

# LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 26 July 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

## REPORT OF DIRECTOR OF CORPORATE RESOURCES AND PORTFOLIO HOLDER FOR TRANSPORT AND AIR QUALITY

### BUS REFORM PROJECT UPDATE

#### 1. PURPOSE OF REPORT

This report updates the LCRCA on the development of the business case which is assessing the options for delivery of bus services in the LCR, as enabled by the Bus Services Act 2017 and the establishment of a Mayoral Combined Authority in the LCR in 2017.

#### 2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority:

- (a) Note the content of this report; and
- (b) Approve the principles of the Vision for Bus

#### 3. BACKGROUND

- 3.1 In April 2016, the LCRCA approved the LCR Bus Strategy. This strategy set out the critical importance of bus services to the LCR, the key challenges and opportunities for bus, and a vision for bus in the LCR. In September 2016, the LCR Bus Alliance agreement was signed, with the intention of delivering the objectives of the Bus Strategy, in particular growing fare-paying patronage and improving customer satisfaction.
- 3.2 In April 2017, the Bus Services Act received royal assent. The Act provided new options for the delivery of bus services, including new partnership options and franchising. The election of the LCR Metro Mayor granted automatic access to these options, making their application a local decision.
- 3.3 In September 2018, the formal options assessment process commenced (Outline Business Case) with the publishing of statutory notices. Pre-assessment work (Strategic Outline Programme and Strategic Outline Case) recommended the

assessment of Franchising and Enhanced Partnership options, measured against a reference case of continuing with the LCR Bus Alliance. These assessments have been supported by legal, financial and transport consultants.

### **Bus operator data requests**

- 3.4 In February 2019 and in line with the legislation, an initial data request was made to LCR bus operators in order to inform the business case. The information provided in response has enabled the LCR to build a financial profile of the bus industry in the LCR, including revenue, costs and patronage. It is important to note that this information can only be used for the purposes of the assessments, with the legislation specifying exactly what can be requested in order to support each of the Franchising and Enhanced Partnership assessments.
- 3.5 The analysis of operator data has confirmed previous assumptions made on a need for intervention, meaning that one of the three options identified should be implemented. This is based on the following factors:
- (a) The vital role of bus services in supporting the LCR economy and its social capacity;
  - (b) Public sector subsidy is critical to the intensity of the bus network, but is projected to decline in real terms;
  - (c) Bus operating costs are forecast to continue to increase faster than passenger revenue;
  - (d) The resulting decline in operator profit margins would naturally lead to service reductions; and
  - (e) An increase in bus patronage can be achieved through intervention (as evidenced by the Bus Alliance) which could mitigate the adverse effects of pressure on subsidy and contribute to the wider objectives of the LCRCA.

### **The Vision for Bus**

- 3.6 In October 2018, the Metro Mayor launched the Big Bus Debate, a piece of research and engagement with the people of the LCR, intended to capture their views on bus services. This work is ongoing, with further research planned for summer 2019. The Big Bus Debate drew out three themes for bus service improvement:
- (a) Punctuality and reliability of bus services;
  - (b) Ticketing and the cost of travel; and
  - (c) Network design (hours of operation, service frequencies, network coverage and integration).
- 3.7 Building on the achievements of the Alliance, an updated vision for bus has been developed which intends to tackle the issues identified by customers, further support the aims of the Bus Strategy, capture new innovations and technology in the sector and the region, and better recognises the important role of bus services in improving air quality through greener buses and modal shift from car. The vision sets out the following objectives:
- (a) Hours of bus operation should be increased, with services running across the network between 0500 and 0000, and on core bus corridors 24 hours a day;

- (b) A service frequency principle adopted, setting out improvements in bus frequency in the early morning, evening and weekend, and setting a minimum frequency of one bus per hour on all routes between 0500 and 0000;
- (c) Based on existing services, these changes would increase overall bus operation by approximately 25%;
- (d) A city-region wide fare zone(s);
- (e) The development of a framework for ticketing;
- (f) The availability of “short-hop” and “hoppa” tickets;
- (g) Account-based contactless, mobile and smart ticketing and the removal of cash as far as possible in order to speed up boarding times;
- (h) The availability of good value multi-operator and multi-modal tickets;
- (i) Fare capping;
- (j) Bus fares rises pegged to inflation;
- (k) The retention of the enhanced concessionary travel scheme;
- (l) One brand for the City Region’s bus network, linked to a wider transport brand and identity;
- (m) Phasing in of zero/ultra low emission buses including ultra low emission Euro 6, electric and hydrogen powered buses;
- (n) Real time on board passenger information, added to USB charging and Wi-Fi as standard features of buses in the LCR; and
- (o) Adopting the principle of new rolling stock for the local rail network, bus interiors and layout to be designed in conjunction with bus users.

3.8 The *Green Bus Routes* project, already in development, is focused on developing a compelling and deliverable package of interventions to transform the bus offer across the LCR, delivering against Priority 2 of Transforming Cities Fund and initially focused on 5 core commuting corridors:

- (a) The A57 corridor connecting Liverpool City Centre with St Helens;
- (b) The A562 corridor connecting Liverpool City Centre with Speke and John Lennon airport;
- (c) The B5178 corridor connecting Liverpool City Centre with Halewood;
- (d) The A59 corridor connecting Liverpool City Centre with Kirkby, Tower Hill and Northwood; and
- (e) The A567 corridor connecting Liverpool City Centre with Bootle and Crosby.

### **The options**

3.9 The three options being assessed are Franchising, an Enhanced Partnership or a continuation of the existing LCR Bus Alliance. Each of these options for the delivery of bus services has the potential to meet the vision described above to a greater or lesser extent. In the case of punctuality and reliability, the potential to meet the vision remains the same across each of the options.

3.10 The Alliance only applies to members of the partnership who choose to join and meet the minimum standards required. It has limited influence over service outcomes and cannot address individual operator ticketing and prices. The Enhanced Partnership option would apply to all bus operators and would give clear and binding service outcomes. However, it requires negotiation and has the potential for operators to reject proposals, along with a similar inability to address individual operator ticketing and prices. The Franchising option would apply to all

bus services and would allow the full delivery of the vision. However, a full franchising model would switch the revenue risk to the public sector and this option requires a material implementation and further ongoing delivery costs.

## **Financial implications of the options**

- 3.11 Under current arrangements, the LCRCA is anticipated to provide £60m of funding per year for bus services in 2020. On the assumption of increasing concessionary travel and associated costs, the comparable funding requirement is anticipated to increase to c. £75m per year by 2030.
- 3.12 The forecast decline in bus revenue and increase in bus operating costs in the LCR is anticipated to lead to a growing deficit. Without financial support, bus operators are likely to consolidate their operations on the most commercial/profitable routes, resulting in a rationalisation of less profitable routes. Under this scenario, if the LCRCA chose to continue maintain the network at existing levels by re-provisioning these routes as supported services, this deficit would effectively be passed onto the LCRCA.
- 3.13 As such, in the Alliance/Enhanced Partnership models, the potential LCRCA funding support to regional bus services is anticipated to increase from £60m to a figure in the region of £90m per year by 2030. This reflects the increases outlined in 3.11 plus the growing gap between passenger fare revenues and bus operating costs. LCRCA will need to consider alternative funding options to secure increasing annual allowance to cover this gap, or accept a reduction in services.
- 3.14 Work undertaken to date on the franchising option suggests that the equivalent funding gap in 2030 would be in the region of £95m per year. This includes costs to develop and implement a franchising scheme. This figure would be adjusted based on the delivery of the Vision for Bus and would need to factor in the potential upsides and downsides of revenue risk, and further analysis of pension and depot requirements.

## **4. RESOURCE IMPLICATIONS**

### **4.1 Financial**

There are no direct resource implications as a result of the report's recommendations. The business case has highlighted an emerging funding gap for bus services in each of the options identified. If this funding gap is not met then it is inevitable that the LCR will see future bus service reductions.

### **4.2 Human Resources**

There are no direct implications for human resources as a result of the report's recommendations. The franchising option development has identified the need for significant additional staff resource for the LCRCA should this be chosen as the preferred option in future.

### **4.3 Physical Assets**

There are no direct implications for physical assets as a result of the report's recommendations. The franchising option development has identified the need for a depot strategy which may require the identification of land for future publicly or privately owned depots.

### **4.4 Information Technology**

There are no direct implications for IT as a result of the report's recommendations.

## **5. RISKS AND MITIGATION**

No risks have been identified as a result of this report's recommendations. The business case has a risk register and manages related risks in line with organisational requirements.

## **6. EQUALITY AND DIVERSITY IMPLICATIONS**

There are no implications for equality and diversity as a result of this report. A potential future reduction in bus services in the LCR through the projected widening funding gap for bus services would have such impacts, which would need to be identified on a case-by-case basis. The recommendations made as a result of the assessments will be subject to an Equality and Diversity Impact Assessment.

## **7. COMMUNICATION ISSUES**

The LCRCA's communications plan includes the development of this business case.

## 8. CONCLUSION

Buses are critical to the LCR, with the LCR Bus Strategy setting out the vision for services. This vision is updated with feedback from bus users through the Big Bus Debate, who give a clear message as to where buses can be improved. Devolution and the Bus Services Act 2017 give new options and accountability to Metro Mayors in respect of bus services, with the legislation providing a framework for assessment of the options it presents. A preferred option is expected to be identified in 2020.

JOHN FOGARTY  
Director of Corporate Resources

CLLR LIAM ROBINSON  
Portfolio Holder for Transport and Air Quality

**Contact Officer(s):**

Matt Goggins, Head of Bus – Liverpool City Region Combined Authority,  
[matthew.goggins@liverpoolcityregion-ca.gov.uk](mailto:matthew.goggins@liverpoolcityregion-ca.gov.uk)

**Appendices:**

None

**Background Documents:**

None