OPTIONS ASSESSMENT STUDY

Final Report

SYSTRA

GLASGOW & STRATHCLYDE TRANSPORT ACT SCOPING STUDY

OPTIONS ASSESSMENT STUDY

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TABLE OF CONTENTS

1. INTRODUCTION

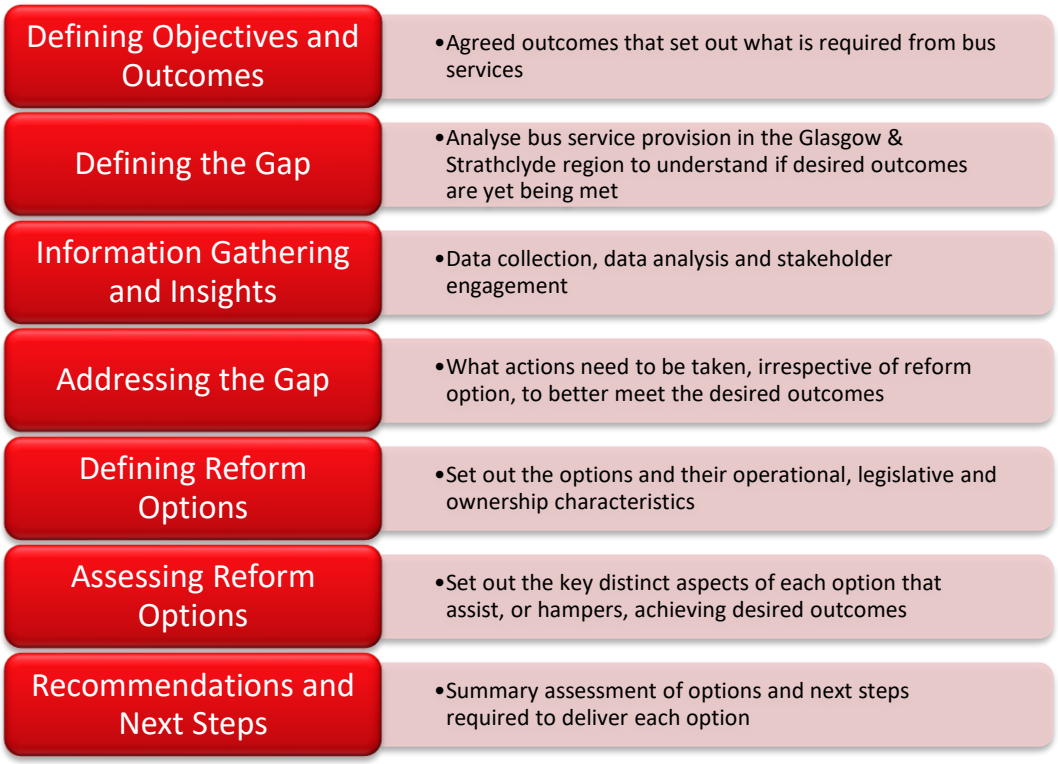
1.1 Our brief

1.1.1 In August 2021 SYSTRA was appointed by SPT and Glasgow City Council to "conduct a scoping study of bus improvement options available to local transport authorities under the Transport (Scotland) Act 2019, with specific focus on development and assessment of options in the Glasgow City and the SPT regional contexts".

1.1.2 The study brief sets out a structured approach to using data and stakeholder views to embellish the expertise of the SYSTRA team, in order that a view is taken on the options for delivering bus services in the Glasgow & Strathclyde region taking into consideration the achievement of regional/national objectives and an analysis of the specific opportunities and weaknesses associated with each option. A roadmap to future development of these options was then required so that local transport authorities across the Glasgow & Strathclyde region can understand the steps they need to take to enact any of the options considered in the study.

1.2 Our approach

1.2.1 In responding to the study requirements, we agreed a structured approach to completing the work that complied with the study brief and built on SYSTRA's experience of working on bus planning and reform studies for local transport authorities and bus operators across the UK, Ireland and beyond. This approach is summarised below and forms the structure for this report:



1.3 Summary of our conclusions and recommendations

1.3.1 Our headline conclusions and recommendations are set out below.

The Glasgow & Strathclyde region should adopt a clear set of objectives and outcomes founded on delivering a world class bus network. This will provide focus for local transport authorities and bus operators when developing improvements to bus services, including work to progress the current Glasgow Bus Partnership and voluntary partnerships that may form.

Partners delivering all aspects of bus services should commit to a world class bus network for Glasgow & Strathclyde that will exhibit:

faster bus journey times;
fewer bus delays;
a denser, more inclusive and safer bus network;
cheaper, simpler and integrated bus fares;
consistent, accessible and integrated journey information; and
a greener bus fleet.

Bus reform alone will not deliver this world class bus network. Additional funding and reform of existing funding streams will be required to deliver the world class bus network envisaged.

Discussions with Transport Scotland should commence immediately to address this funding requirement.

In local transport authority areas where access to the Bus Partnership Fund will make significant improvements to bus journey times and bus delays, a Bus Service Improvement Partnership is recommended to formalise commitments to deliver the infrastructure and complementary improvements to bus operators' services and vehicles.

A BSIP should have a term of at least five years, to commence in 2023 at the earliest.

In the longer term, a Bus Franchising Scheme has the potential to offer a 'single integrated decision maker' that can source funding and deliver a world class bus service. A Bus Franchising Scheme can integrate with wider investment in public transport corridors (e.g. Glasgow Metro).

However this relies on untested legislation that will cost the LTA £4-15m to build a business case, take seven years to implement and pose significant new risks to local transport authorities.

Where competition for bus service contracts is weak, local authorities should consider the formation of a muncipally owned bus operator.

In the longer term, a municipally owned bus operator could deliver all buses in a LTA area or the region, offering integrating decision making with all profits invested back into services. This would most likely require local authorities to acquire the businesses of today's commercial operators.

1.3.2 We believe that a phased approach to adopting these recommendations should be adopted by the local transport authorities in the Glasgow & Strathclyde region.

Actions that can be taken now

Local transport authorities should consider the formation of a municipally-owned bus operator in circumstances where competition for bus service contracts is weak and the local authority can afford the upfront costs of establishing a depot and maintenance base, recruiting staff and suitably expert management, acquiring vehicles and obtaining an operator's licence.

Local transport authorities should open discussions with Transport Scotland about the case for sourcing considerably more funding for bus services, allowing the gap to be bridged between a world class integrated public transport network and current bus provision in the Glasgow & Strathclyde region. An ask of approximately £300m in capital funding (noting the allocation already secured through the Bus Partnership Fund), £22.7m per annum in additional revenue and £21.0m per annum in retained NCTS funding should be discussed.

Actions to be taken in the next twelve months

In some local transport authorities there will be a strong case to form a BSIP, notably where capital investment for bus infrastructure can be secured by the local authority and commensurate bus service standard improvements can be offered by operators. In these circumstances the BSIP will "lock in" those commitments and make them statutory obligations on all parties.

It is likely that a BSIP can be formed by the Summer of 2023 and should have a minimum term of five years. Forming a BSIP could cost up to £1.5m. Managing, overseeing and administering the BSIP will cost local transport authorities approximately £50-100,000 per annum for a single authority BSIP, or £200-250,000 for an wider multi-authority BSIP across much of the Glasgow & Strathclyde region.

Immediate and longer term actions regarding Bus Franchising

It is recommended that where there is interest in a Bus Franchising Scheme amongst elected members and stakeholders, a report should be considered and approved by local transport authorities that formally acknowledges the timescales (likely to take seven years to implement), the costs (likely to be £4-15 million, depending on the scope of the scheme) and risks (in both making a franchising scheme and once the scheme is made) associated with a Bus Franchising Scheme.

Once approved, the local transport authority should commence work on developing a franchising framework once the necessary regulations have been placed in statute by the Scottish Parliament.

Immediate action regarding the potential for a single municipally-owned bus operator

A single municipally-owned bus operator could deliver all bus services in a local authority area, or perhaps across the whole region. Achieving this outome will be time-consuming as it relies on one of two courses of action – franchising or acquisition.

In respect of acquisition, it is recommended that local transport authorities open discussions with their Treasurers and Democratic Services teams to determine whether the funding can be made available to acquire the businesses, whether such acquisition fits with the authority's general policies and whether there is appetite to accept the risks involved, should the current operators ever be willing to sell.

We estimate that acquisition of bus operators across the region could cost at least £200m.

2. DEFINING OBJECTIVES AND OUTCOMES

2.1 Introduction

2.1.1 In this first section we set out the objectives and outcomes that the Glasgow & Strathclyde region could expect from the region's bus network. The desired outcomes are drawn from the rich policy context that exists in the Glasgow & Strathclyde region, including the Regional Transport Strategy developed by SPT, the emerging Transport Strategy that is currently being developed by Glasgow City Council, and the transport policies and strategies of all other authorities.

2.2 Policy Context

2.2.1 In this section we set out the broad policy context within which this study sits, at national, regional and local authority levels.

National Policy for Buses

2.2.2 Transport Scotland, the agency created by the Scottish Parliament to plan and deliver transport policies across the whole of the transport network, has a series of policy aims for buses set out on its website that sit within the framework of the 2020 National Transport Strategy (NTS2):

- To provide the environment for bus to act as an effective economic enabler by providing competitive, high quality public transport
- To enable bus to provide an effective alternative to the car by improving reliability, average bus speed and encouraging improvements to the quality of services and infrastructure
- To encourage investment in more efficient vehicles that produce less greenhouse gases and contribute to the targets in the Climate Change (Scotland) Act 2009
- To link communities, people, places of business and employment and essential services through encouraging the maintenance and development of the bus network in Scotland

2.2.3 Transport Scotland enacts these objectives:

- **By regulating the bus industry** to ensure that basic standards are met by bus operators, through the Bus Service registration system managed by the Traffic Commissioner;
- **By providing capital funding** for investment in highways and interchange measures that improve the operating environment for bus operators and bus passengers, notably the £500m Bus Partnership Fund launched in 2019 and the £50m Scotland Zero Emission Bus funding launched in 2021. This bus-focused funding sits alongside a range of other funding streams for transport capital investment;
- **By providing revenue funding** to support the operation of bus services, notably the Bus Services Operators Grant that provides a subsidy based on operators' use of fuel for operating bus services; and

- **By providing other grants and payments to achieve national policy outcomes**, notably the National Concessionary Travel Scheme (NCTS) that reimburses bus operators, on a no-better no-worse-off basis, for the fares foregone when offering eligible people free travel on buses.

Strathclyde Regional Transport Strategy

2.2.4 SPT published "A Catalyst for Change", the regional transport strategy (RTS) for the West of Scotland in 2008 and has delivered key aspects of the strategy since then. A new strategy for the region is currently being developed.

2.2.5 The key outcomes of the RTS are:

- Improved Connectivity
- Access for All
- Reduced Emissions
- Attractive, seamless, reliable transport

2.2.6 SPT enacts the strategy in relation to bus services:

- **By setting a strategic context for bus services** that local authorities and bus operators work towards in the SPT area;
- **By facilitating an open dialogue with partners involved in delivering bus services**, including various forms of bus partnership working;
- **By providing revenue funding to procure socially necessary bus services** that require financial support in order that they are commercially viable for bus operators to operate. SPT also provides dedicated bus services to take students to schools across the region on behalf of local authorities;
- **By providing bus stations and interchanges** in town and city centres and at key rail hubs;
- **By administering multi-modal ticketing products**, alongside the range of fares and tickets offered by individual operators (which include SPT's own products for the Subway); and
- **By providing bus stop infrastructure and information about bus services** at most of those stops. Information is also available through online sources.

Local Authority Transport Strategies

2.2.7 SPT is a partnership of twelve local authorities covering Glasgow, North Lanarkshire, South Lanarkshire, North Ayrshire, South Ayrshire, East Ayrshire, Renfrewshire, East Renfrewshire, Inverclyde, West Dunbartonshire, East Dunbartonshire and the Helensburgh and Lomond area of Argyll and Bute. Each of these local authorities have transport strategies that focus on the provision and maintenance of local transport services including highways, parking and public realm assets. Where traffic congestion affects the journey times and reliability offered by bus services, local authorities play a key role in facilitating bus movements by providing bus priority measures (for example bus lanes, traffic signal adjustments, bus only roads).

2.2.8 Glasgow City Council is currently developing a new transport strategy for the City and as the main urban centre of the region, Glasgow has as particular interest in considering how bus services can contribute to a just and environmentally sustainable bus network that supports the City's economy and people. For this reason, the City Council has part funded this scoping study. The emerging transport strategy for the City sets out four key outcomes:

- Transport contributes to a successful and just transition to a net-zero carbon, clean and sustainable city;
- Transport has a positive role in tackling poverty, improving health and reducing inequalities;
- Transport contributes to continued and inclusive economic success and a dynamic, world class city; and
- Places are created where we can all thrive, regardless of mobility or income, through liveable neighbourhoods and an inclusive City Centre.

2.2.9 The emerging strategy sets an ambitious goal to deliver a carbon net zero transport system by 2030, implying that some very deep and rapid changes to the transport network will be needed, including the greater provision of bus services and the delivery of those services using buses that have much reduced carbon impacts.

2.3 This Study - Aim and Outcomes

2.3.1 Taking account of the strategic transport context set out briefly in Section 2.2 above, we have developed an overall aim for bus services and a series of supporting desired outcomes. The aim and the desired outcomes as currently worded have no specific democratic approval, but they do draw extensively on the national, regional and local aims, objectives and outcomes that are formally agreed in relation to the provision of bus services.

2.3.2 The overall aim for buses, intended to guide this study is:

To provide a world class bus service for the Glasgow & Strathclyde region.

2.3.3 This is a highly ambitious aim, however it has resonance with the work that the City Council is doing and its desire to have a dynamic world class city, and also reflects the ambition shown by SPT at a regional level and Transport Scotland at a national level. It is noted that the realisation of "world class" bus services will vary considerably across the whole of the Glasgow & Strathclyde region, these variations will be tackled when we begin to consider the geographical options for bus reform.

2.3.4 Following from this overall aim to guide the study, a series of desired outcomes have been developed. These are based on the national, regional and local authority policy context set out in Section 2.2 with a focus on the particular requirements of, and opportunities offered by, bus services in the Glasgow & Strathclyde region.

2.3.5 We consider that achieving the following outcomes together will deliver a world class bus service and achieve the overall aim for this project:

- **More efficient and reliable bus services**
  - to improve accessibility through new and more viable travel choices, making efficient use of buses and more flexible solutions to offer bus services to as many people as possible
  - to support economic growth, including in disadvantaged communities
- **Better integration of bus services**
  - between bus services
  - with other transit modes
  - exploiting opportunities arising from Mobility as a Service initiatives
- **Cheaper and simpler fares**
  - to encourage more bus use and more modal shift
  - to tackle poverty and inequalities, allowing more people to thrive
- **Lower carbon impacts and lower tailpipe emissions**
  - to help move towards a net zero carbon transport system
  - to help address local emissions and avoid resulting impacts on communities
- **Fully accessible buses and stops, information and communications**
  - so that everyone can use buses irrespective of mobility or health issues
  - to give everyone a positive experience, backed by good quality information
- **Better safety and personal security when using the bus**
  - ensuring everyone, including vulnerable people, feels safe and secure as one of many people travelling on a bus
  - ensuring everyone is safe when they board, alight and move around the bus
- **Resilience to change**
  - readying the bus network for the challenges and opportunities of the future – economic growth, climate change, new travel habits, etc
- **More people using buses**
  - as part of healthy active lifestyles
  - to drive modal shift by achieving attractive journey times
  - to reduce emissions from private cars

2.3.6 The desired outcomes are summarised below:

2.4 The COVID19 Pandemic

2.4.1 The COVID19 pandemic has had a profound effect on the bus service offered in the Glasgow & Strathclyde region. A collapse in bus ridership occurred when the lockdowns began in March 2020 – in the short term as a result of people being required to stay at home, and in the medium term as a result of people's reduced need to travel and their perceptions about infection risk on public transport.

2.4.2 Government policy determined that bus service levels were maintained as they provided vital links for key workers to get to work and for people to access life-sustaining services (shops, healthcare, friends & family). Significant sums of Government money were spent to maintain bus service levels and bridge the gap in farebox revenues, which had collapsed as a result of falling ridership. Payments to bus operators for the carriage of passengers eligible for free travel were also maintained at pre-pandemic levels, despite many fewer eligible journeys being made.

2.4.3 The result is that during 2020 and 2021 the operation of practically every bus service in the Glasgow & Strathclyde region was supported by Government funding to bridge the gap in farebox revenues, in order to ensure the operation of those services was viable. This situation is likely to persist into 2022 at least, maybe for considerably longer. If funding were to be withdrawn ahead of the impacts of COVID on bus use ending then there is a risk many commercial services would need to be reduced in scope or frequency, or be deregistered.

2.4.4 The most stringent restrictions imposed during 2020 are now behind us and their longer term legacy is being felt by the bus industry. Bus passenger numbers and revenues have not returned to pre-pandemic levels, the cause being a complex mixture of reduced travel demand (notably greater homeworking reducing the demand for commuting) and a greater reliance on using the private car due to convenience and safety concerns. Without further intervention (such as marketing campaigns and measures to discourage the use of private cars for certain journeys) it may be several years before bus demand and revenues return to their 2019 levels, indeed the fact that bus ridership was in decline across the region prior to the pandemic means that passenger numbers might never return to 2019 levels at all without long term changes to the funding model for buses. In addition the nature of urban bus ridership may have permanently changed as a result of the greater prevalence of home working and the growth of home shopping and deliveries.

2.4.5 As a consequence, a key consideration for local transport authorities and bus operators must be to maintain funding support from the Scottish Government so that the current bus network is maintained and not diminished as a result of the COVID19 pandemic. This requirement is immediate and therefore does not materially impact on the consideration of bus reform options – these options would happen on a longer timescale than the negative impacts that would arise from ending the COVID19 financial support that is funding the bus industry.

2.4.6 This is important because in order to achieve the desired outcomes and deliver the aim of a world class bus service, the starting point should be the best available bus service network with the number of service cuts precipitated by reduced farebox revenues minimised as far as possible. That is the case whichever approach to delivering bus services is chosen in the future, be it reform or maintaining the status quo.

3. DEFINING THE GAP

3.1 Introduction

3.1.1 The aim of this study is to determine the regulatory and financial circumstances in which the Glasgow & Strathclyde region can benefit from a world class bus service. It is therefore our first task to define in broad terms the characteristics of a world class bus service and assess how current services in the Glasgow & Strathclyde region measure up. This will allow us to define any gaps in service at a strategic level and guide the consideration of bus reform options.

3.1.2 In this section we will therefore identify comparator cities that can be considered to benefit from a world class bus service, then identify high level characteristics of the bus network in the context of our desired outcomes. We will then look at those same characteristics for the bus services offered in the Glasgow & Strathclyde region in order to determine where gaps exist that would need to be bridged in order to achieve "world class".

3.2 Comparator Cities and Data Collation

3.2.1 We have used three ways to identify comparator cities to the Glasgow & Strathclyde region. These are:

- Cities that are defined as the Top 10 Urban Mobility Cities in the world by the Oliver Wyman Institute[1];
- City regions in England and Scotland that exhibit similar transport governance arrangements to the Glasgow & Strathclyde region[2]; and
- Cities with a similar population to the Glasgow & Strathclyde region on the European mainland and other comparator cities of interest[3].

3.2.2 We have conducted online research to draw together key indicators for each of these cities that relate to the desired outcomes set out in this study.

3.2.3 It is important to caveat the scale of this exercise: the intention is simply to paint a picture of the existing situation in broad brushstrokes. In most cases, there were various different ways of defining the geographical extent of each city, and consistent data sources were not always available for all comparators. As most comparator data sources were for cities rather than wider city regions, data for Glasgow is predominantly based on the immediate conurbation (broadly Glasgow City Council and the contiguous built-up area). In addition, in some situations data was only available at an aggregate level covering all public transport – particularly in cities which offered a fully-integrated transport system with no fare differential between modes.

3.2.4 The comparisons should therefore be treated as indicative only. Data tables and a list of sources used are provided in Annex 1.

[1] Singapore, London, Stockholm, Hong Kong, Amsterdam, Tokyo, Helsinki, Berlin, Paris, New York - Top 10 Urban Mobility Cities (https://www.oliverwymanforum.com/mobility/urban-mobility-readiness-index.html#)
[2] Edinburgh, Greater Manchester, Liverpool, Nottingham, Tyne & Wear, West Yorkshire
[3] Five most similar cities (https://www.centreforcities.org/competing-with-the-continent/factsheets/glasgow/): Rotterdam, Dortmund, Dresden, Bilbao, Valencia; additional cities of interest: Zurich, Vienna, Turin, Dunkerque

3.2.5 Transport data gathered for the appropriate cities was based on specified public transport success parameters associated with the desired outcomes set out in Section 2. The research was designed to compare these success parameters among the cities. The parameters used were:

- Bus Usage
- Efficient, Reliable and Faster Transport
- Transport Integration
- Cheaper and Simpler Fares
- Lower Carbon Impact
- Bus Passenger Satisfaction
- Public Capital Spending on Public Transport
- Urban Access

3.2.6 Once the parameters were established, the data extraction was streamlined:

- For **Bus Usage** it was deemed reasonable to estimate bus ridership in each city and compare that the population in that city as a factor (e.g. 2 million journeys per annum in a city with 1.6 million people living in it would have a factor of 1.25), hence data for population and bus ridership was extracted;
- **Efficient, Reliable and Faster Transport** was based on data of average bus speeds across these cities;
- **Transport Integration** was estimated through the availability or otherwise lack of availability of multi-modal and multi-operator tickets;
- **Cheaper and Simpler Fares** were characterized by average fare per passenger carried, which was estimated through total transport revenue and ridership. Another approach that was used to find and compare 'cheaper and simpler fares' was by finding costs of daily unlimited travel pass of the cities;
- **Lower Carbon Impact** was determined through a single Air Quality indicator, US EPA through its AQI scale. This was done to enable direct comparison of cities and while within the same city, different locations yielded a different AQI scale value, the highest (worst) value was recorded for comparison;
- **Public Bus Satisfaction** estimates were based on satisfaction/performance surveys of respective cities;
- **Public Capital Spending on Public Transport** was determined by estimating the total capital spent on public transport per head of the population; and
- **Urban Access** included the implementation, or not, of direct road user charging including any congestion charge zones within the cities.

3.2.7 Wherever possible, all transport data gathered was based on 2019 numbers. While COVID19 pandemic impacted every city, the intensity of impact itself was different for different cities and hence it was deemed reasonable to compare these cities with regards to their performance in pre-COVID times.

3.3 Key Attributes of World Class Bus Networks

3.3.1 After compilation of transport data under the parameters described above, it was possible to estimate the best performing transport systems under each given parameter compared to Glasgow, described as follows.

3.3.2 **Bus Usage**: this was estimated by ridership count in a given city with respect to its population:

- **Paris** registered highest daily public bus usage among the cities compared, averaging 3.1 million trips on public buses each day. It registered an average daily bus ridership to total population factor of 1.44;
- **Amsterdam** registered second highest daily ridership numbers for public transport with 1.2 million trips and a ridership/population factor of 1.39; and
- Amsterdam was followed by **Zurich,** where VBZ, Zurich's transport operator, reported a daily average trip on public buses to be 1.8 million, which gives a ridership/population factor of 1.31. Zurich's daily ridership number includes transport in the entire greater Zurich region, so the population estimate used for ridership count was also for the greater Zurich region. While city-only data was not available, it is reasonable to assume Zurich has higher urban city bus ridership in comparison to any other given city.

3.3.3 **Efficient, Reliable and Faster Transport**: to estimate this parameter, average public bus speeds of the cities were compared. This estimate was based on average speed of off peak and on peak bus speeds across the city:

- **Rotterdam** was found to have the highest average bus speed among the cities compared. With average bus speed of 22 kph. It also had highest average peak-time bus speed of 19 kph;
- Rotterdam was followed by **Singapore** with average bus speeds reported in 2019 to be 20 kph, which is impressive given the fact that the city faces severe land space issues. However it was noted that Singapore was able to maintain these speeds because of abundance of bus only lanes and a complete ban on all new private car registrations since 2020; and
- **Vienna** was found to have third best average public bus speed across all the cities with average bus speed reported in 2019 to be 19.3 kph. Vienna also registered 17.5 kph as the average peak time public bus speed.

3.3.4 **Transport Integration**: to compare the cities in terms of this parameter, information regarding availability of multi-operator and multi-modal tickets was extracted:

- All 26 cities analysed were found to have multi-modal ticket options. Examples such as Oystercard in London, Octopus card in Hong Kong, OV chip card in Amsterdam, SL card in Stockholm, EZ-Link card in Singapore were found to be multi-modal transport cards across these cities. It should be noted that in many examples the integrated multi-modal ticket was presented to passengers across all modes as a single simple option, rather than as part of a panoply of different tickets offered by each operator; and
- It has been suggested that such simple and fully integrated transport card systems can be regarded as more convenient than daily tickets for public transport travel, our data provides substantial evidence to back this assertion as all best performing public transport cities were found to have integrated transport cards/passes.

3.3.5 **Cheaper and Simpler Fares**: to gauge affordability of public transport an attempt was made to estimate the average bus (or public transport) fares. This was done by first

determining the total average daily fare revenue of any given city and then use average daily ridership to determine fare per trip:

- While revenue data for all cities was not available, of those where such data was extracted from the literature, **Singapore** was found to be the city with lowest average fares with each trip costing 30p. In comparison to this, public bus trip costs in London are an average of 68p (after taking account of concessionary travel);
- In **Berlin**'s case bus only fares revenue was not found, however an estimate of total public transport ridership against total public transport fares revenue suggests every public transport trip costs 39p;
- **Dresden**, similar to Berlin, provided total fares revenue data, which was compared to its total transport ridership and yielded the third lowest average public transport fare of 86p;
- In **Dunkirk** public transport is free;
- Another approach that was utilized to compare cheaper and simpler fares was to compare the all day unlimited travel pass prices. For most cities it was found that the all day unlimited travel pass was valid across all transport modes, of those **Dresden**'s transport pass for all day unlimited travel was found to be cheapest, £5.49; and
- In all of the above examples, the decision making process about the creation of ticketing products and setting of fares rests with a single transport body rather than left to the individual commercial decisions made by operators.

3.3.6 **Lower Carbon Impacts**: to assess urban air quality a single standard measure was utilized in order to compare cities with each other. This used the AQI scale for indexing the real-time air pollution based on the US EPA standard, using the Instant Cast reporting formula (it should be noted that this index is not used in Scotland to determine statutory air quality monitoring requirements or for determining the need for action to improve air quality in defined zones, it should only be used only for global comparisons).

3.3.7 We recognise that using this AQI scale is a simplified way of assessing air quality, because the index is related to the size of the city, the volume of trips made in that city, the geographical location of that city on the globe and other factors not directly related to bus use. However it does provide an overall indication of Glasgow's standing, in air quality terms, compared to the cities it aspires to match in terms of its bus service. The highest scale value (worst) reported in the given city was registered in the data set:

- Newcastle-upon-Tyne and Nottingham in England were found to be better than Glasgow in terms of real-time air quality with AQI scale value of 19 and 17 respectively. Glasgow registered AQI scale value of 26, at the highest value registered in all of the reporting stations within the city;
- An AQI scale value under 50 is considered as safe and acceptable and our European comparator cities did well in terms of the AQI scale - out of the 22 European cities examined only one, Paris, had an AQI scale value above this threshold (63); and
- Every non-European city that was analysed in the study had AQI scale values higher than the maximum safe value, including Tokyo (61), Hong Kong (70), Singapore (76) and New York (106).

3.3.8 **Bus Passenger Satisfaction**: while there was no provision of a single bus passenger satisfaction survey to gauge the perceived acceptance or favourability of passengers

towards public transport for all the cities, our study focused on collating data for any public surveys done locally where passengers were asked to express their satisfaction with public bus transport:

- **Singapore** public bus transport received highest public satisfaction rating with 97.3% of people either very satisfied or satisfied. Singapore also registered 72% Public Bus ridership per head of population, higher than most other cities in the comparison;
- **Stockholm** registered second best public bus satisfaction with 96% people satisfied with its services; and
- It is important to mention here that due to lack of a single, unified survey it may well not be feasible to compare these numbers across all the cities, as all these survey results reported have different methodology, sample size and theme of questions.

3.3.9 **Public Capital Spending on Public Transport**: the capital spending parameter was determined by estimating total public spending on transport per head of its population. In some cases the estimate includes both recurring funding and capital spent on infrastructure development, which skews the overall spend profile somewhat:

- Annual public spending estimates on transport were not available for all the cities, however among cities where such data was readily available, **Singapore** registered highest with almost £819 spend per head of population on public transport in 2019. This coupled with the fact that Singapore was also found to have lowest average fare per ridership headcount, makes it stand out from the rest. **London** in comparison to Singapore spent only a quarter (£231) per head of its population in 2019;
- **Zurich** with £692 spend per head of its population on public transport was second among the cities, followed by **Dresden** with £549 spent per head of its population; and
- **Hong Kong** however was found to be the only city where public transport was self-financed. Its transport finance model guarantees profit generation (through its land acquisition model) instead of any deficit where its public transport operator (MTR) registered £1.7bn profit in 2019 and hence does not require direct public sector support. We accept that the provision of public transport is complex and direct comparisons should be done with care, however it is clear that Hong Kong offers a benchmark for integrating land use and land value into the development of a public transport system.

3.3.10 **Urban Access**: the study included implementation of road user charging among the cities compared and found that most cities had some sort of urban access restriction:

- Low emission zones – LEZs were found to be in operation in as many as 11 cities out of the 26 compared with another 5 announced LEZ to be in operation in coming years;
- **Singapore** has no LEZ in operation but has banned registration of all new non-electric vehicles and plans to implement emission standard restrictions on bikes from 2023;
- **New York** plans to implement London style congestion charge in Manhattan;

- **Edinburgh, Glasgow, Manchester** and **Liverpool** plan to have their LEZs covering all motor vehicles in coming years; and
- **Zurich, Bilbao** and **Dunkirk** have no LEZs neither planned nor in operation.

3.4 Performance in the Glasgow & Strathclyde region

3.4.1 As explained previously, the analysis in this chapter is mostly focussed on Glasgow and its built-up environs rather than the whole Glasgow & Strathclyde region, so that a reasonable comparison can be drawn between Glasgow and the other comparator world cities. While some transport data for Glasgow is not readily available, in particular data about bus revenues, in all instances where data was available a comparison of transport performance has been made.

3.4.2 It should be noted that all cities in this analysis outside the UK either have a single operator of buses and other public transport modes, or have a single transport body that procures bus services (and other public transport services) to single integrated and co-ordinated specifications. The highly competitive nature of the public transport network in the UK, and specifically in Glasgow, is unique to this country.

3.4.3 Relative bus ridership in all the analysed cities was higher compared to Glasgow. We estimated that daily bus ridership in the Glasgow & Strathclyde region was 425,000 trips (see Annex 2) which equals to 25% ridership per head of population, although it is likely that ridership per head would be higher in Glasgow and the immediately contiguous councils. Best performing cities for bus usage such as Amsterdam, Paris, Zurich, Vienna, Berlin, Stockholm all had a ridership/population factor greater than 1.00, with Paris and Amsterdam topping the list. It is noted that the Glasgow & Strathclyde region has a dense and frequent rail service compared to most Scottish cities, and the presence of that rail service will affect bus ridership in Glasgow – however that is a situation that also applies to the majority of our comparator cities.

3.4.4 Average bus speed in Glasgow is estimated to be 16kph which is almost 20% lower than average peak-time public bus speed in Rotterdam. Glasgow also was found to have lower average bus speed then Vienna's average peak-time bus speed, 17.5 kph. Singapore and Rotterdam were the two cities with highest average bus speeds - both cities also outperformed Glasgow even when their peak-time average speeds were compared to Glasgow's average bus speed. Other than these, of those cities where average speed data was available, the majority of them outperformed Glasgow (see Annex 1).

3.4.5 The SPT Zonecard offers multi-modal and multi-operator travel across the SPT region. SPT is working with stakeholders to modernise its current Zonecard offer. However, our findings suggest that cities which avoid a panoply of multiple fares offered by different operators and modes, and instead offer a comprehensive and unified suite of multi-modal fare products – such as those of Octopus card in Hong Kong, OV chip card in Amsterdam, SL card in Stockholm, EZ-Link card in Singapore – are all found to be outperforming Glasgow in terms of transport usage per head of population.

3.4.6 In comparison to other cities, the initial data from Glasgow suggests average fare is circa 97p on a like-for-like basis. Comparison to cities where transport revenue data was available suggests that it was significantly higher than the best performing cities. For instance Singapore, where average fare per trip was estimated to be 30p and 39p in Berlin.

Those best performing cities have a single body that determines fare products and fare levels on the basis of passenger focussed decision making, and may also provide external subsidies to lower fares in some circumstances.

3.4.7 Edinburgh, according to Lothian Bus annual report of 2019, has 95% of its passengers satisfied with its service, while the Scottish Household Survey in 2019 revealed that overall satisfaction with public transport services in Edinburgh (across all operators) was 88%. A satisfaction level of 95% is also associated with Nottingham, based on the Transport Focus Bus Passenger Survey. In comparison the level of satisfaction with public transport in the 2019 Scottish Household Survey was 79% in Glasgow and ranges between 44% (in South Ayrshire) and 77% (in West Dunbartonshire) for other council areas in Strathclyde (excluding two outliers at the upper and lower end, the range for the remaining 8 authority areas is 58% to 76% satisfaction. This satisfaction with public transport in Strathclyde is lower than most cities in our analysis, notably Singapore, Hong Kong, Stockholm and Dunkirk (see Annex 1).

3.5 Defining the Gap

3.5.1 Based on the available data that was gathered from across the 26 cities, the following gaps have been identified:

- Glasgow's bus ridership has been found to be significantly lower when compared to best performing cities. Top performing cities, such as Paris and Zurich registered ridership numbers that are more than double compared to Glasgow on a like-for-like basis. However, whilst most European cities outperformed Glasgow significantly, in the UK only London and Edinburgh were found to be ahead of Glasgow.
- Cities with a single integrated multi-modal ticketing system with one integrated body setting fares have fared much better in almost all public transport performance parameters.
- In terms of average bus speeds, Glasgow did poorly against most comparator cities. Singapore can be taken as a good case study, a city that is significantly more congested than Glasgow with 7 times more population was found to have almost 20% higher average bus speed compared to Glasgow. Congestion for buses and extended boarding times created by on-bus ticket sales transacted by the driver are both factors affecting performance in Glasgow.
- As a consistent pattern, bus ridership in cities with a predominantly monopoly market/single operator transport network delivery model, or one delivered through a franchised-style of model, outperformed other cities. Cities such as Paris, Berlin, Stockholm, Dortmund, and Dresden, were all found to be out performing Glasgow in terms of relative transport ridership numbers and at the same time have been found to have lower average fares.

3.5.2 The findings of this work, and the gap between Glasgow and world class, is summarised below (obvious and illogical outliers in the data, at either end, have been excluded from this summary).

.	Bus speed	Air quality index (good=low)	Urban road user charging/LEZ	Multi-modal ticketing	Average fare per trip	Public sector spend per annum per head	**Daily bus trips per head**
World class	19-22 kph	24-106	17 of 26	Fully integrated, all operators and modes	£0.00 to £1.04	£230 to £820	0.72 – 1.44
Glasgow	16 kph	26	No	Wide range of operator, mode and multi-mode products	£0.97	?	0.25
Compare	☒	☑	☒	☒	☒	?	☒

3.5.3 In conclusion, there is much to do in the Glasgow & Strathclyde region to achieve a world class bus service, both in terms of the services provided, the fares and ticketing products available and the road network on which bus services operate.

3.5.4 While COVID19 temporarily freed bus services from congestion due to the severe reductions in general traffic, car use is now returning to pre-pandemic levels and buses in the Glasgow & Strathclyde region are once again affected by general congestion but with lower passenger numbers and a reduced farebox revenue. The challenge faced by the bus industry, which is evident from the Government grants required to support current service levels, is therefore clear.

4. INFORMATION GATHERING AND INSIGHTS

4.1 Introduction

4.1.1 In this section we set out the results of our information gathering exercise in relation to stakeholder consultations, data gathering and what we have done with that data to inform the study.

4.2 Stakeholder Consultations

4.2.1 We have conducted stakeholder meetings with bus operators, local authorities and other key influencers in the bus industry. The findings of these discussions are summarised below.

Bus Operators

4.2.2 One to one meetings were offered to the nine larger commercial operators with businesses in the Glasgow & Strathclyde region. Of those nine operators three accepted our offer of a meeting (McGills, Shuttle Buses and CT Glasgow), one wished not to meet us and the remaining five did not respond.

4.2.3 Despite this relatively poor response from the bus operator community, we believe that the companies we spoke to represent a good range of operators - from larger operators of predominantly commercial networks to smaller operators that provide a range of tendered and community transport services in rural and urban settings.

4.2.4 The key findings of these meetings, which we believe can be extrapolated to represent the views of bus operators more generally, are as follows:

- The larger urban operator McGills sees the Bus Service Improvement Partnership (BSIP) as the best vehicle to deliver an improved bus service in the Glasgow & Strathclyde region, with a number of improvements and innovations such as tap-on/tap-off ticketing and multi-operator fare capping already being proposed through the Glasgow Bus Partnership. It was accepted that the BSIP model may not be capable of delivering all aspects of cheaper and simpler fares, but the key barrier to this was considered to be the concessionary travel reimbursement system used by Transport Scotland that disincentivises single fares promotions and the provision of flat fare schemes.
- The smaller rural operator Shuttle Buses considers that the opportunities to deliver improved bus services through the BSIP process may be limited in the part of Ayrshire where they operate, and that a franchise would be the better way to achieve a world class network if funding was available.
- The urban community transport operator CT Glasgow considered that the BSIP could be unduly focused on delivering infrastructure to aid bus services, given the funding currently available, whereas the firm's experience is that investment in filling in gaps in the bus network and providing first/last mile connections into main bus (and rail) corridors is also required. CT Glasgow considered that a franchise scheme may be capable of delivering services to fill these gaps, but that the

likelihood of legal challenge to a franchise scheme could prove insurmountable. The practicalities of moving towards establishing a single municipal operator in the region, or an area of the region, were also considered insurmountable in the current operating environment.

4.2.5 In summary, the BSIP option is seen by larger operators as an opportunity to make a certain level of improvements to services in the Glasgow & Strathclyde region. Smaller operator are more likely to see benefits in the franchising option. Operators consider that the alternative options – franchising or a municipally owned operator – have issues that may hamper practical implementation.

Local Authorities

4.2.6 Local Authority transport officers were contacted and invited to individual meetings to discuss the study, their views on the four proposed options and challenges faced within each local authority. Meetings were arranged with the following local authorities:

- Inverclyde Council;
- East Renfrewshire Council;
- North Ayrshire Council;
- West Dunbartonshire Council;
- South Lanarkshire Council;
- East Dunbartonshire Council;
- North Lanarkshire Council; and
- Renfrewshire Council

4.2.7 We engaged with Glasgow City Council through the client group for the study, rather than through a separate discussion.

4.2.8 All local authorities engaged in this exercise provided a useful insight to the bus operations in their locations and views on the options presented. As would be expected given the range of geographies covered, the challenges faced by each local authority varies, however there were strong themes common across most consultees including:

- The challenges of serving rural communities and evening users;
- In rural areas high car ownership reduces the attractiveness of bus travel and impacts on the viability of services;
- Lack of control of fares means they can be used by operators to compete for routes;
- Direct links between towns could benefit from improvement (e.g. Kilmacolm to Gourock); and
- Direct links to Glasgow are mainly to the city centre, and interchanges (numerous changes for some communities) are required to access the Queen Elizabeth University Hospital. This point was highlighted by the majority of consultees.

4.2.9 In relation to the options proposed a number of key points were raised for consideration which applied to all options. These included:

- A number of consultees highlighted that although Glasgow is a key driver in the region any solution would also need to consider movements outside of the Glasgow area.
- The finite level of resource available to SPT was also frequently mentioned by consultees and any operation model which impacted on the financial, technical and operational support available from SPT could have a negative impact on the surrounding local authority bus services.
- Capital funding was not highlighted as an issue by consultees, but revenue funding remains challenging and the funding required to deliver some of these options would be significant and an ongoing requirement.
- Public transport is a public service and the reliance on commercial bus operators can lead to network changes which do not serve the community.
- Given the geography of the study area, cross-boundary services and how different governance options interact would have to be considered.

Bus partnerships

4.2.10 Many of the local authorities have voluntary partnerships in place with local bus operators either through SPT or individually to a greater and lesser extent. These are often informal arrangements and benefit from good relationships between Transport Officers and bus operators and in some locations could be expanded further to maximise the benefits.

4.2.11 The voluntary nature of the agreements without the need for legal backing was viewed positively by the majority of the respondents

Bus Service Improvement Partnerships (BSIPs)

4.2.12 Attitudes to BSIPs varied and were generally related to the success of bids to the Bus Partnership Fund. For those local authorities successful with the Bus Partnership Fund there is a push towards establishing a BSIP, albeit that those authorities had concerns that other potential options have not always been considered on an even footing, if at all. Some authorities noted the limited benefits that have arisen from previous Statutory Quality Partnerships in the region, the predecessor delivery model to the BSIP.

4.2.13 The BSIP option was viewed by some consultees as requiring a lot of legal involvement which may make it complicated and difficult to set up however there are aspirations, by some, for a “light-touch” approach to the legal aspect of the BSIP by limiting the commitments made by partners and enshrined in the agreement.

Municipal ownership

4.2.14 Municipal ownership has been considered by two local authorities to run alongside and support commercial services. A number of challenges have been raised by transport officers and would require further investigation to progress them:

- Local authorities would be required to acquire skills and assets to operate a service;
- Operating a municipal service at a lower cost to existing bus operators would be challenging, especially on the less profitable routes; and

- The role of SPT and LAs needs to be clarified with regards to the powers within the Transport Act relating to who can run a bus operator, the LA or SPT (SYSTRA understands that this option is open to both SPT and local authorities).

Bus Franchising

4.2.15 Bus Franchising has not been discussed specifically by any of the local authorities consulted. The challenges facing franchising were considered to be similar to municipal ownership regarding the need to acquire the skills to operate a franchise system and also the funding to support it. The role of managing a bus franchising scheme was raised by a number of consultees who considered SPT to be well placed.

Other Key Stakeholders

4.2.16 We also spoke to Get Glasgow Moving, a high profile campaign group focused on delivering significantly better public transport services in the City; UNITE, the trade union that represents many workers in the region's public transport industry; and Transport Scotland.

4.2.17 Get Glasgow Moving point towards the limited impact of Bus Partnership schemes in Glasgow and other parts of the UK as evidence that the BSIP option is unlikely to prove successful. The group therefore favours greater public control, allied to greater funding for public transport services, to be delivered through either a franchise or municipal ownership model.

4.2.18 UNITE also believes that public ownership is the best way to achieve a world class bus service, but consider that a franchising scheme could lead to a diminution in the terms of conditions for bus workers as a result of the competitive process to win franchise contracts. UNITE therefore favours a public ownership model for bus services.

4.2.19 Our discussion with Transport Scotland (TS) was high level and focused primarily on data sources and the Bus Partnership Fund initiative. TS noted that should a local transport authority wish to pursue a Bus Franchising Scheme in the future, that would not preclude that authority from accessing resources via the Bus Partnership Fund.

Conclusions

4.2.20 Our conclusions from this stakeholder engagement task are that:

- A wide range of views are available across the different actors in the bus market.
- The larger bus operator we spoke to supports the Bus Service Improvement Partnership option, operators are developing measures on ticketing and fares to feed into a BSIP for Glasgow and its surrounding areas.
- Smaller operators believe that the franchising option may be the better way to achieve our desired outcomes, but there are likely to be significant legal barriers erected by those against franchising that, alongside the process risks associated with franchising, may prove insurmountable.

- Local authorities outside of Glasgow City recognise weaknesses in the current bus offer in terms of connectivity and affordability, with the lack of sufficient revenue funding being seen as the key barrier. The authorities are generally in favour of partnership arrangements, albeit that the BSIP process is not without weaknesses. Franchising and municipal ownership are generally not seen as high priorities.
- The other stakeholders representing passenger interests and bus workers have much stronger support for the municipal ownership model and the Bus Franchising model.

4.3 Data Collection

4.3.1 To understand the costs, benefits and disbenefits of options proposed data was requested from bus operators, SPT and Transport Scotland.

4.3.2 Bus operators were informed of the study and the request for data at a Bus Partnership meeting and the data requested was in line with the data which has been shared by operators as part of work during 2021 to establish Bus Service Improvement Plans in England. An offer to enter into a confidentiality agreement was made in recognition of the commercial nature of the data. The following data was requested:

- **Bus Services**: a list of bus service routes and distances, disaggregated by depot base and by mileages within different local authority areas;
- **Bus Passengers**: a table of passenger boardings for a typical neutral pre-COVID week or month, disaggregated by bus service, by time of day and by ticket type, with service figures further disaggregated by local authority area for cross-boundary services;
- **Bus Operating Costs**: typical annual operating costs in each local authority area, disaggregated by size of vehicle (minibus, single decker, double decker) disaggregated between annual costs (e.g. vehicle depreciation/licensing, depots, systems, head office costs), hourly costs (e.g. driver wages) and costs per mile (e.g. fuel, vehicle maintenance, tyres) for a typical service in each local authority area;
- **Farebox Revenues**: fare revenues for a typical neutral pre-COVID week or month, disaggregated by bus service and also by local authority area if the split of revenues is likely to be significantly different from the split of passenger boardings; and
- **Fleet**: current fleet details (number of vehicles by size (mini/SD/DD), age, emissions standard and depot allocation), and details of planned rollouts of new vehicles including commitments to include special features (e.g. low or zero emissions buses).

4.3.3 Recognising that the data requested may be onerous to gather for smaller operators a more limited data request was made for those operators.

4.3.4 The timing of the request was challenging given the preparations taking place amongst operators for COP26, however only three operators provided any data to inform the study. Shuttlebus and Canavan provided fleet information and bus passenger numbers, in addition, Shuttlebus provided farebox revenues. First Glasgow provided details of service mileage by depot and fleet information.

4.3.5 To supplement the data received, Transport Scotland were asked, during the one-to-one session, if any concessionary fare data could be shared to inform patronage. Due to commercial confidentiality this information could not be shared.

4.3.6 The data requested was intended to be used to inform a cost and revenue model to assess how options would perform in terms of changes to bus patronage, revenues and costs. However the lack of available data has limited our ability to create a functional model in this way. To provide a more comprehensive and robust modelled forecast of the benefits and disbenefits of each of the options further engagement with bus operators would be required to encourage data sharing to inform the model. In the coming months and years it is hoped that further data sharing would be forthcoming as local transport authorities discuss BSIPs for their area, where that course of action is pursued.

4.3.7 In the absence of more comprehensive data from operators, the following sources of data were analysed:

- Total expenditure by bus operator for subsidised services (SPT).
- Details of all services in the SPT area – services were geographically mapped and were processed to derive the total live miles per service and split by local authority.
- Company accounts – company accounts were interrogated to understand the passenger revenue generated for larger operators.
- Transport Scotland monthly invoices - invoices over £25,000 are publicly available and give an indication of the payments made to operators for various reasons.

4.4 Use of data

4.4.1 Local bus operators were unwilling to share detailed financial information due to concerns associated with commercial confidentiality, and we therefore had to seek alternative ways of quantifying the present situation and projecting how potential changes to the delivery model might impact on the overall financial situation facing the bus sector.

4.4.2 In the absence of data from Operators, we have based our analysis on published statutory company accounts deposited with Companies House.

4.4.3 To enrich the data, we have sourced three additional datasets:

- SPT data on payments for subsidised bus services in the Strathclyde region;
- Transport Scotland data for concessionary fare reimbursement and Bus Service Operator Grant (BSOG) payments to operators; and
- GIS analysis of the existing bus network which allowed us to identify the proportion of services captured through our company accounts analysis.

4.4.4 We focused on the three largest operators in the Glasgow & Strathclyde region – First, Stagecoach and McGills; selected three smaller operators as representative of the rest of the sector; and then grossed up the analysis to 100% of the mileage operated using the GIS data.

4.4.5 To minimise the impact of the pandemic, but still utilise the most recent evidence base, we used the most recent reported accounts which had a minimal overlap into the COVID19 lockdowns.

Assumptions and Caveats

- The detail required within statutory accounts from smaller companies is very limited, and we have had to extrapolate certain data from the data available for larger companies;
- First and Stagecoach operators within the Glasgow & Strathclyde region are subsidiaries of larger owning groups, and we know that internal adjustments to statutory accounts of subsidiaries can distort the reported data;
- Operations of Glasgow Citybus are consolidated into their wider owning group (Craigs of Campbeltown) so we were unable to identify the operation solely within the Glasgow & Strathclyde region;
- There are no standardised year end accountancy dates, so inevitably there is not a perfect match of time periods for each operator; and
- We have used other data sources to enrich the analysis – but these do not necessarily have reporting dates which perfectly match the operating companies' accounting periods.

4.4.6 As a result the conclusions and figures quoted must be treated as indicative only. More information is provided in Annex 2, which explains the development of our costs, patronage and revenue analysis in more detail.

Scale of the Bus Market in the Glasgow & Strathclyde region

4.4.7 Our estimates suggest that the annual value of the bus market in the Glasgow & Strathclyde region is circa £277.5m per annum, when grossed up for all operators. Most recent data indicates that around 148m passenger journeys were made in 2019/20, just before the impact of the pandemic.

4.4.8 We estimate that for the bus market as a whole, operating profit was circa £34.5m per annum before the pandemic, representing an operating margin of circa 12%, which is fairly typical of the UK bus sector. The sector employs around 4,700 staff in the Glasgow & Strathclyde region.

Value of Public Sector Support

4.4.9 The sample operators in our analysis received almost £85m in concessionary fare reimbursement (circa £105m for all operators based in the region), and Bus Service Operator Grant for the operators analysed was approximately £17m. SPT provided £12.1m of subsidy for non-commercial services in 2019/20, of which about £8.8m was paid to the sample operators in our analysis.

4.4.10 Concessionary fare reimbursement is intended to recompense operators for the fact they are obliged to carry certain categories of passenger free of charge, restoring the operators to a 'no better/no worse' situation. Payments for BSOG and to operate subsidised bus services represented approximately 11% of the estimated total revenue for the operators analysed.

4.4.11 Commercially-generated revenue (that is farebox revenue from the fares paid by passengers not entitled to free travel) represented 52% of total income for the analysed

operators, and covered circa 59% of estimated total costs. If concessionary fare reimbursement has restored operators to a 'no better/no worse' situation, then revenue directly from carrying passengers represents 88% of total income, and covers 100% of total costs.

Average Fares

4.4.12 In order to inform our analysis of world class bus cities presented in Chapter 3 of this report, we wanted to estimate a typical average fare so as to understand how bus fares in the Glasgow & Strathclyde region compared to similar cities elsewhere.

4.4.13 Fare-paying passengers in the Glasgow & Strathclyde region pay an estimated average fare of £1.80 per journey. However, typically the comparisons provided from cities with an integrated, franchised-style delivery model will be total farebox revenue per passenger carried, because they do not need to specifically identify passengers in receipt of concessionary travel benefits. If we adjust for this fact, we estimate that a comparable average fare for the Glasgow & Strathclyde region would be 97p per passenger journey.

5. ADDRESSING THE GAP

5.1 Introduction

5.1.1 Section 3 clearly shows there is a gap between the bus network available to people in the Glasgow & Strathclyde region and the world class bus network that is the aim agreed for this study. However, some of the reasons for that gap are not necessarily simply a result of the current operating model used in region. This section examines some overarching issues that will need to be resolved in the Glasgow & Strathclyde region, irrespective of the bus operating model deployed, if a world class bus network is going to be achieved.

5.2 The Case for More Revenue Funding

5.2.1 Our analysis shows that there is a significant gap between the Glasgow & Strathclyde region and world class cities in terms of the bus services offered and the level and complexity of transport fare products available to permit travel on those services.

Bus Service Standards

5.2.2 The coverage of the current bus network in the region would benefit from being improved so that higher minimum standards can be achieved compared to the current network. These standards can be expressed in terms of minimum frequencies of bus services along every corridor and between nearby communities during peak and off-peak periods and during different days of the week. Achieving higher standards would improve the accessibility offered by the bus network, in terms of the coverage of the network geographically and the regularity of service throughout each day.

5.2.3 The outcome of our stakeholder consultation exercise clearly shows that this is particularly an issue on orbital bus services in the main urban areas, rural bus services, first/last mile connections to transport hubs and rural bus services. While some bus services attain a good standard of network coverage that could be considered to offer the required standard throughout the day and week, many do not.

5.2.4 To move towards a world class bus network there is a clear need to operate additional bus services – new bus services that tackle unmet demand in the current network, additional services in early mornings, evenings and weekends and innovative new services that offer local connections to transport hubs and frequent onward connections. None of these bus services will, in the short term at least, generate farebox revenues that will cover the cost of operation – if that were the case, a rational commercial market would already be operating them. We can therefore assume that in order to meet these higher bus network standards additional subsidy will be required in order that these additional services can be procured and operated.

5.2.5 We have not conducted a network and accessibility analysis that would enable us to accurately assess the additional revenue cost of these services. However we have used our costs and revenues model to provide some high level estimates based upon:

- A 5% uplift in daytime Peak Vehicle Requirement (PVR) in urban areas and town services – we estimate 75% of operated miles in the Glasgow & Strathclyde region are in urban areas and town services;
- A 10% uplift in daytime Peak Vehicle Requirement (PVR) in rural areas – we estimate 25% of operated miles are in rural areas; and
- An uplift in bus service operations to achieve minimum hourly standards for every service in the Glasgow & Strathclyde region, with different standards set for types of corridors and times of day.

5.2.6 The consequence of this set of high level aspirations is that we will require:

- An additional PVR of 50 vehicles in urban areas and town networks (we estimate approximately 950 buses are currently deployed to operate these networks in the region). These would be spread around the urban areas of the region although the majority would likely operate within Glasgow or into Glasgow from neighbouring authorities. Assuming a farebox recovery of costs of 30% in the first year of operation and 60% thereafter this will require an additional annual revenue support grant of £8.1m in the first year and £5.1m in subsequent years (including operator profit). These services will generate an estimate of 6 million additional bus passengers per annum;
- An additional PVR of 25 vehicles in rural networks (we estimate approximately 300 buses are currently deployed to operate these networks in the region). Assuming a farebox recovery of costs of 30% in the first year of operation and 60% thereafter this will require an additional annual revenue support grant of £4.0m in the first year and £2.6m in subsequent years. These services will generate an estimate of 3 million additional bus passengers per annum;
- Achieving an hourly off-peak service on every urban and rural service, where the daytime frequency is at least hourly, cannot be quantified given the limited dataset available. An indicative additional cost of £2 million per annum is assumed, but there is no quantitative analysis lying behind that high level estimate.

5.2.7 Overall, we estimate that achieving new minimum bus service standards will require approximately £9.7m of extra revenue funding per annum to enact across the Glasgow & Strathclyde region, with an initial first year requirement of £14.1m.

Lower, simpler integrated fares

5.2.8 The attributes of world class city bus networks emphasise the importance of a single fully integrated suite of multi-modal fares. Fare levels in the Glasgow & Strathclyde region are also higher than in the world class cities we have studied.

5.2.9 The current operating environment makes it impractical to implement a single suite of fully integrated multi-operator and multi-modal fares that replaces the current range of ticketing products. While the current Zonecard products offer fares for multi-modal travel, these products sit alongside numerous others that are offered bus operators, Scotrail and SPT. However such a fully integrated system should remain an aspiration for the region as part of its aim to have a world class bus service. The introduction of a simplified fares system would come at a considerable upfront cost in order to integrate all existing bus, rail and Subway fares into one suite of products and create the back office

systems to process journeys and payments. We do not yet have the information required to estimate this cost for the Glasgow & Strathclyde region, but based on experience elsewhere it is likely to be a considerable sum - perhaps £3,000,000.

5.2.10 Lowering fares within this simplified structure would then be likely to attract further passengers to the bus network, as well assist in achieving a world class network. Based on our current information about the costs and revenues for bus services in the region, we estimate that a 20% reduction in bus fares will generate an additional 12,500,000 fare-paying bus passengers per annum and require an additional subsidy of £10.5 million per annum to cover the reduced fares revenue. A reduction in single fares will also impact on the reimbursements received by operators for the carriage of passengers eligible for free travel through the National Concessionary Travel Scheme – if the Scottish Government chose to reduce the available funding as a result of a reduction in average fare, then operators could face an additional shortfall in revenue of circa £21m which would also need to be subsidised.

5.2.11 It should be noted that lowering fares in the current operating environment would:

- require a significant and complex multi-operator agreement to ensure all parties were willing to reduce their fares, in order to maintain fair competition between operators;
- require a complex reimbursement methodology to be agreed, which would generate significant data flows, require significant data processing and would need regular oversight and scrutiny;
- would adversely affect operators' NCTS reimbursement payments; and
- would be expensive to implement.

5.2.12 We consider that the sum of these constraints means that achieving lower fares or simplified fares in the current operating environment is very likely to be impractical.

5.2.13 It is nevertheless recommended in the short term that the region works with Transport Scotland to explore the potential to reform the concessionary travel reimbursement scheme so that the direct link between average single fares and reimbursement rates is decoupled, allowing operators greater commercial flexibility to consider offering more competitive single fares to passengers.

Marketing and Innovation

5.2.14 The need to find new ways to bring people back onto the bus, or use the bus for the first time in a while, has become more urgent as a result of the COVID19 pandemic and the effect that has had on bus passenger numbers and confidence. A major marketing exercise aimed at encouraging people back onto the bus, backed by a short term fares promotion, would enable operators to better demonstrate the attractiveness of their services. A fund of £1,000,000 would enable such a marketing campaign.

5.2.15 The region already has a considerable commitment to innovation in bus services, however there is the potential for new innovations such as app-based demand responsive transport (DRT) links (perhaps founded upon the current MyBus network in the first instance) and Mobility as a Service (MAAS) integration apps to drive better accessibility

and greater use of bus services. It is noted that SPT and Glasgow City Council have jointly considered a MaaS Readiness Programme and have identified that there are significant data integration issues, some of which relate to the current operating model for buses, that mean a public sector MaaS app is not currently being pursued.

5.2.16 Nevertheless the future establishment of a MaaS platform and accompanying app-based DRT service may remain an aspiration under different operational models for buses. Were it to be pursued further it would require a pump priming fund to establish these innovations and an ongoing revenue support sum to be made available - there is no UK-based evidence to suggest that DRT can be self-sustaining in either urban or rural settings. While this commission is not broad enough to provide a detailed analysis of the potential costs for these innovations, a sum of £750,000 to establish the systems and services followed by £1,500,000 per annum of additional revenue support appears a reasonable estimate.

Future Resilience

5.2.17 The COVID19 pandemic has exposed the fragility of the public bus market to significant shocks and considerable public money has been pumped into the industry in order to maintain service standards during the pandemic as a result of reduced ridership and revenue. Consideration should be given to a future fund that will be able to cater for future shocks, be it another pandemic that sees revenues crash or an economic crisis that affects the costs of operation, enabling the region to react in a co-ordinated way rather than a single national recovery scheme that may not offer best value for public money in the longer term.

5.2.18 The bus network of the future will also need to be resilient to future changes to other public transport networks in the region, for instance the proposals to establish a Glasgow Metro network. This could well lead to funding challenges that would need to be mitigated – this point is picked up in more detail when considering reform options in Chapter 7.

5.3 The Case for More Capital Funding

5.3.1 The assessment of performance of buses in the Glasgow & Strathclyde region against comparator cities makes it clear that the road infrastructure on which bus services operate does not offer sufficient levels of priority and journey speed to be considered world class. There is already a recognition of this at Transport Scotland, which has established the Bus Partnership Fund to allow local authorities to implement bus priority measures.

5.3.2 Our evidence suggest that what is required in the Glasgow & Strathclyde region is a top-down analysis of how competitive bus journey speeds and reliability can be achieved in all major corridors through a combination of traffic signal priorities, bus lanes and bus only routes in certain circumstances. The investment necessary in this infrastructure should then be sourced in order to ensure that the region's bus network can operate at world class levels of speed and reliability. It is noted that in 2021 the region successfully sourced funding from the Government's Bus Partnership Fund, which will deliver reviews of five bus corridors in Glasgow.

5.3.3 Further measures could also support this more efficient and quick bus network including:

- An improved Park & Ride network that intercepts car traffic at key decision points and puts them onto public transport for the final leg of their inbound journey. This network could also be extended to intercept cross-boundary journeys entering the region from neighbouring areas;
- Improved waiting and interchange environments to encourage more bus use in all weather conditions and times of the day, enhancing perceptions of safety as well as comfort of the whole travel experience;
- Fully integrating static and real-time information about bus services through the full range of printed, display and online media so that the perception of a single integrated network is enhanced;
- Investing in zero emission buses in order that the tailpipe emissions and carbon impacts of bus services are reduced; and
- Considering ways in which policy drivers can be used to reduce the utility of car travel in urban areas, coupled with improvements to the bus alternatives.

5.3.4 A substantial capital fund would be required to fund this package of measures, perhaps £300m over a five to ten year transformational period. Such an investment would contribute significantly to raising the standard of the bus network in the Glasgow & Strathclyde region to world class. It is acknowledged that Transport Scotland has already awarded some funding to local transport authorities in the Glasgow & Strathclyde region to undertake initial works and conduct a comprehensive bus priority review, which is a positive series of first steps.

5.4 Summary

5.4.1 While the figures are inevitably very broad estimates that require further work to refine them, **we consider that a £300m capital investment fund, an additional £22.7m per annum of revenue funding and retention of £21m of NCTS reimbursement is required** to create conditions in which the region can achieve a world class bus network. There are barriers and opportunities to achieving this aspiration, which will be explored in the remainder of this report.

6. DEFINING THE REFORM OPTIONS

6.1 Legislative Background

6.1.1 The legislation that governs the operation of bus services in the Glasgow & Strathclyde region goes back several decades. While there is a great deal of detail and nuance that lies behind that history, much of it has negligible impact on this study. Given the limited investigation of alternative models of bus service delivery options in the UK, although Scottish legislation differs in detailed aspects from its English counterparts, it is illuminating to consider progress with reform throughout the UK. The key details of the legislative background of importance are set out below.

6.1.2 Bus services were deregulated across the UK in 1986 by the Transport Act of 1985. Municipally and nationally controlled bus companies became open to competition from private operators, provided they could satisfy some basic operational and safety requirements and obtain an operating licence.

6.1.3 During the next decade, publicly owned operating companies were sold to the private sector (with some notable exceptions, such as Lothian Buses in Edinburgh). Many operations were sold to large multi-centred operators who through a period of coalescence formed four very large national operators – two of which, First Group and Stagecoach, operate in the Glasgow & Strathclyde region alongside a range of medium sized and smaller operators.

6.1.4 In England, the Transport Act 2000 was founded upon an ambitious Government vision for buses and made legislative provision for various kinds of partnership working between bus operators and local authorities that would realise that ambition. It was broadly replicated in Scotland though the Transport (Scotland) Act 2001. Formal voluntary partnership arrangements were permitted, subject to competition law considerations, and statutory quality partnerships were also permitted that could be used to restrict the use of various facilities (an interchange, a bus lane, a busway) to operators whose operations met defined quality standards. Several statutory partnerships have been established in the Glasgow & Strathclyde region using this legislation.

6.1.5 These Transport Acts also made provision for the creation of a Quality Contracts Scheme, whereby local authorities could make a business case to assume control of networks and fares, suspending the commercial operating market and letting contracts for the provision of bus services on the road. Few local authorities considered this approach and when one authority in the North East of England did attempt to create a Quality Contracts Scheme it ended in failure.

6.1.6 The Transport (Scotland) Act 2019 enacted significant revisions to the 2001 Act, in line with similar changes to English legislation on buses. The ability to create a voluntary partnership agreement remained and statutory quality partnership arrangements were replaced by a Bus Service Improvement Partnership (BSIP), which will place firm commitments to improve bus services and infrastructure on a legal footing. The quality contracts process was replaced by a revised Bus Franchising Scheme and for the first time since the 1985 Act local transport authorities in Scotland were permitted to establish their

own municipally owned bus operator to compete for supported bus service contracts let by SPT and local authorities.

6.1.7 The Transport (Scotland) Act 2019 therefore sets the scene for this study, offering a range of partnership options on a voluntary and statutory basis, as well as options for local transport authorities to take greater control of bus service operations through a creating franchising scheme and/or establishing a municipally owned bus operation.

6.2 Today's Operation

6.2.1 The current bus operations in the Glasgow & Strathclyde region reflect the provisions of the 1985 Transport Act. The majority of bus services are provided on a commercial basis by privately owned bus companies who recover the cost of operating their services through a mixture of farebox revenues and government payments – we estimate that around 47% of operator farebox revenue in the Glasgow & Strathclyde region comes from reimbursements paid by the Scottish Government as recompense for the carriage of elderly and disabled people entitled to free bus travel, a percentage that will increase again in January 2022 when free travel for under 22s is introduced. A minority of services are considered to be socially necessary and are provided through tendered contracts let by SPT - in some rural areas these tendered services can form a significant proportion of the bus services available.

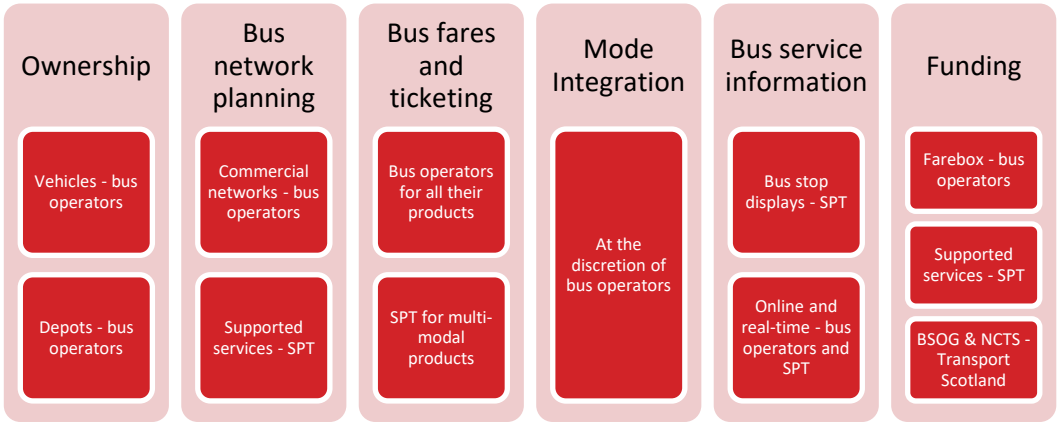
6.2.2 In the City of Glasgow and larger towns in the region, many bus services operate frequently using modern buses equipped with good quality seating, on-board real-time information plus on-board wi-fi and charging facilities. In smaller towns and in rural areas services are typically less frequent – although there are some notable exceptions – and are operated by vehicles that may be a little older but still provide a comfortable passenger environment. In total bus operators in the Glasgow & Strathclyde region employ over 4,700 staff and operate around 1,350 buses. Of this fleet, a small number are zero emissions battery electric buses while a growing proportion (we believe around 50%) comply with the latest Euro 6 emissions standards.

6.2.3 Services in the region carry an estimated 148 million journeys per annum. The commercial nature of operations means that operators, acting entirely rationally, tend to focus on the corridors and towns where bus ridership, and the potential for growth in ridership, is higher. This means that some communities, or links between relatively nearby communities, can receive a poor bus service or, in extreme cases, no timetabled conventional bus service at all (although the ability to book a MyBus service is retained in such areas).

6.2.4 SPT has a budget of £10m per annum to contract with operators to fill these gaps in the commercial networks and provide socially necessary bus services. These can take the form of:

- entire services using conventional buses or door-to-door dial-a-ride operations;
- early morning, evening and Sunday services where the communities are served by commercial services during the rest of the week; and
- extensions and diversions to commercial services that would otherwise not serve certain communities.

6.2.5 The roles and responsibilities in the current operating model are set out below:

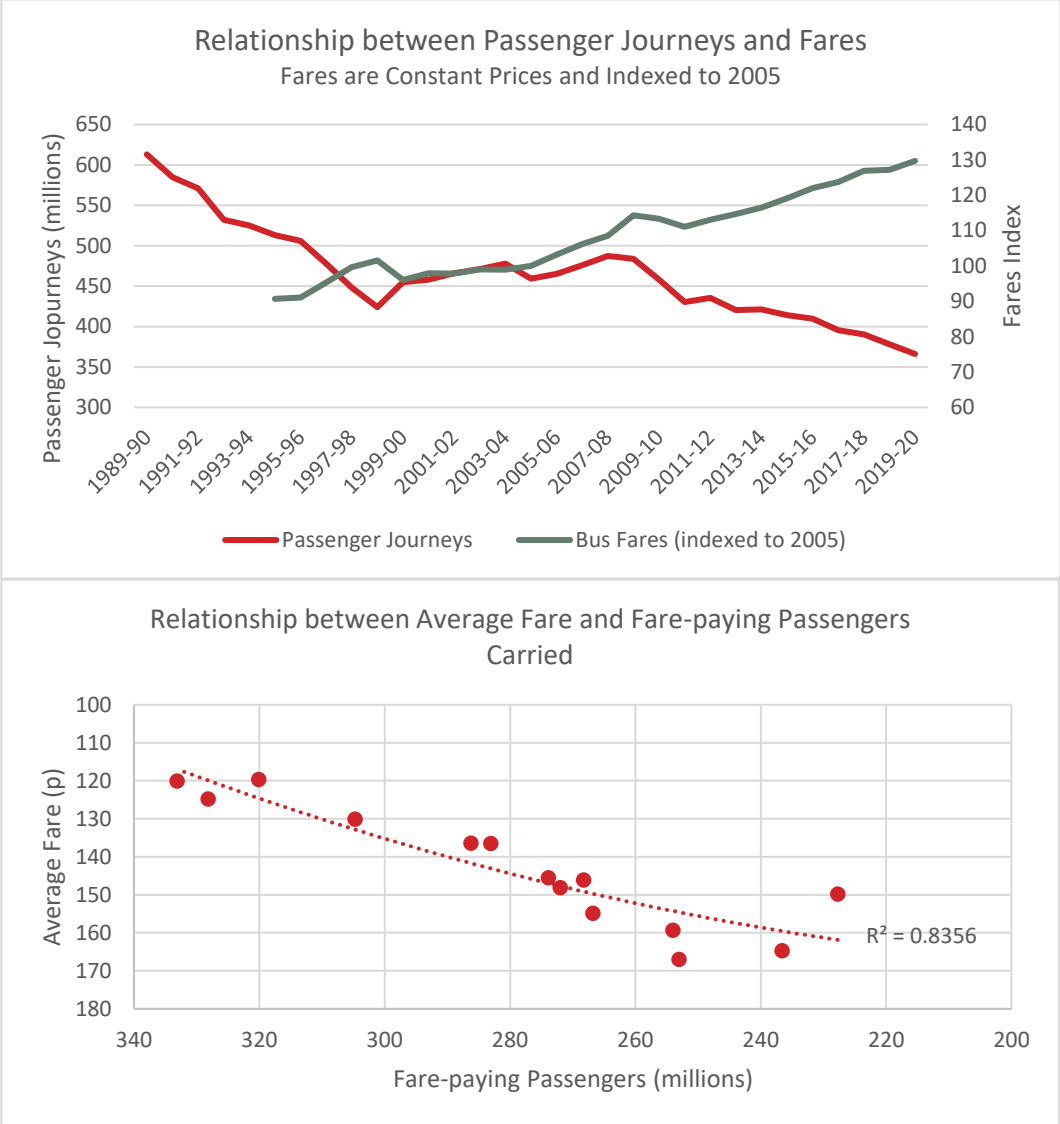


6.2.6 The bus network in the Glasgow & Strathclyde region operates alongside a comprehensive suburban passenger rail network and the Glasgow Subway that provides connections in the urban core of the city. The commercial nature of bus operations dictates that some bus services integrate with rail services at key hubs, while other bus services compete with rail for end-to-end journeys, albeit often serving different markets along the way.

6.2.7 Most bus fares are determined commercially by bus operators (though SPT sets fares on supported services). While many bus passengers consider that they received good value for money from their bus services, based on the fact that they still use the bus, many non-users do not think buses are affordable and choose to use other forms of transport, notably the private car. Some people who find bus fares unaffordable do not have alternative means of travel and as a result are excluded from being able to access life opportunities, or pay the fares and have to compromise on other life choices. While the Scottish Government's National Concessionary Travel Scheme (NCTS) offers free travel by public bus to young people, older people and people with disabilities, there remain sections of society not eligible for free travel who find buses unaffordable.

6.2.8 Over the last thirty years we have seen bus fares increase considerably, largely as a result of the growing cost of operating bus services. At the same time we have seen a trend for reducing numbers of journeys made by bus, apart from in the late-2000s when the free bus travel scheme was first introduced. There is a strong correlation between those two trends – see Figure 1. While falling bus passenger numbers may also be strongly related to the relatively low cost of owning and travelling by private car, it is nevertheless clear that growing bus fares are leading to reductions in journeys by bus. It is logical to assume that as part of a strategy to reverse this decline in bus journeys, action to reduce bus fares will be key a driver.

Figure 1. Relationship between bus fare trends and bus ridership trends in Scotland (using Transport Scotland data)



6.2.9 Furthermore, there is evidence from our stakeholder consultations that reducing fares is problematic, due to the process deployed by Transport Scotland to reimburse bus operators for the carriage of passengers holding a National Entitlement Card free of charge. Because the reimbursement is based on a fixed percentage of the average single adult fare foregone for the journeys made, a fares reduction would lead to a drop in reimbursement received by operators and would not take account of the fact that the "generation factor" (the proportion of trips made free of charge that would otherwise not be made if fares were charged) should reduce when fares are lowered. This therefore acts as a disincentive to operators to reduce adult single fares, even if it was a rational commercial action to attract additional fare-paying passengers.

6.2.10 There is also likely to be a similar relationship between levels of traffic congestion and bus journeys (although data is not available to draw a similar set of graphs to those shown for fares in Figure 1). As general traffic congestion increases that affects bus services, making buses more expensive to operate because more vehicles and drivers are needed to

maintain a constant frequency of services. At the same time, slower bus services and delays caused by unpredictable congestion make buses less competitive compared to cars and trains, further reducing the journeys made by bus. Action to speed up bus services and make them more reliable is needed to encourage more bus journeys to be made.

6.2.11 Overall then, we consider that the current system of providing bus services in the Glasgow & Strathclyde region works effectively for those busy urban corridors and town services where frequent services and attractive fare products are available, although those fares are likely to prove unaffordable to some people that cannot use the bus as a consequence. However, in harder to reach and less populated urban and rural areas, public sector intervention is required to provide a bus service, and scarce resources mean that not all potential passenger needs can be met. The growing costs of bus operations, both as a result of cost pressures and traffic congestion, means that bus fare levels are growing at a time when some aspects of bus services (for instance journey times and reliability of arrival times) are in decline.

6.2.12 These weaknesses in the commercial bus market have been exposed further and exacerbated by the COVID19 pandemic, resulting in a massive financial intervention by Government to maintain bus services on the road. Without longer term intervention, there is a strong likelihood that these weaknesses will continue to chip away at the provision of bus services at the margin, denuding services further for people who rely on bus services but don't live or work in one of the region's busier public transport corridors.

In the descriptions of the delivery models which follow, we refer to "local transport authority/authorities" – this should be read as including SPT as well as local councils unless legislation or regulations specifically prohibit one of these bodies performing the role described.

6.3 Voluntary Partnership

6.3.1 A voluntary partnership agreement (VPA) provides a formal written framework within which bus operators, local transport authorities, local highway authorities and other relevant actors will work together to achieve stated objectives and deliver agreed measures and facilities. Because the agreement is made in the context of an open and competitive market for bus services, it must be demonstrably delivering wider Government bus improvement objectives[4] in order to be permissible.

6.3.2 Our experience is that a VPA is typically entered into to provide a structure for agreeing enhanced operating and highways standards when a major investment in infrastructure or services is secured. There is no formally required process for establishing a VPA, however the process is typically that:

- Partners will come together to conduct a collective discussion about the outcomes of a potential partnership and what commitments would be required to achieve those outcomes;

[4] https://www.webarchive.org.uk/wayback/archive/20150219100609/http://www.gov.scot/Publications/2010/07/16112649/0

- Agreement is made collectively on the content of the partnership and a written agreement is drawn up that sets out the actions to be taken by each party to achieve the desired outcomes;
- This agreement is usually the subject of a legal review by all parties, as well as the competition review mentioned in paragraph 6.3.1; and
- The agreement commences with a stated end-date and review process. The term of a VPA is typically 5 years but this can vary.

6.3.3 Other than the competition check, there are no statutory frameworks that a voluntary partnership agreement must comply with. This makes the process of forging an agreement relatively straightforward and an agreement can be concluded in a matter of 5 to 10 weeks if the collective will exists to make it happen quickly. By the same token, agreeing variations to a VPA or even withdrawing from a VPA can be a relatively straightforward process.

6.3.4 However the lack of any statutory 'teeth' means that a VPA is limited in what it can achieve in terms of enforcing minimum quality, delivery and service standards on any or all of the partners. As noted in the consultation document published by Transport Scotland ahead of the 2019 Act[5], VPAs can often drift and lose momentum once the effects of the initial scheme or investment that triggered the agreement have waned.

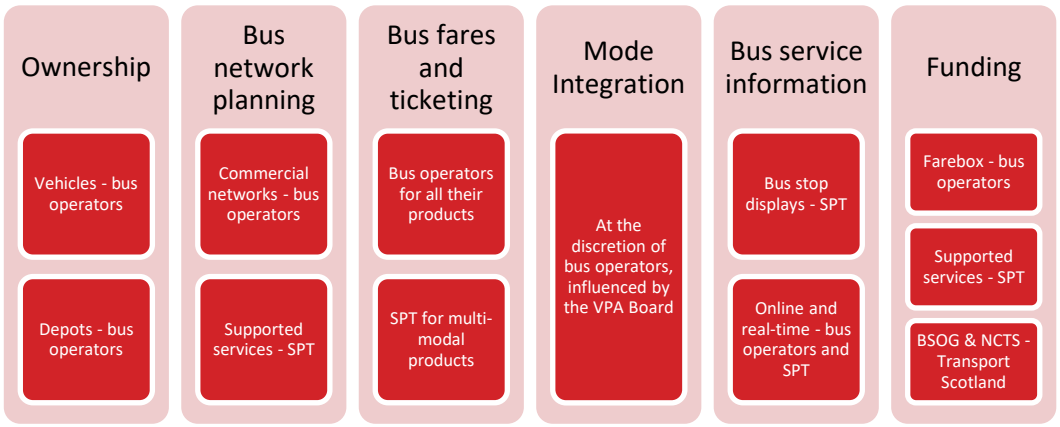
6.3.5 Our discussions with stakeholders in the bus industry conducted for this study revealed that there are, or have been, formal and semi-formal voluntary partnership arrangements in place across the Glasgow & Strathclyde region:

- **The Glasgow Bus Partnership** covers eight local authority areas in the Glasgow & Strathclyde region and brings together SPT, the local authorities and bus operators (who work together under the 'GlasGo' banner) to achieve a series of aims - to improve the levels of priority given to buses on public highways; to raise the priority needs of bus services in city planning; to improve the utility of real-time information about bus service locations; and to seek to introduce integrated ticketing systems. The Partnership has been successful in attracting investment to the region – for example in August 2021 £3.7m from the Government's Bus Partnership Fund was allocated to deliver bus priority measures in Glasgow and Paisley, as well as progress the business case for investment in five further corridors.
- **In other local authority areas** there are informal close working relationships between operators and local authorities, and some previous more formal voluntary partnerships existed that have now lapsed. However no extant voluntary partnerships are currently in place other than that for Glasgow described above.

6.3.6 The governance structure for a VPA can vary from place to place, but typically a Partnership Board or Steering Group meets regularly to review progress, scan the horizon for forthcoming opportunities and provide a forum for discussing a variety of matters relating to the operation of bus services.

[5] Transport Scotland, **Local Bus Services in Scotland – Improving the Framework for Delivery: A Consultation**, Paragraph 4.8

6.3.7 The roles and responsibilities for the current VPA in Glasgow are set out below (assuming SPT's current roles and responsibilities continue):



6.4 Bus Service Improvement Partnership (BSIP)

6.4.1 A Bus Service Improvement Partnership is a new form of statutory quality partnership enabled by the Transport (Scotland) Act 2019. Transport Scotland noted "a disappointing level of uptake"[6] for the formation of statutory quality partnerships using the previous legislation, although five were established in the Glasgow & Strathclyde region. A BSIP enables partners to come together and agree binding commitments that will be delivered during the term of the partnership. If measures and facilities agreed in the BSIP are not delivered then the relevant partner can be at risk of sanctions – as an example, an operator who fails to meet the agreed standards of operation for a service (a vehicle quality standard or the acceptance of multi-operator tickets, for instance) could see its services deregistered by the Traffic Commissioner.

6.4.2 It is therefore crucial that the content of the BSIP is subject to full consultation and agreement by a majority of operators before the Partnership agreement is completed, so that partners can be confident they can comply with obligations placed upon them.

6.4.3 Some of the legislative details related to the creation of a BSIP will be formalised through Regulations ratified by Parliament, including what constitutes a 'majority' of operators taking account of the smaller and larger operators in the market. A consultation on these regulations was conducted between July and October 2021 and the final resulting Regulations are due to be ratified by Summer 2022.

6.4.4 The process to establish a BSIP is well defined in the 2019 Act and requires the following steps:

- **Informal discussion** - an initial informal discussion between local transport authorities, bus operators and other relevant partners to establish an initial view on the content of the BSIP Plan and Scheme(s).
- **Formal notification** - a formal notification of intention to create a BSIP, issued by the relevant local transport authority/authorities.

[6] Transport Scotland, **Local Bus Services in Scotland – Improving the Framework for Delivery: A Consultation**, Paragraph 4.8

- **BSIP preparation** - a draft BSIP Plan and BSIP Scheme is prepared by the local transport authority/authorities based on the informal discussions.
- **Operator objection** – the draft BSIP Plan and BSIP Scheme are shared with operators to determine whether a majority of them object (using the definition of 'majority' defined in Regulations).
- **Stakeholder Consultation** - if the majority of operators do not object then a wider stakeholder consultation is undertaken on the BSIP Plan and BSIP Scheme. If a majority of operators do object then a revised Plan and Scheme should be produced by the local transport authority/authorities. If a reasonable level of approval of the BSIP Plan and BSIP Scheme emerges from the wider stakeholder consultation then the BSIP can proceed. If the BSIP Plan and Scheme receive significant stakeholder objections then they should be amended by the local transport authority/authorities and the operator objection process should be repeated.
- **BSIP Adoption** - once agreement of the BSIP Plan and BSIP Scheme is reached, the local transport authority/authorities should formally adopt the Plan and Scheme and put all necessary governance and review process in place. The local transport authority/authorities, bus operators and any other signatories to the BSIP Plan and BSIP Scheme are then legally obliged to deliver each component of the Scheme.
- **BSIP Commencement -** the agreement commences with a stated of term of typically 5 years.

6.4.5 With regard to the timescales required to establish a BSIP in the Glasgow & Strathclyde region, no local transport authority in Scotland can yet complete the process to establish a BSIP and act as a benchmark because the necessarily regulations have not yet been made by the Scottish Government. However practically all English local transport authorities are currently establishing Enhanced Partnerships in their area, and an Enhanced Partnership bears many similarities to a BSIP. These English authorities have been required by the UK Government to have their Enhanced Partnership up and running by 1 April 2022, which gave them around six months to conduct the initial discussions and prepare the Plan and Scheme (alongside development of a broader bus improvement plan for their area). While this deadline was relaxed by the Department for Transport in January 2022, most local transport authorities were nevertheless following a process to deliver in the original timescale. This original tight timescale led to some compromises that we do not think have added value to the process of establishing the partnerships in England. **We therefore consider that the establishment of a BSIP Plan and BSIP Scheme should take between 9 months and 12 months from initial informal discussions to the commencement of the scheme and its statutory commitments.** It is not considered practical for the process to establish a BSIP to commence, other than the informal discussions, until the regulations discussed in paragraph 6.4.3 have been ratified.

6.4.6 With regard to the cost of establishing a BSIP Plan and Scheme, that is dependent on the size of the scheme area, the level of commitments envisaged and the amount of local transport authority and bus operator resource that can be 'gifted' to the process. That said, we believe that most BSIPs would require:

- a review of the current network that will provide an understanding of where gaps and weaknesses in the current bus offer exist and explore how those issue can be resolved through amending and adding bus services and other less conventional services such as DRT;

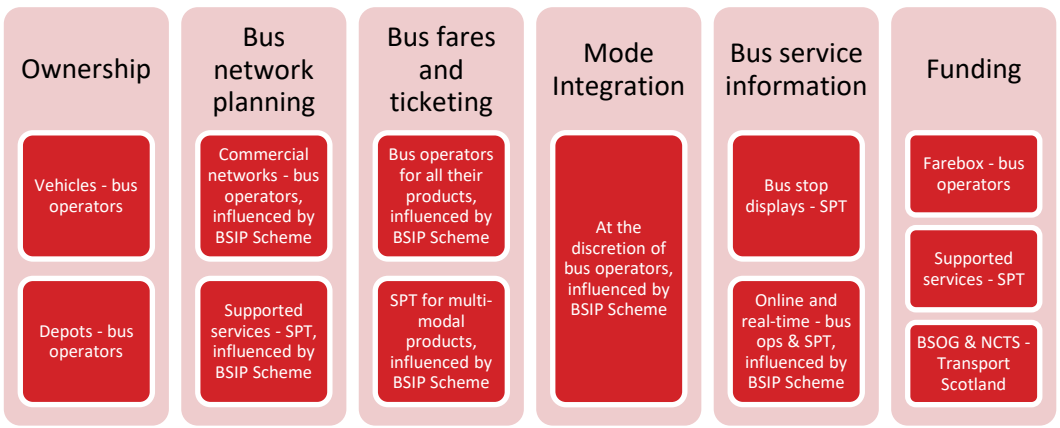
- a review of delays to buses on significant corridors leading to a programme of bus priority works that would be drawn upon as part of the BSIP Scheme commitments, provided capital funding is available (we note that the Scottish Government's Bus Partnership Fund has already agreed to fund such a study in the Glasgow Bus Partnership area); and
- a review of the availability of multi-operator and multi-modal ticketing so that an attractive and competitive suite of ticketing products is available to people making complex journeys by bus and other modes of public transport.

6.4.7 **Overall, we consider that for an area the size of the Glasgow & Strathclyde region, a budget of around £1.5 million would be appropriate to conduct these studies and complete the discussions and formalities of creating the BSIP.** Of course, if some of the above tasks have already been completed in recent times, or can be partly funded by a third party, then the additional cost to the local transport authority can be mitigated.

6.4.8 The management and oversight of a BSIP is also a considerable task that would need to be undertaken the relevant local transport authority, these are tasks that existing stretched resources are very unlikely to be able to cover. **We therefore recommend that local transport authorities considering a BSIP should budget for an additional £50,000 to £100,000 of revenue spend per annum, depending on the size of authority, to cover the cost of managing and administering the BSIP. This could grow to around £200,000 to £250,000 per annum for a region-wide BSIP.**

6.4.9 The establishment of a BSIP Plan and BSIP Scheme requires that a Steering Board is formed. That Steering Board will consider proposals within the BSIP Scheme as they are developed in detail, make recommendations to the relevant delivery partner and undertake regular progress reviews. This work could lead to proposals to amend the BSIP Scheme in the light of new evidence and detailed development of proposals. The Steering Board is therefore an influential body that will provide strategic oversight of the partners as they deliver their commitments in the EP Scheme, suggesting that it should be comprised of senior decision makers from local transport authorities, bus operators and other signatories to the Partnership agreement. The Steering Board should meet regularly, perhaps 4 to 6 times a year, in order to maintain oversight of the BSIP's progress across what could be a large area across the Glasgow & Strathclyde region.

6.4.10 The roles and responsibilities for future BSIPs in the Glasgow & Strathclyde region would be as set out below (assuming SPT's current roles and responsibilities continue):



6.5 Bus Franchising Scheme

6.5.1 A Bus Franchising Scheme brings an end to on-road competition between commercial operators and replaces it with competition for operating contracts, placing a higher degree of control over bus service specifications and bus fares in the hands of the local transport authority. The current commercial market is suspended and most current bus service registrations held by private bus operators will be ended[7]. In its place, the local transport authority will competitively procure a series of bus service contracts that will deliver the levels of service (days/times of operation, service frequency, fare products available, vehicle specification, etc) it considers to be required to meet the needs of its communities, integrate with other transport provision in the region and be afforded with the finances available to it.

6.5.2 Crucial to this financial consideration is the fact that in a Bus Franchising Scheme the local transport authority will also set bus fares and multi-modal fares, so the public purse will take the revenue risk for any changes to fares or external influences that may affect bus ridership and farebox revenue. It is noted that recent experience with the COVID19 pandemic has shown that when a major shock occurs that leads to a collapse in bus farebox revenues, the industry already has to rely on the public purse (namely the Scottish Government) to intervene.

6.5.3 It is sometimes said that a Bus Franchising Scheme is a return to the days before bus deregulation in 1985, and while that is evidently not true (there was no franchising procurement process in place in the pre-1985 model) it does put local transport authorities in a far more influential position over bus service provision than they have today. With that influence comes responsibility and risk - when things go wrong with bus services it will be the local transport authority that will be answerable; and when external events impact upon bus service operations or usage, it will be for the local transport authority to put in place mitigating measures.

6.5.4 A Bus Franchising Scheme is therefore a major step-change in the way bus services are delivered. At present, when times are at their toughest and a bus service is no longer commercially viable, it is the remaining passengers that bear the consequences of rational commercial decisions made by bus operators – be they to reduce the service levels provided to passengers, to increase fares for passengers, or to withdraw whole services that are underperforming and leave communities without some of the bus links. With a Bus Franchising Scheme in place the decisions about enacting those changes (or not, if the increasing cost of operation can be accommodated) will fall to the local transport authority, not the bus operator.

6.5.5 That said, an effective Bus Franchising Scheme may be able to take steps that will slow the decline in performance of weaker bus services and attract more passengers (and farebox revenues) in comparison to the current deregulated operating model. This would mean that difficult decisions about service cuts can be postponed. We do not yet have any hard evidence of this from bus franchising schemes as none have yet been implemented elsewhere in the UK, but the business cases developed by the authorities promoting Bus Franchising Schemes do forecast this effect. It is also noted that for many years significant investment in bus services in London, where a form of bus franchising

[7] The LTA may choose to exempt certain types of service, such as sightseeing tours, or certain cross-boundary services.

exists, led to stability and growth in bus use, albeit that reducing funding and external factors have recently slowed that growth.

6.5.6 It may even be the case that a Bus Franchising Scheme can reverse the decline in bus use, grow the market and farebox revenues in real terms, and deliver a growing bus network (or reduce bus fares) without the need for external funding. To date, none of the proposed Bus Franchising Schemes in the UK are forecasting such an outcome in the short to medium term, at least. As set out in Section 5, we believe that achieving a reversal in bus patronage decline is likely to require new and transformative 'pump-priming' funding to be made available from external sources, so that a world class bus network can be delivered and more and more people can rely on and base their lifestyles around using the bus.

6.5.7 The process for creating a Bus Franchising Scheme is based on statutory requirements set out in the Transport (Scotland) Act 2019 legislation, as follows:

- **Prepare a framework for bus franchising** that outlines the case for a proposed Bus Franchising Scheme, this framework will be a high level view as it will not be informed by detailed information about current bus operations, ridership and revenues.
- **Prepare an assessment of the Bus Franchising Framework**, based around a typical five-case model to business cases already familiar to transport practitioners in Scotland and the UK. This assessment should compare the franchising option to other options to reform bus operations in the relevant area, in order to demonstrate which approach can deliver policies and outcomes most effectively. The assessment can be informed by detailed information about bus service operations, ridership and revenues that bus operators have a statutory obligation to share with the local transport authority and its advisors.
- **Commission an independent audit of the Bus Franchising Framework assessment** in order that the local transport authority can be assured that the quality of the information obtained, and the quality of processes to use that information in the assessment, are appropriate. This audit will also consider whether the Scottish Government's guidance on franchising schemes has been followed.
- **Undertake a consultation on the proposed Bus Franchising Framework and its assessment**, making any amendments that are considered to be required as a result of that consultation.
- **Place that Bus Franchising Framework and assessment in front of an Independent Panel** convened by the Traffic Commissioners, which will consider the case for franchising and determine whether it can approve the creation of a Bus Franchising Scheme.
- **Make the Bus Franchising Framework and enact it on the ground**, making any amendments that the independent panel recommends on the assumption that those recommendations do not render the Bus Franchising Framework unworkable or unaffordable.

6.5.8 Key to this process of making a franchising scheme is the assessment of the Bus Franchising Framework, based around the five case business case model. The assessment will need to set out the strategic case for reforming bus services, appraise the economic impacts and benefits of the reform and compare that to the costs, explain how the financial flows will change under a franchising scheme and set out the commercial and

management arrangements that will be put in place. All of these assessments will need to be considered against a similar assessment of alternative courses of action (for example a BSIP) that have the potential to deliver similar outcomes.

6.5.9 With regard to the commercial and management considerations, the framework will need to explain:

- what services the Bus Franchising Framework includes and excludes;
- who will be responsible for letting contracts and what governance arrangements will be in place to ensure best value for public money;
- who will be responsible for development, sign off and scrutiny of changes to networks and fares as the franchise contracts develop;
- how will the franchise contracts be structured, accounting for how the advantage enjoyed by incumbent operators will be moderated to ensure a fair procurement process;
- how services will be grouped in order to provide a mix of contracts attractive to larger and smaller bidders;
- what minimum vehicle standards will be implemented (any additional costs of which will be included in the economic and financial cases);
- staffing matters including new contractual commitments for bus workers that operators must accommodate in order to be eligible to bid for contracts;
- what TUPE requirements are in place in the event that current operations are picked up by another bus operator once the franchising procurement process is completed; and
- key performance indicators that will be applied to the contracts and measures of redress that will apply if an operator fails to perform adequately.

6.5.10 The above list demonstrates the complex and inter-dependent considerations that the local transport authority will need to resolve in order to fully understand the practicalities of a Bus Franchising Scheme and the benefits and impacts that will result from it. There will be considerable resources needed to perform these tasks, which will need to be funded by farebox revenues or external funding sources.

6.5.11 A Bus Franchising Scheme will lead to a major transformation in the way bus services are delivered in the Glasgow & Strathclyde region, radically changing the way that incumbent bus operators' businesses will be structured. This means that there is a high degree of certainty that some incumbent operators will use the levers available to them to resist creation of a Bus Franchising Scheme, especially those who may consider that the commercial returns from their services will be affected adversely. Pursuing this course of action therefore almost inevitably leads to the risk of conflict and legal challenge as the process to make the Bus Franchising Framework proceeds. Such challenges could extend the timescales for navigating the process to make the scheme, and also lead to considerable costs in obtaining legal and technical advice.

6.5.12 There are also specific risks associated with the process of making a Bus Franchising Scheme that the Scottish Government has chosen, namely the insertion of an Independent Panel to decide whether the scheme should proceed, with or without amendments. The current legislation in England does not include this independent panel stage, responsibility to decide for whether to proceed with the scheme rests with the Elected Regional Mayor as the region's key decision maker on transport matters. The

previous legislation in England did insert an independent review stage – the Quality Contracts Scheme (QCS) Board – and such a Board was convened only once, in 2015 when Nexus attempted to implement a QCS in Tyne & Wear.

6.5.13 Requiring a small expert panel, acting alone, to assimilate that level of information is a very major ask. The three person Board received a very significant volume of evidence (over 10,000 pages of reports prepared by all parties interested in the Scheme) and came to certain conclusions that Nexus, the promoter of the Scheme, did not believe were supported by the evidence presented. It is possible that the Scottish legislation builds in a risk that a similar panel could receive a similar deluge of information and draw similarly unsupported conclusions, which could be to the detriment of the local transport authority's ambitions.

6.5.14 The timescales for completing the process to make a franchising framework is not yet known, as no local transport authority in Scotland has yet completed the process (or even commenced it, at the time of this report). However we can look to experience in England in order to assess how long the process might take.

6.5.15 In Greater Manchester the Combined Authority commenced the process of assessing its franchising proposals in 2016 at the time when the Bus Services Act 2017 was making its way through the UK parliamentary process. In December 2021 Transport for Greater Manchester launched its contract procurement process with a view to implementing the first elements of the bus franchising scheme in 2023. The process in Greater Manchester will therefore take around seven years from commencement to enactment of the franchising scheme.

6.5.16 As noted above, the franchising legislation in Scotland includes consideration of the scheme by an Independent Panel, which is no longer the case in England. However that was the case in England when Nexus in Tyne & Wear attempted to introduce bus franchising using the previous Quality Contracts Scheme (QCS) legislation. Nexus commenced work in its proposed QCS in 2012, and by 2015 it had prepared its scheme assessment (the 'Public Interest Test report') and placed it in front of the independent QCS Board for its consideration. While Nexus ended its pursuit of a QCS in March 2016, we understand that if it had gone ahead the Scheme would have been enacted by 2018 at the earliest. So that process, if completed, would have taken at least six years.

6.5.17 Furthermore, it is noted that the regulations and Guidance associated with making a franchising framework in Scotland have not been published and finalised as of December 2021. It is likely therefore that a start on the process to make a franchising scheme will not be able to commence until Summer 2022 at the earliest. The evidence from England is that the process to make a scheme will take a minimum of six to seven years. A Bus Franchising Scheme in the Glasgow & Strathclyde region is therefore highly unlikely to be in place before 2029, and may take until 2030 if this course of action were selected by any local transport authorities.

6.5.18 The evidence from England is that the pursuit of a bus franchising scheme is an expensive one for the local transport authority, and no authority has yet successfully implemented a Bus Franchising Scheme on the ground as of January 2022. When Nexus halted the QCS process in 2016 it had spent £2.8m to date and we understand it was set to spend a further £1.2m to complete the process and procure quality contracts, had the scheme gone

ahead. In Greater Manchester, a much larger conurbation similar in size and complexity to the Glasgow & Strathclyde region, TfGM has already spent a much more considerable sum, at least £15m, in building the case for franchising and will have spent £135m in total to complete the transition to a franchised network in 2025, when networks will have been enhanced and fully integrated simplified ticketing will be in place – a level of spend that reinforces the conclusions of Section 5 in this report.

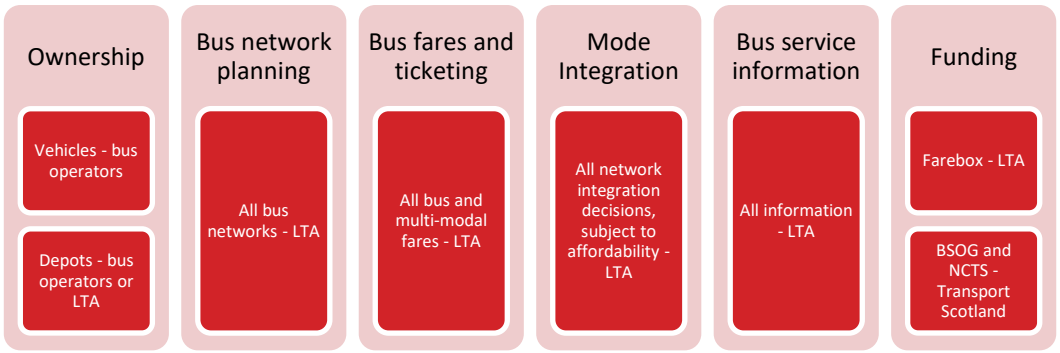
6.5.19 Furthermore, the economics of the current bus industry is heavily influenced by payments from the public purse to operators – Bus Service Operators Grant that discounts the cost of fuel to bus operators, and reimbursements for the National Concessionary Travel Scheme. For a bus franchising scheme to be viable, these payments would need to be maintained by Transport Scotland and made directly to the relevant local transport authority/authorities in the Glasgow & Strathclyde region.

6.5.20 As set out in paragraph 6.5.8 above, a comprehensively revamped governance model will need to be put in place in order that the local transport authority can:

- plan and integrate bus networks and set fares (a role undertaken currently by operators on an individual basis, taking account of other operator's services);
- determine the outcomes of tender competitions for the franchising contracts (a role that SPT already does on a much smaller scale in relation to their secured bus services but is less prevalent, in the bus market at least, amongst other local authorities in the region);
- process fare revenue information and make contract payments to operators, taking account of any adjustments that may apply as a result of performance against KPIs;
- review bus networks and fares on a regular basis, taking account of the democratic say of local representatives, in order to ensure that bus services continue to meet objectives and match passenger needs; and
- manage the transition from one operator to another when the franchise contracts start and when they change hands in future.

6.5.21 Achieving this good governance will require the local transport authority to considerably expand the staffing and systems resources available to it. Though it should be noted that the need for some functions, such as network planning, will be considerably reduced within bus operators who successfully bid for operating contracts.

6.5.22 The roles and responsibilities under a bus franchising scheme in the Glasgow & Strathclyde region would be as set out below[8]:



[8] LTA – local transport authority

6.6 Municipal Ownership

6.6.1 The Transport (Scotland) Act 2019 permits local transport authorities to establish a municipally owned public bus operator(s) that can compete for contracts and operate registered bus services, reversing the provisions of the Transport Act 1985 that prevented the creation of such an operator. The municipal operator would likely be an arms-length company wholly owned by the local authority, providing suitable separation when competing for tendered bus service contracts (as is the case in Edinburgh and Lothian Buses).

6.6.2 In order to establish a municipally owned bus operator the relevant local transport authority (or authorities, working together) are likely to follow a number of initial steps:

- Establish an arms-length company with social value objectives related to public transport and the authority's general policies – a community interest company would be a potential option for the type of company formed (see right);
- Acquire assets (a depot and some public service vehicles) and appoint a Transport Manager, then acquire an operator's licence from the Traffic Commissioners. These tasks would have to be done "at risk" financially, backed by the local transport authority's budget;
- Begin to tender for secured bus service contracts, recruit staff to operate those services (some staff might be available via TUPE) and secure a workload that allows the company to consolidate and grow as contracts are awarded. At this point the company should be capable of standing on its own two feet financially and repay any upfront establishment costs that were guaranteed by the local transport authority; and
- Where gaps in the current bus service provision are identified and the municipal operator believes it can make a reasonable return by operating a service that fills those gaps, a new commercial service can be registered and operated.

A Community Interest Company (CIC)

A CIC is a special type of limited company. It exists to benefit the community rather than private shareholders. To set up a CIC, you need to apply to Companies House, and:

- include a 'community interest statement', explaining what your business plans to do
- create an 'asset lock'- a legal promise stating that the company's assets will only be used for its social objectives, and setting limits to the money it can pay to shareholders
- get your company approved by the community interest company regulator - your application will automatically be sent to them

Source: mygov.scot/social-enterprise

6.6.3 Some of the stakeholders we held discussions with during the course of this study would like to establish a wholly municipally-owned operation that will provide all buses in some or all of the Glasgow & Strathclyde region, replacing the current commercial operators' businesses. We have considered the steps that could be taken in order to get from where we are today – all bus operations in private sector hands – to that end-point.

6.6.4 We believe there are two paths to achieving this outcome – firstly, through winning contracts in a franchise scheme, and secondly through acquisition of bus operator assets and business. A potential third option, to compete on-the-road for business as an aggressive commercially-focussed operator, attempting to drive existing operators from

the market in a way that was seen in a number of towns and cities after bus deregulation in the 1980s, is not considered credible.

6.6.5 The first option relies on the creation of a bus franchising scheme for the Glasgow & Strathclyde region. The timescales and setup costs associated with a bus franchising scheme as set out in Section 6.5 therefore apply to this option. Once the franchise scheme is approved, the municipal operator can compete for contracts on an even playing field. Over time, the municipal operator may well be able to win sufficient contracts that it achieves market dominance and can operate the majority of, or even all of, the bus franchising contracts. However achieving that position cannot be guaranteed, it can only be an ambition for the municipal operator that will have to be realised through proper and fair procurement processes for bus franchising contracts.

6.6.6 It may be the case that a municipal operator is constituted in a way that means it can accept lower profit margins than large bus operators – though the municipal operator must make sufficient margins to invest in its assets and staff in order that it can sustain its place as a quality operator of bus services. On the other hand, a municipally owned operator could be under pressure to offer its staff terms and conditions commensurate with other public sector workers, which could impact the cost of employing bus workers. This is a complex area that will only be resolved as the municipal operator finds its place in the tendered services market place, and subsequently the bus franchising market place.

6.6.7 The second option is founded on the local authority owned operator acquiring the commercial bus operations of existing firms operating in the Glasgow & Strathclyde region. Opportunities for such acquisition might arise when firms begin to struggle financially and their owners are open to a sale. Or it may be that the Council resolve to acquire bus company operations as a going concern using the financial resources available to it to buy out the current owners – prudential borrowing may be a source for such an acquisition. There is no precedent for taking this course of action so the cost of acquiring these businesses is unknown.

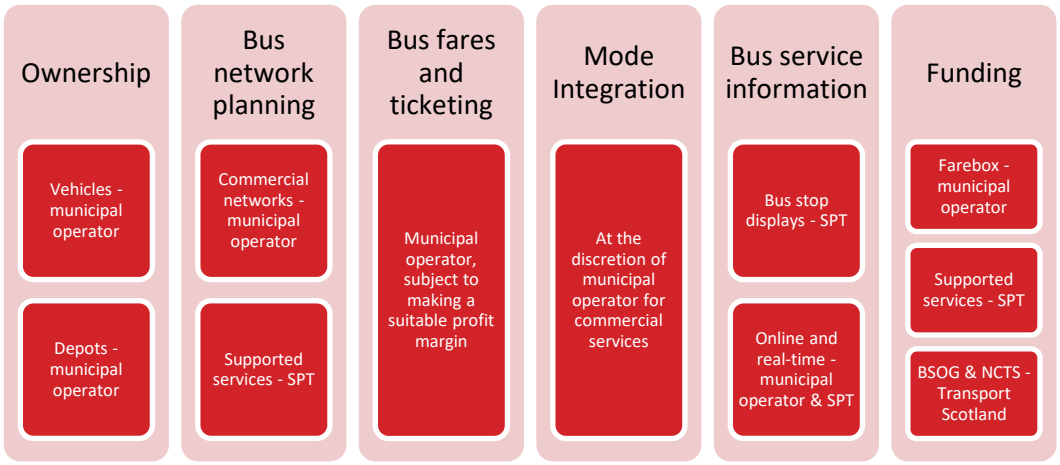
6.6.8 As a broad indication, Go Ahead Group recently paid £11.2m to acquire a bus operation of 160 buses from First Group in Manchester, which would indicatively value the whole bus sector in the Glasgow & Strathclyde region at £110m. However, the First Manchester operation required significant additional investment to enhance its quality after years of delayed fleet renewal; a more accurate indication might be the value of circa £450m placed on Stagecoach Group as part of the intended merger with National Express – this would suggest a market value in excess of £200m for the bus sector in the Glasgow & Strathclyde region.

6.6.9 Either way, it is clear that there is no direct and unimpeded way to establish a municipally owned bus operator that is capable of taking over all operations in a part or all of the Glasgow & Strathclyde region. The options rely on organic growth of a newly established business that wins the right to operate future contracts, or a plan to actively negotiate with existing operators to acquire their businesses.

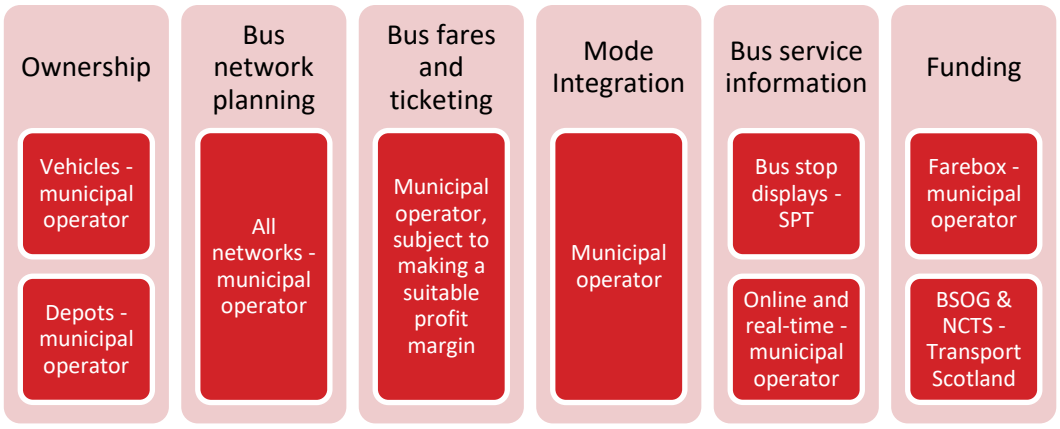
6.6.10 Furthermore, establishing a single municipally owned operator for all services will take several years - at least six years via a franchising route, and potentially a similar period via acquisition. The acquisition option will also require significant up-front investment that will need to be paid back by the municipal operator's profit margins.

6.6.11 If the municipal ownership option is to be pursued then a significant amount of work is required to develop a strategy for both setting up the company and then equipping it with the resources to compete for bus franchising contracts, or acquire the businesses of existing operators should a purchase become possible.

6.6.12 The roles and responsibilities for a municipal operator that is initially set up to compete for supported bus service contracts and provide commercial bus services to fill gaps in the current network are set out below:



6.6.13 In the longer term option where a municipally owned bus operator has been able to acquire the operation of the whole bus network through the acquisition of commercial businesses, the roles and responsibilities for a municipal operator are set out below:



6.6.14 The roles and responsibilities associated with achieving a single municipal operator via the bus franchising route are identical to those set out in paragraph 6.5.22.

7. ASSESSING THE REFORM OPTIONS

7.1 Introduction

7.1.1 Having described the funding requirements to achieve a world class bus service and analysed the bus reform options available using the existing legislation in Scotland, this penultimate section considers each of the options and assesses what differentiates them in order to assist the client team with making decisions on a way forward. This section also considers the practicality of each option in a variety of geographical options set out in the study brief, assessing their particular practicalities.

7.2 Voluntary Partnership

7.2.1 In this section we consider the key differentiators and practicalities of establishing voluntary bus partnership arrangements.

Differentiators

7.2.2 A voluntary partnership can provide a formalised framework to guide the day to day engagement and interactions between bus operators, local transport authorities, developers and the travelling public. Our discussions with local authorities in the Glasgow & Strathclyde region suggest that all authorities have regular engagement with bus operators that could form the basis of a voluntary partnership.

7.2.3 A voluntary partnership agreement can set standards for bus service operation and the provision of infrastructure for operating buses that, once mutually agreed, become a framework that each partner will have an incentive to achieve. Some voluntary partnerships have an agreed formula for making payments into an improvement fund when performance of any/each party falls below an agreed standard, with those payments recycled back into the partnership to fund service improvements, road infrastructure or passenger boarding facilities that will assist in achieving the partnership performance standards.

7.2.4 However a voluntary partnership is just that – voluntary, and places no formal obligations on parties to deliver bus service improvements, bus infrastructure or bus service standards. This form of partnership works best when the market is relatively stable, where the day to day issues facing operators and the local authorities are relatively straightforward to tackle and do not require major transformational change, and where a good working relationship already exists. A voluntary partnership is unlikely to be the correct vehicle to deliver a major transformation of bus services in the Glasgow & Strathclyde region, attracting the funding necessary to deliver a world class service, because it is not able to achieve all the desired outcomes that define our vision of a world class bus service (for example, cheaper and simpler integrated fares).

Geographic Options

7.2.5 The graphic below sets out the key considerations, opportunities and constraints associated with the six geographic options set out in the study brief, in the context of forming a voluntary partnership agreement.

Glasgow only (excluding cross boundary services)

- This option would result in adopting different improvement standards for buses operating along the same corridors. This would lead to a confused offer to passengers, especially where cross boundary services and services wholly within the Glasgow boundary are operated by the same operator. It is worth noting that 73% of bus service journeys in Glasgow operate into adjoining council areas.
- Longer distance operators that provide cross boundary services would be excluded from participating in the voluntary partnership.
- The number of operators included in the agreement would be limited, which could make it more practical to agree in a short period of time.

Glasgow only (including cross boundary services)

- This option would result in improved standards being adopted for all buses operating along corridors in Glasgow. This would also improve standards for services operating in surrounding areas, where they operate into Glasgow.
- Longer distance operators that provide cross boundary services would be included in the voluntary partnership, broadening the scale of benefits achieved.
- A larger number of potential operators would likely be included in the agreement, which could result in an agreement that is more convoluted, potentially leading to more watered down outcomes.

Strathclyde

- This option would result in the same standards being adopted for buses operating across the whole Glasgow & Strathclyde region. This has the potential to improve standards for services operating in every local authority.
- Different geographies (urban and rural) that result in different levels of bus service provision, plus different political priorities across the region, means that a single voluntary partnership is unlikely to be a practical proposition.

A single Local Authority network

- This option would result in improved standards being adopted for all buses operating within a local authority area, and if it included cross boundary services would potentially improve services extending into neighbouring authorities too.
- At a local authority level, agreeing a voluntary partnership will likely build on existing working relationships between partners and will therefore be a highly practical way to formalise the need to achieve improved operating and infrastructure standards for bus services.
- It is possible that a voluntary partnership could encompass adjacent authorities if sufficient common ground existed between potential partners, but again more partners increases the likely compromises and could diminish the improvements delivered.

A single cross boundary route

- This option would allow one or more bus operators and two neighbouring authorities to agree improved standards for a single bus corridor. This would provide a voluntary partnership with a focus to deliver improvements on a corridor scale.
- This approach would not include other corridors in either of the local authority areas, which could place a perverse focus on improving cross boundary services ahead of other services.

A single rural network (most/all services tendered)

- The local transport authority already has a close contractual arrangement with bus operators, so the establishment of a voluntary partnership is unlikely to add further value. Where a number of services are provided commercially, a voluntary partnership could ensure that the standards set for these services, and the standards required for tendered services, are equalised.

7.2.6 In conclusion, we consider that while a voluntary partnership has merits for all geographic options, we consider that it is a more practical option that will deliver noticeable improvements to bus services in the Glasgow (including cross boundary services) and the single Local Authority network options.

7.2.7 That said, we do not consider that a voluntary partnership is the correct vehicle for delivering transformational change in bus services – it is most appropriate where aspirations of all parties are modest and the form of agreement can be relatively easily established and stuck to by all partners.

7.2.8 In summary, we consider that the voluntary partnership option could contribute to the study's desired outcomes as follows:

More efficient, faster and reliable bus services

- Improved standards for bus services can be agreed at corridor and local authority level, but voluntary partnership unlikely to be correct vehicle to deliver transformational improvements.

Better integration of services

- Any improvements to integration would be on a voluntary basis at the operator's choice, and are limited by competition law.

Cheaper and simpler fares

- Any simplifications or reductions in fares would be the operator's sole choice.

Lower carbon impacts and lower tailpipe emissions

- A voluntary agreement is an appropriate way to introduce newer and cleaner buses to a network.
- A voluntary agreement is less likely to be able to deliver significant transformational reductions in car traffic.

Fully accessible buses and stops, information and communications

- A voluntary agreement is a good vehicle for agreeing improvements to boarding and alighting facilities and agreeing enhanced standards for driver/passenger interactions.
- A voluntary agreement may be a good way to agree improved information provision standards.

Better safety and personal security when using the bus

- A voluntary agreement is a good way to improve enhanced standards for CCTV and other ways to enhance perceptions of personal security.

Resilience to change

- A voluntary agreement is likely to collapse or require significant redrafting should a major shock to the bus network arise.

More people using buses

- **Overall, we consider that a voluntary agreement is a suitable way to deliver improvements to bus services that will deliver small increases in bus patronage. It is not the appropriate vehicle to deliver transformational change.**

7.2.9 In assessing this option, we have considered its ability to achieve a number of criteria set out in the study brief. Each assessment is made comparative to the current bus operating environment, namely a fully commercial network enhanced by tendered contracts let by SPT, with the voluntary Glasgow Bus Partnership in place:

- **Achieving transport planning objectives and outcomes** – limited additional contribution.

- **Network coverage including improved accessibility for disadvantaged communities** – very limited contribution.
- **Service quality, frequency and hours of operation** – very limited contribution.
- **Investment and decarbonisation of bus fleet** – limited contribution.
- **Investment in digital information and new technologies** – very limited contribution.
- **Improved integration including multi-modal ticketing integration** – very limited contribution.
- **Lowering carbon emissions and improving air quality** – very limited contribution.
- **Deliver improvements to populations with protected characteristics under the Equality Act** – very limited contribution.
- **Overall affordability** – excellent, a voluntary partnership can be established and sustained at nominal additional cost.
- **Financing feasibility** – high, commitments in the partnership can be contained only to initiatives that are affordable.
- **Political and public acceptability** – neutral, a voluntary partnership has few direct political and acceptability issues associated with it (although that may not be the case for individual commitments within the Partnership, for instance bus priority measures).
- **Technical feasibility** – excellent, no significant increase in back office systems or physical resources are required.
- **Operational feasibility** – excellent, partnership commitments will be limited to what is operationally acceptable and deliverable.
- **Deliverability using current legislation** – excellent, no barriers exist to prevent rapid implementation, no new or significant risks are imposed on local transport authorities.
- **Ability to future-proof to changes in public transport provision (e.g. Glasgow Metro, new passenger rail franchise model, Mobility as a Service platforms)** – low, voluntary partnership is not significantly differentiated from existing operating model.
- **Legal risks and liabilities** – none.
- **Access to public transport data for transport decision-making** – very limited impact, existence of current Glasgow Bus Partnership was not sufficient to encourage widespread data sharing from bus operators.

7.3 Bus Service Improvement Partnership

7.3.1 In this section we consider the key differentiators and practicalities of establishing a statutory Bus Service Improvement Partnership (BSIP).

Differentiators

7.3.2 A BSIP provides a formal statutory set of commitments that the local transport authorities and all parties to the agreement are required to deliver, following an objection period and consultation. There may be sanctions for any partner that does not meet or exceed the agreed standards – for example, an operator that persists in failing to offer the standards agreed in relation to service frequency, vehicle quality or bus fares may face deregistration of its services.

7.3.3 This statutory footing means that a BSIP has more "teeth" to delivered improved service standards for existing and potential new bus passengers. This has two effects in our experience – firstly, there can be greater confidence that the proposed outcomes of a BSIP will be delivered; and secondly, there is likely to be a greater caution amongst the partners to sign up for improved standards when they are set to become statutory obligations. The latter is especially the case when future funding for improvements is uncertain, which is the experience of English local transport authorities negotiating Enhanced Partnerships (the English equivalent of a BSIP) during the latter months of 2021.

7.3.4 That said, in the case of the Glasgow & Strathclyde region the BSIP option has a key differentiator – it can help to unlock access to capital funding through the Bus Partnership Fund because a commitment to forming a BSIP is "a key factor"[9] that Transport Scotland will use to determine the success of Bus Partnership Fund bids. This capital funding can enable improvements to highway conditions for bus services that will reduce bus delays and potentially attract new passengers. Such investment can encourage bus operators to improve their services and invest in their vehicles, adding further benefits to bus passengers.

7.3.5 If the reduction in delays to buses is sufficient, the investment in infrastructure could mean that fewer buses are needed to deliver the existing end-to-end frequency of service, freeing up resources that partners can use to enhanced service frequencies or use to plug gaps in the existing bus network. It is strongly recommended that this 'recycling' of bus resources is built into the partnership so that the journey time benefits of capital investment in busy bus corridors can result in knock-on benefits to other existing and potential new bus users. That said, a cautious operator may not wish to commit to recycling saved resources in this way, so a BSIP is not a guarantee that an expanded bus network will arise once busy bus corridors are freed from delays.

7.3.6 A BSIP could also be an appropriate vehicle for delivering an enhanced bus service network should additional revenue funding be sourced, as set out in Section 5.2. The BSIP would provide a common agreement on achieving enhanced bus accessibility standards, however it offers no differentiated ways to conduct a tendered service procurement to deliver new and improved services that make use of any additional funding.

[9] Transport Scotland, Bus Partnership Fund Call for Proposals, June 2021, paragraph 5.5

7.3.7 A BSIP is an appropriate way to deliver significant enhancements to bus infrastructure in the Glasgow & Strathclyde region, as evidenced by the current arrangements for the Bus Partnership Fund. However the achievement of consequential improvements to the bus network and bus fares as a result of that infrastructure investment is less certain, especially at a time when the COVID19 pandemic has quite rightly motivated bus operators to consider steps to recover their pre-pandemic financial position once current Government support for services expires.

7.3.8 Early experience with the English equivalent of a BSIP (an Enhanced Partnership) suggests that where partners can be focused on high-quality outcomes through the availability of generous additional funding then ambitious aspirations can emerge, there is more open discussion of the problems facing operators and transport authorities, and data is more willingly shared. However, it is still too early in that process for conclusions to be drawn regarding the success – or otherwise – of that statutory partnership approach, and it also seems likely that with limited funding many of the more ambitious plans will inevitably be watered down or abandoned.

Geographic Options

7.3.9 The graphic below sets out the key considerations, opportunities and constraints associated with the six geographic options set out in the study brief, in the context of forming a BSIP.

Glasgow only (excluding cross boundary services)

- This option would result in investment in bus corridors being focused on Glasgow's road network. Any accompanying improvements to bus service standards (new vehicles, new fare products, enhanced frequencies, etc) will not apply to cross-boundary services, leading to a confused offer to passengers. It is worth noting that 73% of bus service journeys in Glasgow operate into adjoining council areas.
- Longer distance operators that provide cross boundary services would be excluded from participating in the BSIP.
- The number of operators included in the BSIP would be limited, which could make it more practical to reach agreement in a short period of time.

Glasgow only (including cross boundary services)

- This option would still result in investment in bus corridors being focused on Glasgow's road network.
- Cross boundary services would be included in the BSIP, broadening the scale of benefits achieved.
- The number of operators likely be included in the BSIP will increase, which could result in the agreement achieving more watered down outcomes.

Strathclyde

- This option would result in the same standards being adopted for buses operating across the whole Glasgow & Strathclyde region. This has the potential to improve standards for services operating in every local authority. The nature of the bus network, with considerable numbers of cross-boundary, lends weight to a BSIP.
- Different geographies (urban and rural) that result in different levels of bus service provision, plus different political priorities across the region, mean that a single BSIP would be a complex undertaking that would need to take account of various standards. A nested BSIP with overarching regional standards that form the basis of more detailed local partnerships could mitigate this issue.

A single Local Authority network

- This option would result in improved standards being adopted for all buses operating within a local authority area. This has the potential to improve services extending into neighbouring authorities too.
- At a local authority level, agreeing a BSIP is likely to depend on whether additional funding can be unlocked - from BPF or other sources - that will make the formation of a statutory agreement worthwhile.
- Multi-authority BSIPs may be feasible but may result in the agreement achieving more watered down outcomes.

A single cross boundary route

- This option would allow one or more bus operator and two neighbouring authorities to agree mandatory standards for a single bus corridor. This would provide a BSIP with focus to deliver improvements in that corridor.
- This approach would not include other corridors in either of the local authority areas, which could place a perverse focus on improving cross boundary services ahead of other services.

A single rural network (most/all services tendered)

- The local transport authority already has a close contractual arrangement with bus operators, so the establishment of a BSIP is unlikely to add further value.

7.3.10 There is a key existing differentiator which makes the creation of a BSIP worthwhile for those authorities that are likely to have access to future Bus Partnership Fund monies. That makes it a practical option for both the Glasgow (including cross boundary services) and the single Local Authority network options. At regional level, a BSIP could be a practical proposition if implemented in a way that takes account of differences in bus networks, bus demands and political priorities within the region.

7.3.11 The requirement to agree infrastructure and service standards in advance of finalising the BSIP, especially in a scenario where funding for some improvements is not certain, is likely to result in a series of cautious commitments from all parties including bus operators. While the Scheme can be flexed once the BSIP is established and new funding streams become available, the opportunity to "bake in" transformational improvements at the start of the BSIP could be lost. The BSIP can therefore be considered as a potential way to deliver transformational change in bus services, but not a certain way.

7.3.12 In summary, we consider that the BSIP option could contribute to the study's desired outcomes as follows:

More efficient, faster and reliable bus services

- Improved standards for bus services can be agreed at corridor and local authority level, BSIP has direct access to capital funding for bus improvement measures for pre-qualified local authorities.
- BSIP can facilitate agreement to 'recycle' saved vehicle resources and improve network coverage elsewhere, but that is reliant on operator agreement up front during difficult times commercially.

Better integration of services

- Any improvements to integration would be at operators' discretion when the BSIP is formulated, but would then become a statutory duty to deliver.

Cheaper and simpler fares

- Inclusion of new fare products and cheaper fares in the BSIP would become statutory requirements, however they would require a majority of operators to approve them before the BSIP is formed. A BSIP cannot exercise control of all operators' own fares.

Lower carbon impacts and lower tailpipe emissions

- A BSIP is an appropriate way to introduce newer and cleaner buses to a network, establishing a binding stautory duty to deliver. A BSIP could include measures that lead to significant reductions in car traffic.

Fully accessible buses and stops, information and communications

- A BSIP can include improvements to boarding and alighting facilities and agreeing enhanced standards for driver/passenger interactions, which would then become statutory duties to deliver.
- A BSIP can formally commit partners to improved information provision standards.

Better safety and personal security when using the bus

- A BSIP is a good way to improve enhanced standards for CCTV and other ways to enhance perceptions of personal security.

Resilience to change

- A BSIP may be able to weather some shocks to the market, but is likely to collapse or require significant redrafting should a major shock to the bus network arise (e.g. Glasgow Metro implementation).

More people using buses

- **Overall, we consider that a BSIP is a very suitable way to secure investment in bus priority measures and other capital investment to benefit bus passengers. It may be a vehicle for delivering transformational change, but achieving agreement of a majority of bus operators may be problematic.**

7.3.13 In assessing this option, we have considered its ability to achieve a number of criteria set out in the study brief. Each assessment is made comparative to the current bus operating environment, namely a fully commercial network enhanced by tendered contracts let by SPT, with the voluntary Glasgow Bus Partnership in place:

- **Achieving transport planning objectives and outcomes** – limited additional contribution, although this would be enhanced if a BSIP was able to receive significant additional external funding for revenue and capital spend.
- **Network coverage including improved accessibility for disadvantaged communities** – some contribution if savings in bus resources can be recycled to plug gaps in commercial networks. A BSIP may be a way to enhance the network using additional external revenue funding, but limits of current tendering legislation and rules will apply and may impact on achieving optimal outcomes.

- **Service quality, frequency and hours of operation** – as above.
- **Investment and decarbonisation of bus fleet** – potentially significant contribution if operators are willing to match investment in vehicles with investment in bus infrastructure.
- **Investment in digital information and new technologies** – limited contribution.
- **Improved integration including multi-modal ticketing integration** – limited contribution.
- **Lowering carbon emissions and improving air quality** – some contribution through modal shift if significant bus journey time savings, and recycling of saved bus resources, can be achieved.
- **Deliver improvements to populations with protected characteristics under the Equality Act** – limited contribution.
- **Overall affordability** – very good, the commitments in the BSIP can be made subject to availability of funding. Though if funding already secured is subsequently lost, and the commitment in the BSIP Scheme remains in place, some affordability risks may emerge.
- **Financing feasibility** – reasonable, a BSIP would impose additional costs on the local transport authority to manage the Partnership work and progress reporting. This is estimated to be £50-100k per annum for a single authority BSIP, or up to £250k per annum for a regional scale multi-authority BSIP.
- **Political and public acceptability** – a complex mixture of positives and negatives. The benefits that arise from investment secured through the BSIP will have positive impacts on public perceptions of buses. However those who favour more radical bus reform may see a BSIP as a retrograde step that could delay that further reform.
- **Technical feasibility** – excellent, no significant increase in back office systems or physical resources are required.
- **Operational feasibility** – excellent, the BSIP commitments can be limited to what is operationally acceptable and deliverable.
- **Deliverability using current legislation** – good, while all necessary legislation is not yet in place Transport Scotland has stated this will be resolved by Summer 2022.
- **Ability to future-proof to changes in public transport provision (e.g. Glasgow Metro, new passenger rail franchise model, Mobility as a Service platforms)** – some potential benefit, it may be possible to include measures in the BSIP to amend bus networks in line with future changes, though any measures will be subject to agreement from a majority of bus operators. Larger changes such as Glasgow Metro are less likely to be accommodated without a radical review of, and possible collapse of, the BSIP.
- **Legal risks and liabilities** – low, though some new legal and process risks arise from a BSIP due to the statutory requirement to deliver agreed aspects of the BSIP Scheme.
- **Access to public transport data for transport decision-making** – likely to be limited impact, there is no formal requirement for operators to share data within a BSIP unless it is commercially advantageous to do so.

7.4 Bus Franchising Scheme

7.4.1 In this section we consider the key differentiators and practicalities of establishing a Bus Franchising Scheme.

Differentiators

7.4.2 A Bus Franchising Scheme allows a local transport authority to determine the bus network that is operated, the bus fares that are charged, the standards that bus operations should meet and variations to those features that may be required through time. A Bus Franchising Scheme possesses features that differentiates it from today's operational model.

7.4.3 **Delivering transformation change** - a Bus Franchising Scheme is an appropriate way to deliver transformational changes to bus services in the Glasgow & Strathclyde region because it moves responsibility for deciding the details of bus service provision from several commercial actors to the hands of a single integrated decision maker – the local transport authority. It is not possible for the current commercial operating model, or even the BSIP model, to have that single decision maker covering all aspects of bus services, bus fares, bus infrastructure and bus service standards. In circumstances where considerable investment is envisaged in other public transport modes, as is the case with Glasgow's Metro programme, the importance of a single integrated decision maker across an entire public transport network, including bus, is further emphasised.

7.4.4 **Efficient use of resources** - a bus franchising scheme allows for action to be taken in corridors that are considered to be 'over-bussed' as a result of competition between rival commercial operators. While it is accepted that there are rarely if ever two services along a corridor that compete along the entire length of both services (they will generally serve different market at service extremities, or serve different cross-city markets) we are aware of evidence from studies in a larger urban area of England that showed a recasting of multiple corridor services into one operation can use vehicles more efficiently and release resources for other uses. In Glasgow this has the potential to release a number of buses for redeployment on other services while maintaining service standards on all existing corridors and not degrading farebox revenues. Although a network study would be needed to establish a precise figure, we believe that a conservative estimate of between 10 and 20 buses[10] could be released from the existing commercial network across Glasgow and redeployed to boost other services or establish new links, generating additional farebox revenues from those services compared to the status quo – this is a considerable contribution to the estimated 60 additional vehicles required to deliver world class service levels, as discussed in Section 5. Outside of Glasgow, where bus services are often less frequent, the potential for such vehicle savings is greatly reduced.

7.4.5 **Operator profit expectations** - a Bus Franchising Scheme removes from commercial operators the risks associated with fluctuating farebox revenues and places those risks with the local transport authority. For operators, the finances of operating buses will no longer be influenced by farebox income, they will be limited to consideration of the cost to provide the bus, the driver, the fuel and the depot. Furthermore, operators will no

[10] Based on a confidential study elsewhere in the UK.

longer be responsible for strategic planning of their networks, and may be less involved in marketing of services and products. Operators will still need to achieve a profit margin in order to fund investment in their physical assets and staff, and also to provide a return for their shareholders. However the reduced levels of risk and responsibility may mean that expected profit levels can be moderated somewhat, meaning that the cost of operating a network in a Bus Franchising Scheme can be less than the equivalent cost of operating an identical commercial network. Of course, it is then for the local transport authority to find any necessary funding to cover the potential cost of those risks and tasks that have transferred from operators to the authority. The upside risks will also transfer to the authority, potentially boosting the resources available to improve bus network and lower fares.

7.4.6 **Reform of National Concessionary Travel Scheme reimbursement** - a Bus Franchising Scheme eliminates the need for a complex methodology to reimburse commercial operators for the carriage of passengers eligible for free travel through the National Concessionary Travel Scheme. As long as the Scottish Government is willing to maintain payments to the local transport authority at the levels they currently provide to bus operators in the Glasgow & Strathclyde region, as part of a wider transformational funding package, the need for complex resources to assess National Concessionary Travel Scheme reimbursements disappears, delivering a resource saving to the industry and to Government. A secondary benefit is that data about ridership amongst eligible National Concessionary Travel Scheme passengers will become far more transparent.

7.4.7 **The transfer of risk and creation of new risk** – a Bus Franchising Scheme imports considerable risks currently borne by bus operators. When a bus service fails financially and require adjustment or deregistration, it is currently bus operators who bear the reputational risk from that action (though it is passengers that bear the actual risk, when they receive a diminished service). Under a franchising scheme, those risks will transfer to the local transport authority/authorities – and if those risks are not accepted, then additional financial pressures might arise. In addition, the process of establishing a Bus Franchising Scheme is novel in Scotland, has major risks associated with it (in particular the Independent Panel stage) and has proved expensive and time consuming to navigate amongst English local transport authorities. There is a material risk that a reasonable Bus Franchising Scheme could be developed, yet still run the risk of failure to be accepted. This is something that should be factored into the consideration of risks and rewards associated with pursuing a franchising scheme.

7.4.8 Overall, there are some significant differentiating benefits arising from a Bus Franchising Scheme once it is in operation that make this option particularly appropriate for delivering transformational enhancements to bus services in the Glasgow & Strathclyde region, especially in the context of wider reform and expansion of the public transport network, as Is currently being discussed in the Glasgow & Strathclyde region. These opportunities must of course be set against the considerable risks, costs and timescales associated with attempting to create a Bus Franchising Scheme, as set out in Section 6.

7.4.9 The graphic overleaf sets out the key considerations, opportunities and constraints associated with the six geographic options set out in the study brief, in the context of forming a Bus Franchising Scheme.

Glasgow only (excluding cross boundary services)

- A bus franchising scheme that excludes cross boundary services would limit the impacts of the scheme on commercial operations in neighbouring authorities.
- It would be perverse to create a single franchise system then open it up to on-road competition from cross-boundary operators, so should only be considered if the franchising regulations can mandate cross-boundary services to maintain the same service standards and accept the same fare products as franchised services. This is important given that 73% of bus service journeys operating within Glasgow cross the boundary into neighbouring authorities.

Glasgow only (including cross boundary services)

- This option would guarantee that franchise standards will be achieved by every bus operating in the Glasgow area and would extend the area of influence for the scheme beyond the Glasgow boundary.
- However franchising cross boundary services may have adverse impacts on the financial viability of remaining commercial and supported bus networks operating wholly within neighbouring local authority areas.
- This option should only be considered if neighbouring authorities had guarantees that secondary impacts of franchising in their area would be mitigated financially, as part of the franchise scheme. This may create a financial burden on Glasgow to support bus services operating wholly outwith its boundaries.

Strathclyde

- This option would result in the same standards being adopted for buses operating across the whole Glasgow & Strathclyde region. This will improve standards for service operating in every local authority.
- Different geographies (urban and rural) that result in different levels of bus service provision, plus different political priorities across the region, mean that the prospects of establishing the case for, and gaining approval for, a single Bus Franchising Scheme would be more challenging than a Scheme developed on a smaller scale. Conversely the nature of the bus network, with considerable numbers of cross boundary services, lends weight to a regional scheme over more localised options.

A single Local Authority network

- This option would result in improved standards being adopted for all buses operating within a local authority area, assuming that external funding to achieve those standards can be sourced. This has the potential to improve services extending into neighbouring authorities too.

A single cross boundary route

- This option would allow the Local Transport Authority to define all service standards on one cross boundary route, leaving the remaining commercial and supported services unchanged. This could have unintended adverse consequences on the finances of the remaining bus network, and appears to be a convoluted way to achieve improved standards on such a limited scope of services.

A single rural network (most/all services tendered)

- The local transport authority already has a close contractual arrangement with bus operators, so the establishment of a bus franchising scheme in a rural area alone is unlikely to add further value.

7.4.10 In summary, we consider that the Bus Franchising Scheme option could contribute to the study's desired outcomes in as follows:

More efficient, faster and reliable bus services

- A Bus Franchising Scheme can ensure that the enhanced service standards can be achieved, through the specification of contracts and the provision of supporting bus infrastructure that are both determined by a single integrated decision maker, the local transport authority.
- A Bus Franchising Scheme has differentiating features that mean it could deliver more improvements for the same resources currently required to deliver today's network.

Better integration of services

- Integration is a key feature that can be baked into a Bus Franchising Scheme, integrating the networks and fares of different operators into one network and one fares offer, then integrating that one network and one fares offer with other modes. The single integrated decision maker is likely to also be responsible or influential in decisions about other public transport modes within an integrated network.

Cheaper and simpler fares

- The single integrated decision maker for a Bus Franchising Scheme enables bus fares to be simplified and reduced provided that the cost of operating the franchising contracts can still be covered by farebox revenues, local transport authority spend commitments and external grants.

Lower carbon impacts and lower tailpipe emissions

- A Bus Franchising Scheme can mandate the use of an enhanced minimum vehicle standard, provided the increased cost of purchase/lease and operation can be accommodated by the contract cost budget for the Scheme.

Fully accessible buses and stops, information and communications

- The standards of infrastructure, information and communications can be co-ordinated within a Bus Franchising Scheme.

Better safety and personal security when using the bus

- A Bus Franchising Scheme can mandate the provision of enhanced safety and security initiatives, such as on-board security staff, provided their provision can be funded.

Resilience to change

- A Bus Franchising Scheme has a single point of reference and a single network-wide decision making structure that allows shocks to the network to be accommodated in a more rigorous and co-ordinated way, compared to today's operational model. This includes resilience to major changes to public transport networks (e.g. Glasgow Metro proposals).

More people using buses

- **Overall, we consider that a Bus Franchising Scheme is an appropriate model for securing a significant transformation by inserting a single controlling authority across the whole bus network. This has the potential to drive a significant additional increase in bus patronage compared to current operations.**

7.4.11 In assessing this option, we have considered its ability to achieve a number of criteria set out in the study brief. Each assessment is made comparative to the current bus operating environment, namely a fully commercial network enhanced by tendered contracts let by SPT, with the voluntary Glasgow Bus Partnership in place:

- **Achieving transport planning objectives and outcomes** – potentially significant additional contribution, subject to available funding.
- **Network coverage including improved accessibility for disadvantaged communities** – a bus franchising scheme offers opportunities to provide savings within the current bus market that can be recycled into enhanced network

coverage. A franchising scheme is an efficient way to deliver additional external revenue funding for new services.

- **Service quality, frequency and hours of operation** – as above.
- **Investment and decarbonisation of bus fleet** – potentially significant contribution, higher vehicle standards can be mandated if sufficient funding is available to meet any additional contract payment costs.
- **Investment in digital information and new technologies** – potentially significant contribution, the single integrated decision maker across all bus services and other public transport modes can significantly enhance the prospects for implementing new technologies.
- **Improved integration including multi-modal ticketing integration** – very high contribution, the single integrated decision maker across all bus services and other public transport modes can implement greatly simplified, unified and integrated fares and ticketing products across a whole public transport system.
- **Lowering carbon emissions and improving air quality** – potentially significant contribution through modal shift if major improvements to affordability and coverage of public transport network can be achieved by the single integrated decision maker.
- **Deliver improvements to populations with protected characteristics under the Equality Act** – some contribution to improving safety and security for less able and more vulnerable travellers.
- **Overall affordability** – the case is to be determined, but a Bus Franchising Scheme would be extremely unlikely to proceed unless it was proven to be affordable to high degree of certainty, taking account of a range of risks.
- **Financing feasibility** – high, establishing a Bus Franchising Scheme is estimated to cost between £4m and £15m over a seven year period.
- **Political and public acceptability** – a complex mixture of positives and negatives. The concept of a single integrated decision maker taking control of all aspects of bus services is likely to be attractive to people dissatisfied with current bus services. However the importing of significant new risks to the local transport authority is likely to temper that acceptability and will need to carefully and fully explained to key decision makers.
- **Technical feasibility** – reasonable, there will be a need for new back office systems but these are readily available on the market, there will also be a need for significant additional physical resources retained by the local transport authority (the cost of which will need to be built into the overall costs and revenues budget for the Scheme).
- **Operational feasibility** – very good, it will be necessary to limit any commitments in the Bus Franchising Scheme to those that are deemed operationally acceptable and deliverable.
- **Deliverability using current legislation** – good, while all necessary legislation is not yet in place Transport Scotland has stated this will be resolved by Summer 2022.
- **Ability to future-proof to changes in public transport provision (e.g. Glasgow Metro, new passenger rail franchise model, Mobility as a Service platforms)** – very significant benefit, the single integrated decision maker across all bus services and other public transport modes is the ideal vehicle to facilitate and future proof such changes.
- **Legal risks and liabilities** – very high, significant new legal and process risks will need to be fully understood and accepted before the process to make a Bus

Franchising Scheme is commenced. Once made, the Scheme imports new and potentially significant risks to the local transport authority, although these should be set alongside the potential for significant upside benefits arising from a successful bus franchising scheme that can halt or even turn around the current decline in bus use.

- **Access to public transport data for transport decision-making** – ideal, a bus franchising scheme will offer full access to all data about public transport movements and revenues in order to inform the development of future transport strategies and proposals.

7.5 Municipal Ownership

7.5.1 In this section we consider the key differentiators and practicalities of establishing a municipally owned bus operator. We consider two sub-options – firstly, to establish a municipally owned operation to compete for supported bus service contracts; and secondly, to establish a single operator that can take over operation of all bus services in the region or other appropriate geography.

Differentiators

7.5.2 The first step in establishing a municipally owned operator is to set up a company, obtain some assets, recruit staff and begin to compete for supported bus service contracts. While there are no material features of a municipally owned operator that are distinct from any other operator with an operating licence - a depot base, a transport manager and the necessary operating assets - the way in which the municipal operator uses its profits from those contracts can be a differentiator. Lower profit aspirations can be used to add value to the contracts, or to compete more keenly for future contracts – as long, of course, as funding for the long term depreciation and renewal of assets such as vehicles, depots and equipment is secured. As already noted in Section 6.6 operating margins may be at risk through increased cost pressures in the public sector (for example on wages, which constitute a very significant proportion of total operating costs), meaning that lower profits are achieved than a similar-sized private sector operator, potentially leaving insufficient profit for reinvestment.

It is evident that municipally owned bus operators are capable of being a great success – Lothian Buses, Reading Buses and Nottingham City Transport are examples of municipally owned operators with arms-length management arrangements in place that thrive in the market, win awards for service quality and innovation and are regarded as high quality operators across the industry. However examination of the financial performance of municipally-owned bus operators in the UK from their published accounts suggests that a number deliver very low profitability and some require financial support from their local authority shareholders. Of course, this may be in the context of the operator supporting wider policies such as offering low fares, a comprehensive bus network, low emission fleets, and other quality enhancements which would not be provided on a wholly commercial basis.

However, it is worth noting that Halton Borough Council's bus company was forced to cease trading in January 2020. It was a relatively small business with annual turnover of approximately £7m that had been making losses for several years, losses that accelerated in its last two years to March 2019. Halton Borough Council was unable to support the bus company due to their own budgetary pressures.

7.5.3 If profit is available to reinvest, the municipal operator can seek to grow its share of the market in a way that adds value to the network for bus passengers. As margins continue to build, the municipal operator can start to operate wholly-new services that fill in gaps in the commercial market but which are not contracted by SPT, and operate previously commercial services that have been deregistered by privately owned commercial operators – these courses of action will add further value to the bus network and will, over the course of several years, have the potential to create a municipally owned operator of a significant size.

7.5.4 Furthermore, the presence of a municipally-owned operator that can step in to take over deregistered commercial service may, at the margin at least, persuade commercial operators to maintain services for a longer period and accept more risk on their operations. However, operating in the existing deregulated commercial environment may make it challenging for a municipally-owned bus company to drive up standards – for example, vehicle specifications, fares and timetables for contracted operations will be set by SPT, and the cost of exceeding those standards may make the municipal operator's tenders unattractive; at the same time, SPT – as the procuring authority – would need to exercise great care not to behave in a biased, anti-competitive way that appeared to favour the municipal operator.

7.5.5 In any case, that long-term strategy of competing in the existing market falls short of the second scenario for a municipally owned bus operator, that is one that covers the entire bus operation in an area providing the local transport authority with full control of decisions about bus services, bus fares and bus service standards, with delivery of them completely under public sector control rather than expressed through bus franchising contracts.

7.5.6 As explained in Section 6 of this report, there is currently no automatic path to achieve that outcome in the Glasgow & Strathclyde region. The municipal operator must either spend the necessary elapsed time to dominate the contracted market through bus franchising (which of course cannot ever be guaranteed, as bus franchising contracts must be procured in a fair and equitable way). Or it can acquire the businesses of local commercial bus operators over time in order to take over the current commercial market. The latter reflects the way that many Passenger Transport Executives gained complete control over bus operations in major conurbations following their establishment under the 1968 Transport Act – for example, in Greater Manchester, two major private sector operators (comprising around 530 buses) were acquired by the PTE to help integrate services across the region.

7.5.7 The first of these municipal ownership options relies on the creation of a bus franchising scheme, so is not materially different to that option explained in Section 7.3.13. The second of these options requires a great number of things to be put in place, starting with

a long term financial package to fund the necessary acquisitions then relying on the current operators being willing to contemplate the sale of their businesses.

7.5.8 Consequently, we consider that at this stage, the principal differentiators associated with a municipally owned bus operator lie in the short to medium term opportunities to win contracted service work and use margins to fund additional services and take over deregistered commercial services.

Geographic Options

7.5.9 The graphic below sets out the key considerations, opportunities and constraints associated with the six geographic options set out the study brief, in the context of forming a municipally owned bus operator.

Glasgow only (excluding cross boundary services)

- A Glasgow City Council owned bus operation would be able to operate viably and compete for contracts in Glasgow.

Glasgow only (including cross boundary services)

- A Glasgow City Council owned bus operation would be able to operate viably and compete for contracts in Glasgow plus contracts crossing, or even operating beyond, the Council's boundary.

Strathclyde

- A single municipally owned operator that competes for contracts across the Glasgow & Strathclyde area would potentially become a significant undertaking. It may also have a complex ownership structure if several local transport authorities wished to have a stake in the business, who may have different views on financial viability.

A single Local Authority network

- A Local Authority owned bus operation would be able to operate viably and compete for contracts in that authority's area plus contracts crossing, or even operating beyond, the authority's boundary.

A single cross boundary route

- It would be impractical to set up a municipally owned operator solely to operate a single cross boundary route, but operation of such services by a municipally owned operator, as part of a wider portfolio of services, would be practical.

A single rural network (most/all services tendered)

- The creation of a municipally owned bus operation to compete for tendered service contracts would offer significant benefits in this scenario, both in terms of the growth in competition for contracts and the resultant impact on best value for public money achieved through tendering, and also by establishing an operators with specific business policy aims aligned with local authority priorities. It is a reasonable assumption that such an operator, well managed, could operate with good financial viability.

7.5.10 It is evident that a municipal operator doesn't offer any material conclusions based on most of the geographical definitions as the operator can be shaped to whatever form the relevant local transport authority wishes it to take. That said, there is a particular benefit to be derived from establishing a municipally owned operator in a single rural network.

7.5.11 It is noted that whilst no geographical limitations are placed on the scale of a municipal bus operation, the legislation does require that: ***"The local transport authority must be satisfied that the provision of such a service will contribute to the implementation of their relevant general policies."*** As such, it may not automatically be the case that an

operator owned by one council in the region would wish to operate across boundaries into another council area, at least without the active agreement of that neighbouring council. Early engagement with the authority's democratic services colleagues is advised in order to ensure that any newly formed municipally owned operation sets off on a sound policy footing.

7.5.12 In summary, we consider that the municipally-owned bus operator option could contribute to the study's desired outcomes as follows:

More efficient, faster and reliable bus services

- In the short term, a muncipal operator can use its lower profit aspirations to take over deregistered services and create new services, while still competing for contracted bus service work.
- In the longer term, a single muncipally owned operation, suitably funded, could provide a fully developed world class bus service for the region.
- Care is required to minimise cost pressures in the public sector which might erode any surplus profits available for reinvestment in better services.

Better integration of services

- No material impact in short term.
- In the longer term, integration can be a key business outcome for a muncipally owned operator, integrating the networks and fares of different operators into one network and one fares offer, then integrating that one network and one fares offer with other modes.

Cheaper and simpler fares

- No material impact in short term.
- In the longer term a single muncipally owned operator in the region can be empowered to implement simplified and reduced bus fares provided that the cost of operating services can still be covered by farebox revenues, local transport authority funds and external grants.

Lower carbon impacts and lower tailpipe emissions

- No material impact in short term.
- In the longer term a municipally owned operator can invest its profits into acquiring and operating buses to a higher minimum vehicle standard, including zero emission vehicles. In time, an expanded operation can attract motorists from their cars and achieve further reductions in transport-related emissions and carbon impacts.

Fully accessible buses and stops, information and communications

- No material impact in short term.
- In the longer term the higher standards of buses, information and communications can be delivered by a muncipally owned operator.

Better safety and personal security when using the bus

- In the longer term enhanced safety and security initiatives can be implemented by a muncipally owned operator.

Resilience to change

- No material impact in short term.
- In the longer term a single muncipal bus operator will be a company of considerable size with public sector backing, enabling it to be capable of absorbing shocks to the network in more rigorous and co-ordinated way, compared to today's operational model (subject to general restrictions on local authority spend and borrowing).

More people using buses

- **Overall, we consider that in the longer term a single municipally owned bus operator can grow to a considerable corporate size and place its focus on social and economic outcomes. These features can be used to drive a significant bus service transformation and deliver significant additional increase in bus patronage compared to current operations.**

7.5.13 In assessing this option, we have considered its ability to achieve a number of criteria set out in the study brief. This assessment is based on a short term scenario where a new operator competes for tendered service contracts and is able to provide some additional connectivity on a commercial basis, filling gaps in the current commercial network. It also reflects a longer term option to establish a single publicly-owned municipal operator, either via a franchising scheme or through acquisition of commercial operators' businesses. Each assessment is made comparative to the current bus operating environment, namely a fully commercial network enhanced by tendered contracts let by SPT, with the voluntary Glasgow Bus Partnership in place:

- **Achieving transport planning objectives and outcomes** – some contribution in the short term and potentially significant additional contribution in the longer term, subject to available funding.
- **Network coverage including improved accessibility for disadvantaged communities** – a municipally-owned bus operator would offer opportunities to provide savings within the current bus market that can be recycled into enhanced network coverage. A municipally-owned bus operator would be an efficient way to deliver additional external revenue funding for new services.
- **Service quality, frequency and hours of operation** – as above.
- **Investment and decarbonisation of bus fleet** – potentially significant contribution in the longer term, a policy of higher vehicle standards can be delivered by a municipal operator if sufficient funding is available to meet any additional acquisition/leasing costs.
- **Investment in digital information and new technologies** – potentially significant contribution in the longer term, a municipally-owned bus operator delivering all bus services can work closely with other public transport modes to significantly enhance the prospects for implementing new technologies.
- **Improved integration including multi-modal ticketing integration** – very high contribution in the longer term, the municipally-owned bus operator delivering all bus services can be integrated with other public transport modes to implement greatly simplified, unified and integrated fares and ticketing products across a whole public transport system.
- **Lowering carbon emissions and improving air quality** – potentially significant contribution in the longer term through modal shift if major improvements to affordability and coverage of public transport network can be achieved.
- **Deliver improvements to populations with protected characteristics under the Equality Act** – some contribution both in the short and longer term to improving safety and security for less able and more vulnerable travellers.
- **Overall affordability** – a municipally-owned bus operator would be required to provide a defined level of financial return to the local transport authority, which is achievable in the short and longer term – though there is evidence in England of a municipally-owned bus operator that was shut down due to affordability concerns.
- **Financing feasibility** – in the short term, the feasibility of funding the establishment of a depot, management team, staff and vehicles to deliver tendered service contracts is reasonably high. In the longer term, the financial feasibility of a municipally-owned bus operator delivering all bus services is to be determined but is likely to be lower – it will require at least £200m to finance acquisition of operators' businesses, or the estimated cost to deliver a Bus Franchising Scheme of between £4m and £15m.

- **Political and public acceptability** – in the short term there is likely to be a high degree of acceptance for a municipally-owned bus operator that is able to deliver better value for public money and use its margins to provide additional connectivity that fills gaps in the current commercial network. In the longer term that acceptability will potentially remain high, based on the additional control over bus networks and fares that can be achieved by the public sector. However in the longer term this option imports total responsibility for decisions about bus services and networks into the public sector, including decisions that at times may not be acceptable politically or to the travelling public.
- **Technical feasibility** – reasonable, there will be a need for new back office systems but these are readily available on the market.
- **Operational feasibility** – very good, it will be necessary to limit any commitments made by a municipally-owned bus operator to those that are deemed operationally acceptable and deliverable.
- **Deliverability using current legislation** – in the short term the deliverability is high, the 2019 Transport Scotland Act allows for such an operation to be formed to compete for tendered services contracts. In the longer term the deliverability is much weaker as there is no direct way in which a municipally-owned bus operator can take on responsibility for operating all buses in a defined area.
- **Ability to future-proof to changes in public transport provision (e.g. Glasgow Metro, new passenger rail franchise model, Mobility as a Service platforms)** – significant benefit in the longer term, bus services delivered by a municipally-owned bus operator can readily be integrated with other public transport modes to facilitate and future proof such changes.
- **Legal risks and liabilities** – modest in the short term but very high in the longer term, the creation of a municipally-owned bus operator to acquire commercial bus operators' businesses (via franchising or via acquisition) is an uncharted process that has the potential to import significant risks and liabilities.
- **Access to public transport data for transport decision-making** – ideal, a municipally-owned bus operator will offer full access to all data about public transport movements and revenues in order to inform the development of future transport strategies and proposals.

8. CONCLUSIONS

8.1 Key Findings

8.1.1 This report assesses the current bus market in the Glasgow & Strathclyde region and considers the scope for a range of different bus operating models, examining the strengths and weaknesses of each to establish their relative practicality and differentiating features.

8.1.2 We believe that there is a case for pursuing partnership options in the region. Voluntary partnerships can help to formalise existing working relationships and leverage further benefits from each party. And where money from funding streams such as Bus Partnership Fund is available to BSIPs, establishing a BSIP is a recommended way forward to secure the benefits from those investments and secure commensurate investment from bus operators in terms of improved service levels and, potentially, freeing saved bus resources to plug gaps in the bus network elsewhere.

8.1.3 A BSIP may develop into a situation where transformational improvements to bus services can be delivered using external funding obtained by SPT and other local transport authorities in the region – funding that would be additional to the current Bus Partnership Fund. However there are no precedents for such a transformation being delivered through a BSIP - none have yet been established in Scotland and the similar Enhanced Partnerships established in England remain in their infancy. The evidence of Statutory Quality Partnerships under previous legislation in Scotland and England is that this was not a vehicle for long-term transformational change into a world class bus service.

8.1.4 We do therefore believe there is a case for the Glasgow & Strathclyde region to consider options for a Bus Franchising Scheme, but in making that judgement the local transport authorities should be under no illusion that the process will be anything other than time-consuming, expensive and will create significant new risks to the authorities that it does not currently bear. There is a choice for the authorities to make between using funding to pursue franchising over several years, or using that funding to invest in bus infrastructure, vehicles and services. Furthermore, it should be noted that it is likely the pursuit of a franchising scheme will require serious consideration and development of alternative options such as BSIPs concurrently with the franchise proposals.

8.1.5 The most practical geographical coverage varies between the reform options – a voluntary partnership would work at a town-level or a single local transport authority; a BSIP is likely to work well for a single local transport authority or adjacent local transport authorities; while bus franchising is likely to work most effectively across several authorities particularly where cross boundary bus services are commonplace. A municipal bus operator can work well at the local transport authority level in the short-term to compete for tendered services and fill gaps in commercial networks, a single municipal operator operating all buses would work best on a wider geography similar to a Bus Franchising Scheme.

8.1.6 In the short-term we consider that the local transport authorities should follow three courses of action, alongside negotiations to establish a BSIP and initial consideration of a Bus Franchising Scheme:

- Firstly: **Identify the scale of the challenge**
  - undertake a detailed bus network review programme in Glasgow, followed by similar reviews in each of the SPT partner authority areas, in order to assess the gaps in accessibility and develop ways in which those gaps can be filled, either by conventional bus services or by demand-responsive area-based bus solutions.
- Secondly: **Explore the available future funding envelope**
  - SPT and the local authorities should open a dialogue with Transport Scotland that explains their aspiration to establish a world class bus network in the region, making the case for additional revenue and capital funding to make that happen, as well as retention of existing funding including support to mitigate the ongoing revenue impacts of COVID19.
- Thirdly: **Prepare the ground for direct action**
  - take steps to establish a local authority-owned bus operator, or potentially several such operators in different Council areas, so that additional competition can be injected into the supported service contracts marketplace.

8.1.7 It is regrettable that this study has received a low level of engagement from existing bus operators in the region. We are very grateful to those operators who engaged with our work and shared data with us, but those operators are in the minority in terms of the number of companies at least. The lack of data supplied by operators means that we have often had to draw conclusions based on our knowledge from other cities rather than develop bespoke assessments of impacts tailored to the bus market in the Glasgow & Strathclyde region. While our view is this doesn't materially weaken the conclusions of this report, it does illustrate the unwillingness of (some) commercial operators to engage with local transport authorities and work towards common goals. It is hoped that this reluctance does not extend into discussions about a BSIP.

8.1.8 Finally, it is important that we consider the needs of different communities and sectors across the Glasgow & Strathclyde region and determine whether any of the bus reform options have particular features affecting or enhancing equalities and human rights in the region. We are aware of previous work by the New York University School of Law[11] that examined the current commercial bus market in the UK and levelled a series of criticisms at the status quo, culminating in the conclusion that the current bus market has resulted in *"serious human rights impacts for those who rely on the bus"*. We must be clear that we do not have the depth of knowledge of human rights issues to counteract or confirm

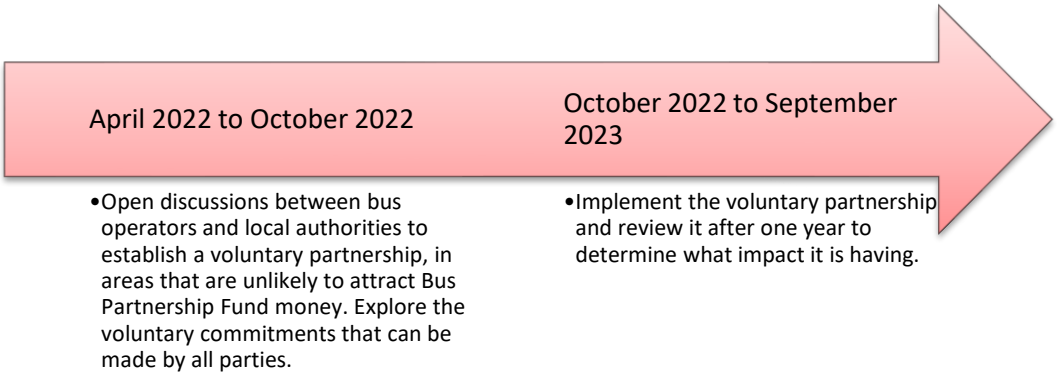
[11] Philip Alston, Bassam Khawaja & Rebecca Riddell, **Public Transport, Private Profit: The Human Cost of Privatising Buses in the United Kingdom**, New York University School of Law, July 2021

the report's conclusions about human rights and the UK bus market. However we do believe that the reform options detailed in this report each have the potential to address potential human rights issues and improve on the current situation. We believe that, subject to the receipt of additional funding, the bus franchising option has the potential to deliver the greatest benefits to bus passengers, although this reform option also poses the greatest risks and costs to the public purse so achieving its outcomes are also potentially the most risky.

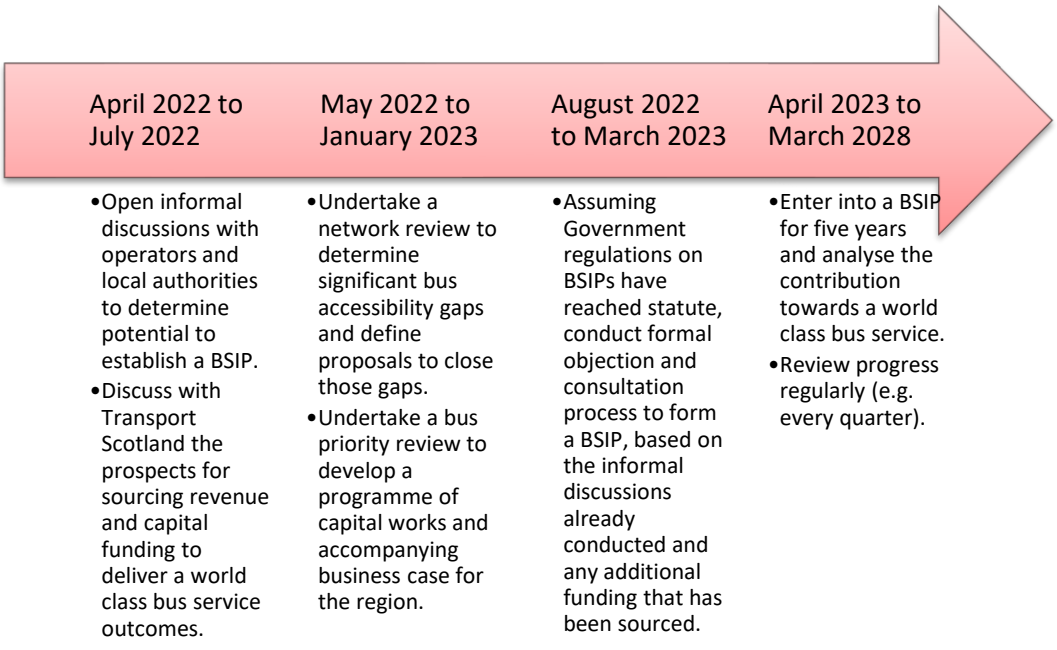
8.2 Option Route Maps

8.2.1 We have considered the route map for developing each option and brought them together into a series of recommendations for next steps. These route maps with indicative timelines are set out below.

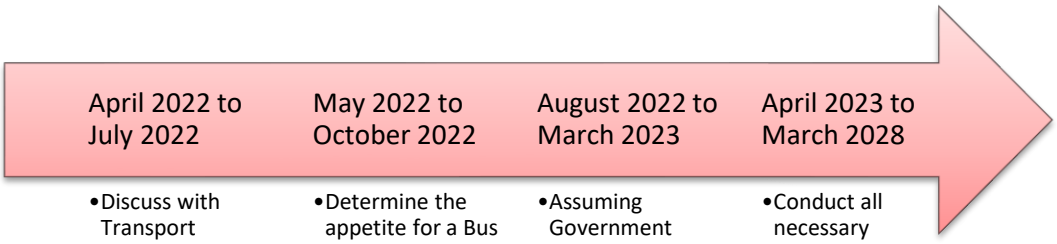
Voluntary Partnership



Bus Service Improvement Partnership



Bus Franchising Scheme



- Discuss with Transport Scotland the prospects for sourcing revenue and capital funding to deliver a world class bus service outcomes.
- Determine the appetite for a Bus Franchising Scheme in each local authority area in the region, noting the timescales, costs and risks involved. Agree a potential area for a Scheme.
- Undertake network review and bus priority review as per BSIP actions.
- Assuming Government regulations on bus franchising reach statute, commence the formal process to consider a Bus Franchising Scheme, if that course of action and its attendant risks are deemed acceptable.
- Conduct all necessary business cases, consultations and reviews in order to be in a position to conclude the Franchising Framework process by 2028, to commence franchising operations in 2030.

Municipally-Owned Bus Operator

- Take business, legal and democratic services advice on the establishment of a muncipally owned bus company capable of competing for contracts, where competition for contracts is weak.
- Explore with local authority Treasurers the practicality of establishing a £200m plus funding stream to acquire the business of commercial bus operators.
- Establish the relevant company/companies and obtain an O Licence.
- Commence competing for secured bus service contracts.
- Should the region choose to pursue a Bus Franchising Scheme, ensure the muncipal operator is equipped to bid competitively for contracts.
- As the opportunity arises, consider the acquisition of commercial bus operators' businesses, subject to due diligence and ensuring best value for public money.

8.3 Recommended Next Steps

8.3.1 To conclude, we recommend the following next steps to start the process of understanding how a world class bus service can be delivered in the Glasgow & Strathclyde region:

- **Open discussions with Transport Scotland** about prospects for attracting additional capital and revenue funding to kickstart the delivery of a world class bus service (April 2022 to July 2022)
- **Conduct a bus network review and bus priority review** to establish the actions needed to close gaps in the network and eliminate delays to bus services, and understand the costs of these measures (May 2022 to January 2023)
- **Progress discussions with partners about the formation of a Bus Service Improvement Partnership** focussed on achieving the aim and desired outcomes set out in this report, by delivering the bus corridor improvements featured in the Bus Partnership Fund bid and by delivering commensurate improvements to bus vehicles, services and fares/ticketing in and close to those corridors (April 2022 to April 2023).
- **Hold an open discussion about a Bus Franchising Scheme** with executive officers and elected members in all local transport authorities with an interest, with that discussion emphasising the likely seven year lead-in time and £15m cost to build a business case. The true appetite to accept the risks associated with taking control of bus services should also be explored (May 2022 to October 2022)
- **Determine the detailed practical steps required to establish a municipally-owned bus operator** capable of competing for secured service contracts (April 2022 to July 2022)
- **Open discussions about the practicality of funding the future acquisition of commercial bus operator businesses** with local authority Treasury and Democratic Services teams, should they become available to purchase (April 2022 to July 2022)

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