where possible to underpin investment by both operators and the public sector in shared objectives.

A Welsh Partnership Model

The Welsh Government are minded to legislate for a new Bus Services (Wales) Bill which will give new powers beyond those currently on the statute book. CPT Cymru believes the Welsh Partnership model could be further developed to provide the longer-term statutory underpinning for a genuine partnership approach.

This could be done on a similar basis to the Bus Services Improvement Partnerships developed in Scotland or Enhanced Partnerships in England. In short, these would:

- Create a mechanism to coordinate network development issues, multi-operator ticketing and fares between the public sector and operators
- Provide longer-term certainty for all partners around shared goals and objectives
- Be used to leverage further investment in the bus network and standards
- Ensure a level playing field for operators by virtue of all operators being involved
- Would continue to see the involvement of the Traffic Commissioner for Wales in the route registration process and would give them a responsibility for assessing whether an operator will comply with service standards.
- Allow the public sector to tender some key routes where there is a lack of coordination between operators.

There would however be drawbacks to introducing a partnership scheme of this type. Firstly, it would introduce new costs in terms of management, audit and network planning capacity. From an operator perspective, such a model could lead to significant changes in the way in which routes are planned and developed and a loss of commercial freedom. To be successful, operators have to follow customer demand and there is a risk that customer needs would be harder to satisfy as accountability shifts towards more public sector accountability in decision making.

Despite this, a Welsh Partnership model developed and implemented with the positive involvement of all parties in a longer-term time frame could be successful in addressing the key issues identified above, giving greater public sector input whilst providing greater certainty to operators to invest and grow their businesses.

In the longer-term, a Welsh Partnership Model could be developed to underpin the partnership model with a statutory basis. This could be done on a broader geographical footprint and would allow for greater coordination between the public sector and operators.

Franchising

The other model previously identified in the Bus Services (Wales) Bill was for a full franchising model. This would see all routes tendered out by the public sector. In many ways, this would be a radical departure from the current regulatory environment.

There are several franchise models in practice such as the route level approach seen in London, the whole network approach as seen in Jersey or even de facto franchises in areas where the commercial market doesn't exist and routes are all effectively tendered such as Shetland and the Western Isles.

CPT Cymru does not favour franchising as the preferred approach for a number of reasons. They are as follows:

- **Speed of delivering improvements** – Setting up a franchising scheme is a lengthy process compared to the other models highlighted above and provides little benefit to passengers in the short term. For instance, under the Manchester proposals there is a three year period during which no investment to improve journey times, services or zero emission buses will be undertaken. By comparison, the partnership models undertaken elsewhere in England will begin delivery of benefits to passengers by 2022.
- **Risk to SMEs** – franchising generally favours larger operators who are better placed to compete through a competitive tender process. Wales' bus market is relatively unique in that 25% of all main day services in Wales are provided by SMEs and the proportion is much higher in mid and west Wales where the presence of 'big group' operators is limited. The major risk is that once a smaller operator loses its work in a round of franchising, the business closes and is not there to offer competition for contracts next time around.
- **Risk of stranded assets** – The market in Wales has developed around operators and their depots across a broad geography. There is a risk that an operator, with considerable critical mass in one area could lose contracts once tendered and find themselves with 'stranded assets' that is surplus vehicles or depots that can no longer be used.
- **High costs of operation** – Our assessment of a franchising model for Wales undertaken by the TAS Partnership suggests moving to a franchising model would cost around £61m more per year by year 7 due to increased vehicles costs of moving to a leasing model, increased labour costs set out in franchise standards, additional costs from bidding, reporting and monitoring franchise contracts and new costs borne by the public sector in planning, tendering, managing and auditing the franchise regime. This would equate to £54.22 per household per year by year 7.
- **Upfront costs to public sector** – additional public sector costs would be required to establish the franchise including ticketing equipment, setting up back-office functions, rebranding, uniforms, new depots, new fleets, contract monitoring and of course the tendering processes themselves. This is estimated as around £5.7m for year 1.
- **Geographical implications of fares policy** – Part of the rationale for the introduction of franchising is to create Wales-wide or regional fare structures, based around cheaper fares. This would be challenging given the broad variation in fares across Wales. Some areas of Wales, such as Cardiff and Newport have strongly competitive markets and therefore fares are lower, which is not the case where competition is weaker. In harmonising fares, a franchise would either have to increase fares in currently cheaper areas to compensate for reduction elsewhere, or would have to find new revenue from somewhere else – likely from Welsh Government through taxpayers.
- **Revenue Risk** – It is unlikely a franchised network would stay as it currently is and there would be pressures to reduce competition with rail, reduce frequencies in 'over-bussed' corridors, increase service provision to lesser served or outlying areas, increase service provision on evenings and Sundays. Taken together, these shifts would see more unprofitable routes pursued at the expense of currently profitable ones and would therefore reduce revenues for the sector as a whole. Franchises can also run the risk of network ossification as any changes to the services operated could be challenged by an unsuccessful

bidder on the basis that they could provide the revised network at a lower cost than the operator which was awarded the original contract.

With the above taken into account, CPT Cymru believes that the ambitions that are shared by operators can be better addressed by partnership arrangements that would avoid the challenges posed by a dramatic shift to a franchising regime. Furthermore, the additional costs required including the estimated £61m per annum by year 7 could be better spent addressing problems in the here and now, such as decarbonising the bus fleet, investing in bus priority measures and developing socially desirable routes. There should be a requirement to demonstrate a market failure and the inability of the market to address shortcomings before progressing down a franchising route.

A franchise model would be a significant and costly departure from the current model of regulation. CPT Cymru believes the additional costs it would bring could be better prioritised in partnership between the public sector and operators to address shared issues of concern.

Table1: Summary of Objectives and Problems by Regime Type

Objective	Franchising	Voluntary / Statutory Partnership	Statutory Welsh Partnership Model	Do Nothing
Partnership Working	No, as operator provides service dictated by franchising authority	Yes (voluntary)	No. LA imposes network and fares on operators, though with consultation	Yes, informal arrangements often apply
Regional Structures	Depends how franchise is structured, but recommended	Advisable	Advisable	Advisable for longer term funding and planning
Increased Funding and Status Quo	Will be needed, especially if an increase in service provision and reduction in fares is desired	Needed as an incentive for improving infrastructure and service provision	Will be needed if an increase in service provision and reduction in fares is desired	Needed for long term stability
Greater Vision	What are the aims of franchising? How will it deal with changes in demographics? Etc.	What should the criteria be to apply for a partnership? How will they interact?	What are the aims of introducing an EP? How will it impact on neighbouring LAs?	Advisable as it links to regional structures and funding.
Improve Passenger Experience	If the contracts are specified correctly and there is a willingness to improve infrastructure	Should be the number one goal of a partnership – high quality service provision and improvements to infrastructure	Should be the number one goal of an EP high quality service, set fares and improvements to infrastructure	Only if each party is willing to invest without the safety net of a partnership agreement. Current regime has delivered many improvements already
Lack of Expertise at Local Authorities	Recruiting will increase cost of franchising	Some operator expertise can be used but still may benefit from independent advice	Recruiting = extra cost. Unlikely operator expertise can be used; may benefit from independent advice	Ideally needs resolving to ensure long term stability of supported network and oversight – ‘a voice for bus’

2 A Regional Transport Footprint

The Local Government and Elections (Wales) Act 2021 will lead to significant changes to the governance of the nation, not least in respect of transport functions. The Act sets out four regional

footprints for local authority collaboration through Corporate Joint Committees (CJCs). These CJCs will have a statutory duty to exercise functions around economic development, transport and spatial planning; all of which it can be argued have a key role on the future of the bus network in Wales.

In February of 2021 the then Minister for Local Government Julie James MS laid the relevant regulations to establish the Corporate Joint Committees, which came into effect from 1st April 2021. At the same time during her statement to the Senedd the Minister noted that the discharge of functions around planning, transport and economic development would commence in 2022 with agreement of local authorities.²

Concurrently, accompanying regulations were laid to modify the Transport Act 2000 to recognise the existence of the new transport authorities.³ In practice they;

- Make CJCs the primary policy development actor and require individual LAs to implement their policies
- Ensures that this aligns with the Wales Transport Policy (currently Llwybr Newydd)
- Make it a duty for CJCs to deliver Regional Transport Plans

Bringing these elements together, the National Bus Strategy should set out clearly where each set of actors has responsibility around bus policy. This is particularly important given the level of change in governance that is currently ongoing through the creation of CJCs and TfW at the end of the last Welsh Parliament term.

CPT Cymru believes the regional bodies should be tasked, through close collaboration with operators, with developing the voluntary partnerships in the first instance. This would take place as a core element of the Regional Transport Plans. Over time, and when the regulatory model evolves they would also be the bodies responsible for the statutory underpinning of the partnership model, be that through voluntary partnerships or a newly legislated Welsh Partnership model.

CPT Cymru believes the new CJCs should be given responsibility for driving the partnership model between operators and the public sector in their regions. Over time, this should include the use of any statutory measures created by a Bus Services Bill.

CPT Cymru also believes there is an opportunity for Welsh Government to use its legislative process to introduce a clear target process for the new CJCs around modal shift. For instance, the UK Government's strategy *Bus Back Better* sets out targets for local authorities to increase bus patronage and to report on these at six monthly intervals.

Welsh Government could go further with a duty on CJCs to set targets for modal shift and bus patronage increases and report on them regularly within the context of the Welsh Transport Strategy Llwybr Newydd. This could be accompanied by a delivery plan developed by Welsh Government setting out the key steps and measures it proposes to implement to achieve its modal shift ambitions for Wales. Doing so would confirm Wales as the innovator on bus policy, ahead of the other nations of the UK.

²Senedd. 2021. *Debate on the Introduction of CJC secondary legislation* [Online]. Available at: <https://record.senedd.wales/Plenary/11185#A65374> (accessed 9th August 2021)

³ Welsh Government .2021. *Explanatory Memorandum to the Corporate Joint Committees (Transport Functions) (Wales) Regulations 2021* [Online]. Available at: <https://senedd.wales/media/ovghik1s/sub-ld14142-em-e.pdf> (accessed 9th August 2021)

Given the other functions of the CJs relate to land use planning and economic development, the use of statutory targets could ensure modal shift becomes a core aspect across all aspect of a CJC's work. This could include spatial planning that encourages bus priority measures.

The CJs should be subject to targets for modal shift, bus journey times and their variability and bus patronage growth and should report on these regularly to Welsh Government and the Senedd. This should be accompanied by a Welsh Government modal shift delivery plan setting out key actions and milestones.

The other development happening in parallel is the increasing role of Transport for Wales. Whilst TfW initially focused on the rail franchise it has slowly been developing its capacity for implementing Welsh Government's priorities around the bus network. The Welsh Labour manifesto *Moving Wales Forward* committed to giving new powers to Transport for Wales to allow for the integration of modes.

TfW's role in relation to bus should be made clear going forward under the new strategy. CPT Cymru believes it should focus on helping to administrate key aspects of delivery and helping to drive consistency between the local authorities and four regional authorities created by the CJs. This should allow for lower compliance costs and duplications, particularly for operators working across county boundaries.

TfW's role in relation to the bus network should be clarified. It should focus on reforming the administrative impacts on bus operation, improving operational efficiency and ensuring consistency across the regions including promoting greater integration with other modes of transport (e.g. rail), with a view to lowering the administrative burden of compliance.

3 Longer-term Funding Horizon

The final element needed to help the delivery of the core objectives would be a much longer-term funding horizon. There are a number of funding streams that support the bus network in Wales. Some are targeted at the supply of services and others subsidise passenger fares for key groups such as the elderly.

BSSG

Before the pandemic, the Welsh Government's direct support for the bus network was largely focused on the Bus Services Support Grant (BSSG). BSSG helps to keep fares down by helping operators with costs. It is paid per live bus kilometre operated and has been frozen at £25m since its inception in 2013/14 – with the consequence of a real terms reduction over that time. Indeed, in 2011/12 the predecessor for BSSG was £32m, highlighting a longer-term decline in direct funding.⁴ Despite this, data from the Department for Transport suggests that costs have risen 20p per mile between 2012/13 and 2019/20, going from 273p per mile to 293p.⁵

As the main direct subsidy to the bus network BSSG has a key role to play in keeping costs down, increasing the viability of routes and encouraging longer-term stability. Its slow decrease in real terms over the last decade will have put further pressure on fares, which in turn puts further pressure on passenger demand.

⁴ Welsh Government. 2020. *Bus Services (Wales) Bill* [Online]. Available at: <https://senedd.wales/laid%20documents/pri-ld13090-em/pri-ld13090-em%20-e.pdf> (accessed 19th March 2021).

⁵ Department for Transport. 2020. *Bus Statistics: Operating cost per vehicle mile on local bus services* [Online]. Available at: <https://www.gov.uk/government/statistical-data-sets/bus04-costs-fares-and-revenue> (accessed 30th July 2021).

The National Bus Strategy for Wales should make a clear statement around what BSSG is for and how it can be increased in the future to help further support the bus network. At a minimum, this should start with increasing it in line with inflation to help manage costs. More ambitious reform could see it enhanced with a top-up to reward investment in ultra-low emission vehicles which has taken place in Scotland through their Bus Services Operator Grant: low Emission Vehicle (LEV) incentive payments scheme and more recently in England through the decarbonisation strategy⁶. Additionally, consideration could be given on how to capture rurality in the system accepting that this is often a challenging area to define.

BSSG should be increased in line with inflation in the first instance. In the longer-term it should be reviewed to include a top-up to help with the transition towards zero emission vehicles.

Concessionary Fares

Welsh Government also supports passengers through its concessionary fares schemes which include those with a specified disability, those over 60 and younger passengers through its MyTravelpass scheme. This costs around £70m per year at present from both Welsh and local governments and contributes towards the provision of free or discounted travel for these groups.

Whilst the investment in concessionary fares is significant, it is important to note that it is not a direct subsidy to operators and therefore does not have a direct bearing on the supply-side of the network. Under this model, operators continue to assess routes on their commercial viability and influence on this is brought to bear by passenger demand rather than decisions from either the operator or the public sector.

Furthermore, the concessionary fares scheme operates on a “no better and no worse off” basis. In practice, this means that operators are reimbursed at a rate of roughly two thirds of the full price of a ticket. The longer-term implications of this lower reimbursement rate (in a post-Covid situation) on fare paying passengers are not clear. It could for instance present an upward pressure on fares for those passengers not able to access the concessionary fares scheme, which would have implications for passenger demand in those demographics.

Llwybr Newydd commits to a review of the mandatory and voluntary concessionary fares scheme. A consultation was undertaken on changing the age of qualification to match the pension age in 2017⁷.

The National Bus Strategy for Wales should set out clearly what the terms of any concessionary fares review are and its overall objectives with a view to providing clarity on the funding situation over the longer term.

School Transport

The other main source of funding for the network as a whole relates to the provision of school transport under the Learner Travel (Wales) Measure 2008. This makes certain types of school transport a statutory duty for local authorities. In practice, this is delivered either through dedicated home-to-school transport via coach operators or through the provision of registered routes on the

⁶ Scottish Government. 2021. *Bus Services Operators Grant* [Online]. Available at: <https://www.transport.gov.scot/public-transport/buses/bus-services-operators-grant/> (accessed 9th August 2021).

⁷ Welsh Government. 2017. *Consultation: Mandatory Concessionary Fares Scheme in Wales* [Online] Available at: https://gov.wales/sites/default/files/consultations/2018-02/mandatory_concessionary_fares_en.pdf (accessed 9th August 2021).

public bus network. Whilst the objective of this funding is not to develop the bus network, it does have an impact on the provision of routes from which other passengers can benefit.

Bus Priority Measures

The Welsh Labour Manifesto *Moving Wales Forward* committed to: “Invest in bus services and complete major new bus infrastructure projects, including reallocating road space to support dedicated bus lanes and new rapid transit routes that make bus travel easier.” This is a very welcome commitment and could be encapsulated in the National Bus Strategy for Wales through a dedicated funding stream for bus priority measures.

Such a fund could be part of the Regional Transport Plan process and could form the key contribution from the new CJs to the voluntary partnership approach in the first instance. Scotland provides a useful example. Through its Bus Partnership Fund the Scottish Government is investing approximately £500m to introduce bus priority measures that are identified through partnership schemes underpinned by the Transport (Scotland) Act 2019⁸.

Similarly, the recently announced National Bus Strategy for England gives a strong indication of how central government can set expectations of local government in this regard. In it, the UK Government says:

“Just as important as new operating models, are other measures to drive quality and efficiency. We want to create a virtuous circle: increasing usage, but also reducing operating costs so better services can be sustained without permanently higher subsidy. In cities and other congested places, the key intervention will be significantly more ambitious bus priority schemes, making services faster, more reliable, more attractive to passengers and cheaper to run. To benefit from the funding in this strategy, LTAs in such places will be expected to implement ambitious bus priority schemes and draw up ambitious Bus Service Improvement Plans.”⁹

There is a need for operators to be able to run services efficiently, without the need for additional vehicles and drivers to deliver a specified frequency in order to account for delays and variability occasioned by traffic congestion. This not only provides a quicker and more attractive service for passengers, but opens the door for operator investment in fleet replacement in a capital efficient manner. The business case for such a basic ‘maintenance’ of fleet replacement is an essential pre-requisite for any investment in ‘greening’ the fleet with zero emission buses, even where financial assistance is available to cover the capital and operating cost differentials.

It is also important that we understand the impact of road space reallocation has in relation to active travel. A step change in the planning and funding processes will need to occur if we are to ensure road space reallocation to active travel or to bus services does not come at the expense of the other mode.

Dedicated funding for Bus Priority Measures should be created to help speed up bus journeys through, for example, road space reallocation, intelligent transport systems, prioritisation for bus at junctions and bus rapid transport schemes. This could be used as a key element of the partnership approach

Zero Emission Bus Funding

⁸ Scottish Government. 2020. *£500m for Bus Priority Infrastructure* [Online]. Available at: <https://www.transport.gov.scot/news/500-million-for-bus-priority-infrastructure/> (accessed 9th August 2021).

⁹ Department for Transport. 2021. *Bus Back Better* [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/980227/DfT-Bus-Back-Better-national-bus-strategy-for-England.pdf (accessed 9th August 2021). P.13

One part of the landscape that exists elsewhere in the UK but not in Wales is funding for ultra-low or zero emission buses. This has been a feature of the approach in Scotland and England for some time and has led to a considerable number of operators being able to purchase electric or hydrogen fuel cell vehicles and to decarbonise the fleet.

In Scotland, the previous Scottish Ultra-Low Emission Bus Scheme (SULEBS) took over from the Scottish Green Bus Fund and provided support for the purchase of new ultra-low emission buses up to a maximum 75% of the differential costs against diesel buses, depending on their zero emission running capability. Support is also available for the infrastructure for this technology of up to a maximum 75% of the capital cost and a per km payment in lieu of lost BSOG¹⁰

Over the last round £40m was allocated to the fund leading to the purchase of 215 ultra-low emission vehicles with investment from both the Scottish Government and operators. This is paired with the previously mentioned BSOG supplement to create a strong incentive towards investment in ultra-low or zero-emission emission vehicles.

More recently, the Scottish Government has introduced its ScotZEB scheme adding £50m to the first phase, continuing their longstanding commitment to fleet decarbonisation.¹¹

In England, the recently announced Zero-Emission Bus Regional Scheme (ZEBRA)¹². The ZEBRA scheme is worth £120m in its first round and is aimed at local authorities who will bid for funding as part of their proposals under the national bus strategy for England *Bus Back Better*. This has now been augmented by a payment in lieu of lost BSOG under the UK transport decarbonisation plan in July.¹³

Furthermore, the ULEB scheme in England allowed for 100% use of funding on bus body/chassis with power companies providing the infrastructure under a least arrangement. This allowed a degree of flexibility in the use of the funding and introduced multiple partners into the solution of procuring EVs.

The National Bus Strategy for Wales needs to develop a 10 year plan, including a long-term funding programme to avoid the ‘feast and famine’ approach seen in other nations, to help provide confidence for operators to invest in new vehicles. This should start with an examination of the existing policy, which is for ‘zero tailpipe emissions by 2028’. On current trends, it is very unlikely that this will take place without additional investment. Wales is also operating in a broader competitive environment which means there is a real risk of investment from cross-border operators in vehicles elsewhere in the UK where the incentives are stronger.

To address this, CPT Cymru has previously called for a Welsh Green Bus Fund that would set up a grant funding mechanism that encourages and de-risks investment in zero-emission vehicles by operators.

¹⁰Scottish Government. Scottish Ultra-Low Emission Bus Scheme [Online]. Available at: <https://www.transport.gov.scot/public-transport/buses/scottish-ultra-low-emission-bus-scheme/> (accessed 9th August 2021).

¹¹Sustainable Bus. 2021. *ScotZEB scheme launched: £50 million for e-buses in Scotland in 2021* [Online]. Available at: <https://www.sustainable-bus.com/electric-bus/scotzeb-scheme-scotland-electric-buses/> (accessed 9th August 2021).

¹² Department for Transport. 2021. *Zero Emission Bus Regional Areas (ZEBRA) scheme* [Online]. Available at: <https://www.gov.uk/government/publications/apply-for-zero-emission-bus-funding> (accessed 9th August 2021).

¹³ UK Government. 2021. *Decarbonising Transport: A Better, Greener Britain* [Online]. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1009448/decarbonising-transport-a-better-greener-britain.pdf (accessed 9th August 2021)/

The precise model for the Green Bus Fund should be explored by a working group. It could for instance see the development of a financial model with partners such as the Development Bank of Wales in order to leverage other forms of public and private finance. Power companies are also a key partner in this regard and should be involved in the working group. Furthermore, consideration could be given to the economic and social impact of any procurement exercise to ensure maximum economic benefit for Wales of the Green Bus Fund model.

In the first instance, CPT Cymru believes there should be a working group between the Welsh Government, LTAs and bus operators to develop a bus decarbonisation plan 2028. This would set a clear timeframe for transition that would ideally align with other parts of the UK. Working back from this, a Welsh Green Bus Fund should be established with a long-term funding horizon in order to provide the financial incentives necessary to encourage operator investment.

Providing a longer-term approach

Including funding for TrawsCymru, Welsh Government's total revenue budget for direct bus support to operators in Wales was £32m in 2019.¹⁴ This compares to an equivalent of £171m for Transport for Wales' rail operation, supporting 31m rail journeys.¹⁵ As such, financial support per passenger is roughly 30p for bus and £5.51 for rail.

The funding environment should help operators to keep fares down, develop the network and drive innovation. With 76% of public transport journeys taken by bus, the number of bus journeys made is significantly higher than that of other public transport modes.¹⁶ As such, meaningful investment and attention must now be given to the nation's best used mode of sustainable transport.

Bringing all the funding streams together as part of a National Bus Strategy and providing a longer-term time horizon could encourage a step change in bus services in Wales. Access to new forms of funding such as a Welsh Green Bus Fund and Bus Priority Measures could be tied into the partnership approach bringing together the commercial innovation provided by operators and the input of the public sector through the regional bodies.

Funding should be set out over a longer-term time horizon and should be accessed by operators and the public sector through the partnership model, as established through BES 2 and the umbrella partnership agreements

Discouraging Car Use

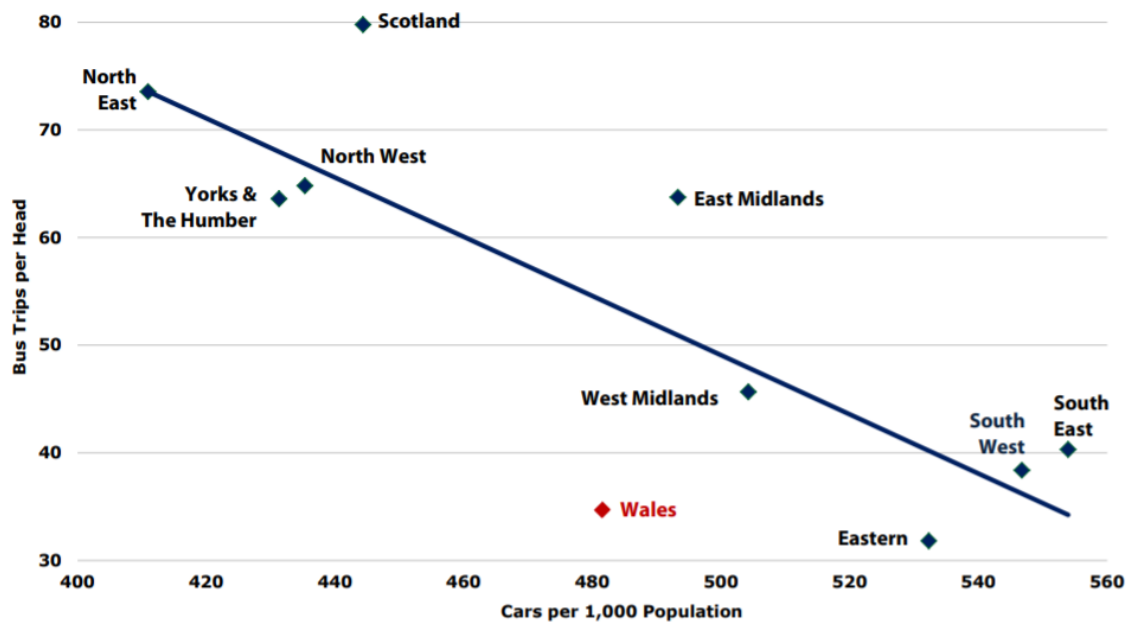
In order to achieve Welsh Government's ambition of modal shift from 32% of journey made by sustainable transport to 45% by 2040 a significant change in the transport landscape will be required. As mentioned previously, measures to create a positive policy environment for bus travel are a key positive step towards this. However, bus as a mode of travel does not operate in isolation.

As the graph from 2014 below shows, the higher rates of car ownership within an area the lower bus ridership tends to be:

¹⁴ Welsh Government 2019. *Final Budget 2019 to 2020* [Online]. Available at: <https://gov.wales/final-budget-2019-2020> (accessed 19th March 2021)

¹⁵ StatsWales. 2021. *Rail passenger journeys to, from or within Wales and total journeys in Great Britain by year* [Online]. Available at: <https://statswales.gov.wales/Catalogue/Transport/rail/rail-transport/railpassengerjourneystofromwithinwalesandtotaljourneysingb-by-year> (accessed 19th March 2021)

¹⁶ Welsh Government. 2020. *Llwybr Newydd: Supporting Information* [online]. Available at: <https://gov.wales/sites/default/files/consultations/2020-11/supporting-information-transport-data-and-trends.pdf> (17th August 2021)



Source: TAS Analysis of Annual Vehicle Statistics and Annual Bus Statistics DfT.

The key reason for this is that passengers have a number of alternatives available to them and they are able to ‘price’ the cost both financially and in terms of other factors such as time and reliability so as to determine which mode to use. This is called the ‘generalised costs of travel’. For a car, journey times are typically shorter, there are no waiting times and the quality of the vehicle is determined by you as the car owner. The actual cost of the journey is also influenced by issues such as parking charges, congestion and fuel costs vis-à-vis other alternatives.

The same calculation is made by bus users however other factors are included such as time waiting for the bus, time spent at a bus station the process of acquiring information about the bus. Measures such as bus lanes, or newer vehicles can help to reduce the ‘generalised cost’ from a bus perspective in addressing these additional aspects. However, bus as a mode of travel will always struggle while the costs of motoring are maintained low.

That is why some of the most successful schemes to encourage bus use have taken place in tandem with measures to reduce car dependency. For instance, London’s congestion charge was undoubtedly a driver towards an increase in patronage across the city. Similarly, Nottingham’s workplace parking levy has served as a major disincentive towards car use whilst bolstering public sector incomes to be reinvested in sustainable transport schemes.

To give a concrete example, CPT modelling undertaken by 2FM has shown that reducing fares by 10%, introducing bus priority measures to reduce journey times by 10% and improving the waiting environment at bus stops and introducing real time information would lead to an estimated mode shift of 2.4%, which would lead to 17% more passenger on buses. This would clearly be a positive outcome for bus as a mode of transport¹⁷.

¹⁷ Research currently being undertaken for CPT by 2FM Limited. Details available on request.

However, increasing the cost of motoring by £5 per trip (modelled as £10 per day) would lead to a reduction in car mode share from 86% to 74.9%, with the balance shifting to bus. This would in effect lead to an increase in bus travel of 79% on the baseline assumption.

Whilst this example is from a hypothetical model, it shows that if we are serious about mode shift then both a push and a pull factor need to be considered. This is particularly critical as we transition from ICE to EV cars. The temptation will be to see EVs as a key part of the environmental challenge of transport, however a like-for-like transition to EVs will not lead to modal shift and will not reduce levels of congestion.

This means the Welsh Government must take action to introduce positive measures that would discourage car use. These could be designed to be income generating further alleviating the financial challenges facing the public sector in improving public transport.

For our part, we believe the following should be actively considered:

- Congestion charging in key urban centres
- Road user charging along key corridors where there are significant amounts of congestion
- A workplace parking levy in towns and city centres
- local authorities to avoid measures such as free parking and to price their maintained car parks with modal shift in mind
- Placing an emphasis on efficient highways by instituting 'red routes' as happens in London on key arterial routes
- Strong enforcement of bus lane and parking violations that impact on bus punctuality.

All of the above could potentially be revenue raising and the proceeds of any revenue could be ringfenced for public transport investment, particularly through any funding set up to deliver partnerships around road space reallocation and fleet decarbonisation.

Conclusions and Next Steps

As the above identifies, there will be a considerable amount of work needed to provide a step-change in Wales' bus network. CPT Cymru and its members are ready to engage positively with Welsh Government, Transport for Wales and local authorities to make these changes a reality for Wales. As such, we look forward to the details of the bus strategy being developed.

In terms of timeframes, it is our hope that the strategy released later this year will be the starting gun for a new period of partnership on bus services in Wales. Whilst the legislation is likely to come later in 2022, CPT Cymru and its members is keen to begin this conversation now so that we can quickly deliver better services for passenger in Wales.