



One Network, One Timetable, One Ticket



Driving
Wales
forward



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Introduction

CPT Cymru welcomes the opportunity to contribute to Welsh Government's bus reform white paper *One Network, One Timetable, One Ticket*. Bus services play a vital role in the social and economic fabric in Wales and have significant potential to help us achieve our climate change targets as a nation.

As such, ensuring the reforms deliver sustainable and meaningful change will be crucial. This response is aimed at providing constructive challenge to the proposals and CPT Cymru members are eager to work closely with Welsh Government and partners to help develop and improve the proposals as the legislation progresses.

CPT Cymru believes that the legislation as currently constructed is too prescriptive and does not have clear lines of accountability. In our view, the proposal should evolve to include:

- Corporate Joint Committees that are well resourced and have statutory transport levers and resources to deliver bus policy in their region
- A statutory Welsh Partnership model should be included that would empower local authorities through Corporate Joint Committees to work with operators on improving bus services – as was set out in the previous white paper
- Statutory modal shift targets for CJsCs once established
- A multiannual funding framework for bus funding on key issues such as BSSG and investment in bus priority measures

This document sets out some headline challenges and issues before answering the specific questions included in the White Paper consultation.

Tackling Climate Change Emergency

With the correct supporting environment and policies, bus as a mode of transport can be part of the solution to the climate change emergency. There is no doubt that the challenge that faces Wales' society and economy is significant. The UK Committee on Climate Change has the following to say about decarbonising transport:

“Decarbonising emissions from Wales' vehicles will require take-up of low-carbon technologies, low-carbon fuels and efficiency improvements for petrol and diesel vehicles and behaviour change to reduce travel demand and shift journeys onto lower-carbon modes of transport.

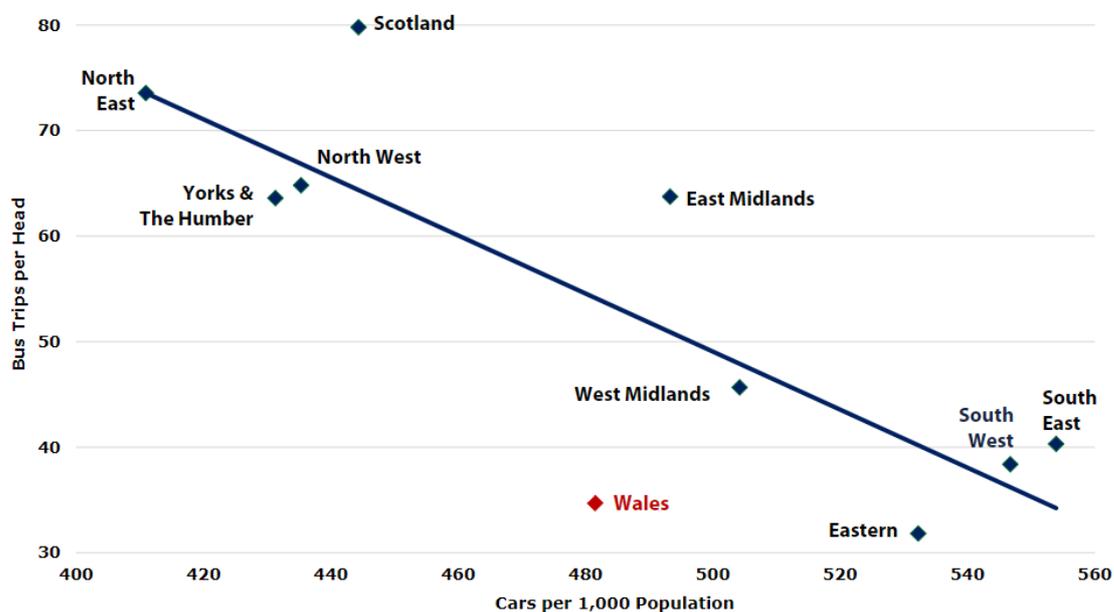
- *In our scenarios 9% of car-miles can be reduced (e.g. through increased home-working) or shifted to lower-carbon modes (such as walking, cycling and public transport) by 2035, increasing to 17% by 2050.”¹*

¹ UK Committee on Climate Change. 2020. *The Path to a Net Zero Wales* (Online). Available at: <https://www.theccc.org.uk/wp-content/uploads/2020/12/Advice-Report-The-path-to-a-Net-Zero-Wales.pdf> P.152

In practice, this means taking almost 2.24bn car kilometres off the road by 2035 and 4.23bn car kilometres off the road by 2050, using 2019 figures as a baseline². Put in other terms, each Welsh person would need to travel 1,350 fewer kilometres by car every year by 2050. To switch these figures to public transport, along with other sustainable modes, will be a significant challenge.

Indeed, Wales starts from a worse position than other UK nations and regions having some of the highest rates of car ownership per person and the lowest bus usage as figure 1 demonstrates:

Figure 1 – Car ownership and bus use – GB comparisons (2014)



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

Buses in Wales also have some of the lowest average loadings in the UK according to DfT statistics with the pandemic seeing particularly challenging figures:

Year	London	English metropolitan areas	English non-metropolitan areas	England	Scotland	Wales	Great Britain	England outside London
2018/19	20.0	10.6	9.8	12.6	7.9	8.5	11.7	10.1
2019/20	18.9	10.8	10.4	12.7	7.5	8.0	11.7	10.5
2020/21	7.5	5.0	5.0	5.7	3.5	3.6	5.3	5.0

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² Welsh Government. 2020. Road Traffic: 2019 (Online). Available at: <https://gov.wales/road-traffic-2019.html>

³ DfT. 2022. Average bus occupancy on local bus services by metropolitan area status and country: Great Britain, annual from 2004/05 (Online). Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1030595/bus0304.ods

This suggests that currently Wales is behind other areas in terms of bus usage and the dominance of the car is deeply engrained. In order to achieve Welsh Government's ambition of modal shift from 32% of journey made by sustainable transport to 45% by 2040 a significant change in the transport landscape will be required.

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

To give an example, CPT modelling of a hypothetical scenario undertaken by 2FM has shown that reducing fares by 10%, introducing bus priority measures to reduce journey times by 10% and improving the waiting environment at bus stops and introducing real time information would lead to an estimated mode shift of 2.4%, which would lead to 17% more passengers on buses. This would clearly be a positive outcome for bus as a mode of transport⁴.

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

Whilst this example is from a hypothetical model and not based on current patronage figures in Wales, it shows that if we are serious about mode shift then both a push and a pull factor need to be considered.

Shared Challenges

Passengers, Welsh Government, local authorities, and bus operators in Wales share many of the same challenges and desires in wanting to improve bus as a mode of transport.

In anticipation of the previous proposed white paper, CPT Cymru undertook research in 2020 on the legislative proposals to help understand the challenges facing bus as a mode of transport in Wales. In summary, the following issues were identified:

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

⁴ Research currently being undertaken for CPT by 2FM Limited. Details available on request.

- i) Network instability and the desire for greater public sector involvement
- j) Transition of the bus fleet to zero emission vehicles
- k) Ensuring a strong pipeline of diverse talent entering the industry

Legislation has a role in addressing some of these strategic issues, however it is important to note that legislation alone cannot deliver the change needed. According to research undertaken by KPMG in relation to the sector in Scotland and England, roughly 75% of the decline in patronage over recent decades relates to issues external to the bus sector such as demographic and behaviour change.⁵

For instance, increases in working from home or online shopping have an impact on commuter and shopping demand. These are just two small examples of trends that have been working against growing passenger demand for bus as a mode of transport for many decades.

Indeed, legislation over the last four decades has sought to address declining passenger numbers and increasing operating costs in the bus sector without success, including the Transport Act 1985 that originally produced the commercial model that exists today.

Since the 1985 Act was passed, there has been little done to constrain the rise of car dependency from public policy in Wales, and public sector investment in bus services has been modest. This is particularly true of the last decade where local authority budget cuts have driven significant reductions in support for socially necessary services under section 63 of the Act, which has been a significant driver of patronage decline.

It is therefore crucial that Welsh Government places the legislation in a wider context, taking into account other measures that can help tackle the challenges we share such as good governance and investment in tackling congestion.

Modal Shift

The bus sector needs stability as we recover from Covid-19 and the threat of franchising is likely to deter investment and could cause premature market exit. Changing the regulation and or ownership of the buses does could divert attention away from the shared challenges we have identified above.

It also improves the overall level of health and fitness through the need to access the service by active travel at each end of the journey and can also facilitate the most efficient movement of people on the limited highway network capacity available thereby freeing up capacity for the efficient movement of goods and services, and providing better access to employment, education and commercial activities, thereby helping economic growth.

Finally by reducing the number of vehicles on the road and maximising operational efficiency it can reduce carbon production as well as improving local air quality and

⁵ KPMG. 2017. *Trends in Scottish Bus Patronage*.
KPMG. 2018. *Trends in English Bus Patronage*

reducing congestion, severance, visual intrusion and noise pollution, thereby improving health and quality of life of everyone in our nation.

General Principles

CPT Cymru believes the following **principles** should be followed in progressing the legislation:

- A presumption for partnership and early engagement on the design and delivery of any changes to the operating model.
- A policy environment that instils confidence to invest over the longer term
- Governance that encourages transparency and co-delivery between the public and private sector with clear roles for Transport for Wales, regional transport authorities, local authorities and bus operators.
- A recognition of the different needs of local bus markets across Wales, with flexibility to adopt the right framework for the needs of local customers and communities
- An approach that fosters respect and trust from all parties where risks are openly discussed, and parties decide how to deal with them

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

Improving Transport Governance

Transport governance in Wales is currently confused with a number of actors playing often overlapping and competing roles, with very little practical resource. For instance, there are local authorities (with statutory transport powers), Corporate Joint Committees in development with responsibilities for transport planning, Transport for Wales (which has a regional focus), two separate Commissions led by Lord Burns that govern infrastructure investment and three developing Metros.

In practice, this makes coherent transport planning impossible and the public sector struggles to articulate how it will deliver against modal shift targets. By comparison, in other areas of the UK the landscape is more coherent. For instance, Transport for London has responsibility for practically all modes of transport in Greater London. Similarly Transport for Greater Manchester coordinates transport in Manchester for 10 local authorities with statutory powers tracing back to the Transport Act 1968.

In Scotland too, Regional Transport Partnerships are independent bodies corporate defined in the Transport (Scotland) Act 2005. RTPs are like joint boards, bringing councils together to perform local government functions collectively and strategically over a larger area.

The proposed legislation should look to improve transport governance in Wales. CPT Cymru's view is that this should be done by creating the Corporate Joint Committees as independent statutory bodies, tasked with delivering transport functions on a regional basis. This could include powers over franchising, Welsh partnership schemes and guiding investment in capital measures such as bus priority.

A Welsh Partnership Model

The White Paper proposes introducing a Wales-wide franchising regime. This would entail ending the commercial model currently in operation and its replacement with a system of tendering, with TfW exercising powers on the Minister's behalf.

Franchising is one way of changing the operating model to reflect the Welsh Government's ambitions. However, there are other models that should also be included in the legislation in our view. For instance, in England there is the Enhanced Partnership Model and in Scotland the Bus Service Improvement Partnership (BSIP).

Both provide greater statutory powers to local authorities in order to deliver changes, such as timetable coordination, multi-operator ticketing, consistent branding and an appropriate influence over fares. However, they do so without the wholesale cost of tendering every route, with much lower lead in times for implementation and the delivery of passenger benefits, at a lower cost and without significant threat to the existing operators and their services.

In our view, the proposed Welsh Partnership Model that was included in the previous White Paper should be available as an option to local authorities should it suit their conditions locally.

Longer-term funding horizon

Despite assertions in the White Paper, the only direct subsidy to the bus sector operates from the Bus Services Support Grant of £25m. This has been frozen since 2013 following a cut of around £8m compared to its predecessor.

Over the same period, local authority funding for bus services has been drastically reduced, resulting in a large reduction in socially necessary bus services across the nation. Indeed, a Welsh Government analysis published in 2019 and covering the decade preceding Covid-19 said the following:

"The latest figure is 28.2% lower than the distance travelled in 2009-10, a fall driven by a large decrease in the distance travelled on subsidised services (down 52.2%)"⁶

Whichever operating model is pursued, it is crucial that Welsh Government is able to provide further investment into bus services in Wales and over a longer-term time horizon. This should take the form of a multiannual financial framework that would allow local authorities and operators to work together to plan service improvements with a firm knowledge of available funding.

What makes a good franchising model?

CPT is currently undertaking a research project on what makes a good franchising model, taking in examples from elsewhere in the world of best practice. Whilst the research is not yet published, we would hope to use it to constructively inform Welsh Government's approach to franchising in Wales and will share it with officials and Ministers in due course.

⁶ Welsh Government. 2021. *Public service vehicles (buses and taxis): April 2019 to March 2020* (online) available at: <https://gov.wales/public-service-vehicles-buses-and-taxis-april-2019-march-2020-html> (accessed 22nd June 2022).

Consultation Questions

Q1: Do you agree that change is required in how we deliver bus services to meet the needs of Wales' citizens and respond to the climate emergency?

CPT Cymru agrees that there is a need for modernisation of the legislation that underpins bus services in Wales, in order to help respond to the climate emergency. However, it is important to note that legislation alone is not enough to deliver the scale of change needed to meet the climate emergency.

As stated above, 75% of the factors that have led to passengers decline are outside of the control of the operating model – that is they relate to societal changes that cannot be controlled by bus operators (or indeed a franchising authority) directly. This includes first and foremost a significant rise in car ownership and use, a shift to online activity, demographic changes and crucially congestion causing buses to be slower and less reliable whilst increasing their operating costs.

Whilst legislation is an important part of the answer, it cannot alone address all of these issues. For that, concerted effort is needed by the Welsh Government to tackle some of the burning issues facing the sector, most notably around introducing bus priority measures to improve punctuality and speeds and increasing the cost of car ownership and usage comparative to using the bus.

Therefore, the legislation should be placed in the context of a much broader, ambitious and funded agenda to tackle the structural issues facing bus as a mode of transport which in turn will drive up patronage.

Q2: Do you agree that franchising is required to deliver the depth and pace of change to the bus network that is required in the context of the climate emergency?

CPT Cymru does not believe that franchising is required to deliver the aspirations Welsh Government hold, rather it is one of a number of legislative tools that could be pursued in order to deliver improvements to bus services.

Our preference would be to legislate for a number of statutory models that could be used to support the growth and development of bus services in Wales. This was the ambition of the previous proposals that included municipal ownership, franchising and a Welsh statutory partnership model. This would have the advantage of allowing local authorities (or in due course CJsCs) a range of tools that could be deployed to best fit the challenges presenting them with the resources available to them.

There are numerous examples of good partnerships existing across the UK. For instance Norwich, Hampshire and Brighton and Hove all have strong partnership arrangements. Brighton and Hove currently has the highest bus use in England outside of London. There are also strong statutory examples such as Bristol's Metrobus scheme.

Whilst operators are clear the decision on which operating model to use is one for Welsh Government and Local Authorities, CPT Cymru does not favour franchising as the sole preferred approach for a number of reasons. They are as follows:

- **Speed of delivering improvements** – Setting up a franchising scheme is a lengthy process compared to the other models and provides little benefit to passengers in the short term. For instance, under the Manchester proposals there is a three-year period during which no investment to improve journey times, services or zero emission buses will be undertaken.
- **Risk to SMEs** – franchising generally favours larger operators who are better placed to compete through a competitive tender process. This is recognised in the RIA which states that the cost of competing for a tender are £250k, £500k and £1m+ for rural, town and urban networks. Wales' bus market is relatively unique in that 25% of all main day services are provided by SMEs and the proportion is much higher in mid and west Wales where the presence of 'group' operators is limited. The major risk is that once a smaller operator loses its work in a round of franchising, the business closes and is not there to offer competition for contracts next time around. This is particularly important as public service routes often underpin SME business models that also focus on home to school transport and private hire activities and competition in these areas could also be impacted by business closures.
- **Risk of stranded assets** – The market in Wales has developed around operators and their depots across a broad geography. There is a risk that an operator, with considerable critical mass in one area could lose contracts once tendered and find themselves with 'stranded assets'; that is surplus vehicles or depots that can no longer be used.
- **High costs of operation** – Our assessment of a franchising model for Wales undertaken by the TAS Partnership suggests moving to a franchising model would cost around £61m more per year by year 7 due to increased vehicles costs of moving to a leasing model, increased labour costs set out in franchise standards, additional costs from bidding, reporting and monitoring franchise contracts and new costs borne by the public sector in planning, tendering, managing and auditing the franchise regime. This would equate to £54.22 per household per year by year 7.
- **Upfront costs to public sector** – additional public sector costs would be required to establish the franchise including ticketing equipment, setting up back-office functions, rebranding, uniforms, new depots, new fleets, contract monitoring and of course the tendering processes themselves. This is estimated as around £5.7m for year 1.
- **Geographical implications of fares policy** – Part of the rationale for the introduction of franchising is to create Wales-wide or regional fare structures, based around cheaper fares. This would be challenging given the broad variation in fares across Wales. In harmonising fares, a franchise would either have to increase fares in currently cheaper areas to compensate for reduction elsewhere, or would have to find new revenue from somewhere else – likely from Welsh Government through taxpayers.
- **Revenue Risk** – It is unlikely a franchised network would stay as it currently is and there would be pressures to reduce competition with rail, reduce frequencies in 'over-bussed' corridors, increase service provision to lesser served or outlying areas, increase service provision on evenings and Sundays. Taken together, these shifts would see more unviable routes pursued at the expense of currently viable ones and would therefore reduce revenues for the sector as a whole. Without clear subsidy support to fill such a financial gap, there is a risk of service cuts to compensate for higher operating costs.

For core services, this could lead to lower patronage and therefore work against Welsh Government's aspirations on modal shift.

Ultimately, the decision on what operating model to pursue is for Welsh Government and local authorities to make. Such a decision needs to be accompanied by a firm business plan supporting its implementation. Operators are keen to ensure whichever operating model is pursued that there is a close working arrangement so we can ensure it is a success.

Q3: Do you agree with the Welsh Government's preferred franchising model as described above?

Should the Welsh Government decide that franchising is the only operating model it wishes to pursue, it will then need to consider how best to implement it. The White Paper lacks a great amount of detail on how to take a franchising regime from a concept to an operational reality. This is understandable, as the proposals focus mainly on where the legislative powers will need to lie in order to change the operating model.

However, this leaves a number of questions open without clarity upon which it's very difficult to judge the merits or otherwise of a franchising model.

To take the statutory powers first, CPT Cymru believes the current proposals are too complicated. This is because of the number of government tiers that will be involved. The proposals include a role for local authorities, CJs, a 'guiding mind', Welsh Ministers and TfW. This is a significant amount of bureaucracy and will lead to a franchising regime that has many competing interests and is slow to respond to passenger needs.

Our proposal would be instead to focus the franchising powers on properly resourced and structured Corporate Joint Committees. The CJs, who already have a statutory responsibility for regional transport plans, would then exercise these powers with expertise and support from Transport for Wales, with consistent Wales-wide approaches to tendering.

This is the model seen in New Zealand where the power to franchise is conferred on regional transport bodies with *Waka Kotahi* providing the expert resource to ensure consistency of application of government guidance and best practice.⁷

Beyond this, the actual model of franchising could vary significantly depending on Welsh Government's priorities and financial capacity. At one end of the spectrum, a model similar to the one that takes place in Jersey could be used where contracts are let on a 'net-cost' basis and operators retain a significant degree of input over routes and fares in order to drive efficiency.

⁷ KPMG. 2002. *Evaluation of the Public Transport Operating Model* [Online]. Available at: <https://www.transport.govt.nz/assets/Uploads/Report/EvaluationPTOM.pdf> (Accessed 15th June 2022) P.16

At the other end of the spectrum, a more prescriptive model similar to Singapore could be pursued where Transport for Wales owns the depots, vehicles and associated infrastructure and operators simply lease them under a gross-cost contract. There are advantages and disadvantages to both types of franchised model that merit further exploration.

Ultimately, the model pursued will be a matter for Welsh Government and the responsible transport authority. However, there will be key strategic decisions that will need to be taken that will have a considerable impact on bus operators and the services they will be able to provide to passengers, be they small family-owned firms, municipal or corporate operators. In this sense, Welsh Government or the franchising authority will have considerable influence over the companies that are able to supply bus services in Wales.

In making these decisions, Welsh Government will need to set out clearly if it wants to pursue stability for the existing operators in Wales or pursue an approach that is more open to new entrants to the Welsh market. It will also need to make a clear statement on its approach to risk and risk sharing, on the basis that risks that are not properly controlled for will lead to higher uncertainty and therefore higher costs in a tender exercise.

Our expectations would be a detailed business plan setting out the approach to the franchising model that covers intentions in the following areas:

- Ownership of bus depots
- Ownership of fleet
- Contract format and duration
- Arrangements for staff transfer and staff terms and conditions
- Arrangements for data sharing during a tender exercise
- The performance management regime
- Audit, risk and inspection

Associated to this are broader policy considerations that will have an impact on the cost and efficiency of the model such as:

- Expectations around fare levels (and how any reduction will be paid for)
- Expectations around network coverage and frequency
- How the transition to zero-emission vehicles will be achieved under a franchise regime
- Service standards and vehicle specification

Until such time as the detail on the above is forthcoming, it will be difficult to accurately assess whether the Welsh franchising model is fit for purpose and in our view this should be published, at least in draft form, alongside the legislation. By doing so, Members of the Senedd will be clear in their scrutiny of the Bill what the franchising model entails beyond simply conveying new powers on Welsh Ministers.

Q4: Do you agree that this model provides sufficient local input for designing local bus networks?

In practice, the proposals constitute a centralisation of functions currently held by local authorities over bus services in Welsh Ministers (as exercised by Transport for

Wales). As such, there is likely to be less local input into the design of bus networks under this model and local authorities will have little incentive to engage in and fund bus services over their core requirement.

Currently, local authorities are significantly under-resourced to plan and deliver bus services in Wales and this is likely to be exacerbated by the introduction of a mandatory franchising regime.

CPT Cymru believes a strategic decision on which level of government should be responsible for the franchising powers is needed, and that this should lead to a clear and accountable lead body that can make decisions on the shape of the franchise network. In our view, this makes sense to take place at the CJC level, with expert input from Transport for Wales based on guidance from Welsh Ministers.

The current proposals include too many levels of government in the planning process which brings with it a risk of not being responsive to changing passenger needs. For instance, should a route need to be changed under the proposed model it would require local authority consultation, CJC consultation, the 'guiding mind' to evaluate the proposal before being enacted by Transport for Wales – which is likely to take significant time.

Another aspect not properly dealt with in the white paper is the overlapping responsibility of local authorities. For instance, school contracts play a significant role in shaping the market for local bus services with many rural SME operators delivering both school and tendered bus services as part of their business model. The introduction of franchising will reduce the ability for these operators to plan their businesses around both types of activity and therefore they could exit the local bus market.

Finally, LAs hold responsibility for other areas of policy such as bus infrastructure (bus stops, bus lanes etc) and highways management. It is not clear in the current proposals if these powers are also likely to move to Welsh Ministers' control. Should powers remain at local level, then there is the risk of key aspects of the franchise being outside the hands of the franchising authority, with little incentive on the part of local authorities to invest in them.

Q5: Do you agree that there is a need for regional consideration and coordination of bus network plans by Corporate Joint Committees, before combining them at a national level?

As per our previous answers, CPT Cymru believes the regional level is the correct one for retaining local input but also increasing capacity and scale in terms of public sector delivery.

Q6: Do you agree that letting and managing contracts at the national level by the Welsh Government through Transport for Wales offers the best opportunity to pool franchising expertise, deliver economies of scale?

CPT Cymru believes properly resourced and structured CJCs would be a better place for the exercise of franchising powers. However, there would still be an important role for Transport for Wales as the central expertise on franchising policy in Wales. TfW would help develop the guidance on delivering a franchise regime and

would ensure consistency in the tender processes and standards across Wales. Finally, TfW would add expertise around network planning and the financial underpinning of a franchise in each region.

With respect to the 'guiding mind' proposed in the consultation, it is difficult to see the exact impact of such a body in practical terms. If the body's purpose is to inform Welsh Government guidance and policy, then this could be achieved more simply by proper consultation (which Ministers are required to undertake anyway for guidance and secondary legislation), or perhaps through a Ministerial Advisory Board.

If the purpose of the body is to deliver operational guidance, then there are several challenges that present themselves. Firstly, a national body with a single operator representing the entirety of Wales is unlikely to be able to marshal the operational expertise to properly inform network design and implementation (as would also be the case for the passenger, trade union and regional members). Simply put, a national body would be too detached from the on the ground delivery of services to provide useful for network design and delivery.

Furthermore, the process of selecting one operator representative would itself be challenging. As the trade association for the bus and coach sector CPT Cymru would expect fair representation at any such policy board however it would not be in our gift alone to nominate a single representative to represent and be accountable to such a diverse sector.

As such, CPT Cymru suggests the responsibility for network design and delivery rests at a regional level and the guiding mind is not pursued, in favour of reinstating a Ministerial Advisory Board on bus transport that supports and informs guidance and broader policy delivery.

The expertise of operators is poorly acknowledged in the proposed model and governance structure. Whilst there is operator input at a national level under the proposals through a single representative, this is in no way systematic and effectively removes operators from collaboration at other, key parts of the bus governance architecture.

For example, in Jersey they undertake a two-stage tender process with operators being asked in the second round to critique their reference networks in order to improve potential delivery. Similar approaches should be considered in Wales.

In our view, operator input should be provided at every level of governance, and perhaps most importantly of all at the network design phase which we propose sits with CJs. Operators have significant knowledge about what works for passengers in their localities, and this should be leveraged by the public sector to help design an efficient bus network.

Q7: Do you agree with the need for a duty to ensure plans are designed to be affordable?

CPT Cymru strongly agrees with the proposal for an affordability duty. This should form part of a multi-annual financial framework for bus that sets out clearly what

level of funding is available so that the franchising authority can plan services accordingly.

Franchising models are typically more expensive than commercial models, so understanding of the financials behind the white paper will be key. CPT Cymru does not wish to see a scenario where operating costs rise without adequate funding, causing a decision around service or frequency cuts to the detriment of the passenger.

Q8: Do you agree that the proposed powers to make regulations and guidance are suitable to ensure franchises are let successfully and sustainably?

It is important that Welsh Ministers have the power to issue guidance on franchising in Wales. Guidance should be clear and aim for consistency across Wales in terms of delivery. This is particularly important for the data requirements relating to operators and in respect of any performance management regime.

Guidance should be co-designed and developed with partners, including bus operators.

Best practice would include clear policies on issues such as:

- Fares
- Vehicle specification
- Branding
- Data requirements and data sharing
- Performance management.

Q9: Do you agree with the proposed requirement to consider the impact on SME bus operators when franchising?

SME operators are an important part of Wales' bus operator landscape and account for around 25% of the Welsh bus network. They take pride and passion in delivering reliable services which are often of a very high quality. They also provide a wide range of services that overlap with public buses such as private hire, home to school transport and tourism related services. As such, their survival as operators is crucial not only to a competitive landscape for bus services but to the broader range of services provided by the sector.

Franchising regimes require significant procurement expertise and cost, and this is something that many SMEs will struggle with, particularly if the scale of contracts is too large so that it becomes in effect a barrier to entry in the market for SMEs. For instance, many franchised contracts (and indeed this is practice for public sector procurement more generally) require financial guarantees and insurances far beyond the scope of SME operators. It is therefore crucial that this aspect of the proposals is properly thought out.

CPT Cymru agrees with the proposed requirement to consider the impact on SME bus operators when franchising. However, it is crucial that this alone is not the only mechanism in place to protect SME operators. Whilst a legal duty to consider the impact is important, it will be the tender process, policies and practices of the

franchising authority that will ultimately dictate whether an SME is able to affordably take place in and compete for a tender exercise.

There are a number of things that can be done to help ensure SMEs can compete such as:

- Ensure the tender process is not geared to cost only and has wider assessments of value
- Ensure routes are presented to the market in a way that makes it accessible for SMEs i.e. that in some instances small lots of routes are tendered as opposed to area or depot based contracts
- Reduce the financial risk of the tender process by having clear pre-qualification processes with reasonable levels of information required
- Ensure that any financial guarantees needed to win a franchise contract are proportionate and do not present a barrier to entry
- Ensure policies on issues such as depots and fleet align with existing business models in the sector
- Have an understanding of the business model underpinning SMEs in presenting contracts, such as how they could link with other activities such as school contracts

There will be an important balance to strike on this issue. Welsh Government could look to reduce operating costs by having larger bundles of routes and weighting heavier for value. This would lean more towards operators that have sufficient scale in the tender process.

However, the opposite is also true should Welsh Government decide to better support SMEs. Welsh Government could also examine how larger franchises could lead to sub-contracting and what impact this would have on the SME sector.

Ultimately, it rests on Welsh Government being willing to work with the sector with sufficient understanding to ensure that all operators and in particular SMEs are sufficiently supported in the new regulatory environment.

Q10: Do you agree with the benefits of establishing a mechanism to allow a public service operator of last resort to ensure services keep running if a franchise fails?

Transport for Wales should ensure that in the case of an operator failure, services continue to be provided. This could be done in a number of ways. For instance, it could obtain proportionate financial guarantees that support service delivery in the event of a failure, such as the approach we understand is taking place in Manchester.

Alternatively, Transport for Wales could ensure there are step-in rights included in any contract under a franchised system. This would mean in an instance of operator failure; the assets and management can be assumed by Transport for Wales under step-in rights until such time as a tender exercise can be organised for a new operator.

Under such a scenario, there would be no need to identify a single operator of last resort.

Q11: Do you think further specific legislative provisions are needed for the transitional period until franchising is introduced?

The legislation could consider the merits of directly awarding contracts in an interim arrangement during the transition. This has happened in other jurisdictions such as New Zealand and Singapore where existing operators were given shorter contracts under a direct award procedure, before moving to a wholesale tender process.

This approach would have advantages and disadvantages. In terms of advantages, it would provide a degree of stability for the incumbent operators and would remove the immediate risk of having their entire business franchised. This could help with security of investment between the current commercial market and a franchised regime.

However, the disadvantage would be that the franchising authority would not be able to benefit from the competitive forces of a tender exercise and may as such pay more for services in the short-term. It would also lose opportunities to make wholesale changes in a short timescale.

Beyond this, serious consideration needs to be given towards how we transition from a commercial model to a franchised one. Operating buses is a long-term business with assets such as vehicles typically lasting for 15 years or more. Inevitably, there will be a gap between the two models with little incentive for incumbent operators to invest, given the risk of losing parts of their business in a franchise tender exercise.

This presents a significant risk of stranded assets – that is, where bus operators have vehicles and depots that they have invested in that can no longer be put to efficient use because they have been shut out of a franchised market.

Welsh Government should consider how partnership arrangements can fill this gap and provide confidence over the timescales involved. Clarity is needed on whether the transition would include the compulsory purchase of vehicles and depots and if so under what terms.

Welsh Government could also consider presenting operators with opportunities to sell their fleet to the incoming franchisee/Transport for Wales at agreed values in the event of losing a tender exercise. Should such an approach be taken, it would remove the impact of investment time-horizons during the transition and sufficient vehicle supply during the introduction of the franchise.

Finally, it must be clear where investment will come from in the new franchise regime. Should operators continue to need to invest in vehicles, depots and other associated issues then a mechanism needs to be found to support continuity of investment over the transition period.

In its simplest terms, this should be done through Welsh Government providing a clear articulation of how it expects the bus network to transition in terms of:

- Operators – including the anticipated makeup of the market after transition
- Networks
- Decarbonisation and vehicle requirements
- Other key assets such as ticketing machines etc needed to deliver WG aims

Q12: Do you agree that local authorities should be able to run bus services directly?

Q13: Do you agree that local authorities should be able to set up arms-length companies to operate local bus services?

Q14: Do you agree that local authorities should be able to invest in or acquire bus companies?

Q15: Do you agree that municipal bus companies should be able to raise fund by borrowing or selling shares?

CPT Cymru has no firm view on the types of ownership model that should be available. Indeed, we have members that are municipal, family-owned SMEs and group operators and in our view the Welsh market should be open and accessible to all types of firms.

The key concept is that of competition. Whichever ownership model is pursued by a local authority, it is vital that the tender process is open, transparent, fair and competitive. This is the means by which services will continue to be provided at a reasonable cost and with the passenger's interest at its core.

As such, any new municipal bus companies that are created should be operated at arm's length and should be required to operate under the same regulatory environment as commercial operators – that is to have operator licenses and not be run under section 19 or 22 of the Transport Act (Amendment) Regulations 2019. Transparency of accounting and funding for any municipal operation will be important. There will be a need to ensure that such an operation does not affect a market distortion by being supported by cross subsidy from other local authority sources be they commercial or otherwise.

Finally, all routes under the franchise regime (after the transition period) should be put out to tender using Welsh Government's formal procurement guidance and should be publicly notified. LAs should not be able to run services without subjecting them to public competition and they should be adequately resourced to deliver against this task.

Fundamentally, Welsh Government's aim by creating a franchised regime is to take competition for bus services off the road and into a tender process. This cannot then be undermined by unfair competition or indirect subsidy to a single operator by local authorities that skews competition, to the detriment of the passenger and the taxpayer.

Q16: Are there any additional safeguards you would like to see applying to the use of these powers?

Welsh Government should consider ensuring the Competition and Markets Authority have oversight of the use of these powers to ensure fair and transparent competition takes place.

Q17: Are there any further comments you would like to provide on the content of this white paper?

CPT Cymru has no further comments.

Q18: Do you have any comments on the draft Regulatory Impact Assessment published alongside this paper?

CPT appreciates the inclusion of a Regulatory Impact Assessment (RIA) in this consultation as it gives a useful guide to the assumptions that underpin the proposals. We have worked with Tracsis Consultancy to provide an analysis of the underpinning assumptions made in the RIA, a short summary of which is included in the response. However, CPT Cymru would welcome the opportunity to discuss the broader analysis with Welsh Government as it refines its approach to the legislation.

Our comments focus on the general methodology, the assumptions on costs and benefits and our suggestion for a way forward.

Methodology

With respect to the methodology undertaken in the RIA, we have the following comments:

- A more detailed projection than one based on three settlements is required to judge a project with such far reaching consequences.
- Clarity for the base line of projections is needed – Is it pre COVID, during COVID or the 2022 post COVID position that is being used to undertake the RIA?
- A timeline of 30 years for such assessments is unusual. The costs are front-end loaded in the project. The benefits come later and are not guaranteed.
- Assumptions on public spending should not go beyond the five-year electoral cycle.
- No effective assessment of risks & possible mitigation methods.

Costs

The following issue around the assumed costs of the proposals are identified:

- The estimate of capital spending for EV buses is unrealistically low. Recently a relatively small depot of 34 buses cost £2M to convert to EV as part of the Zebra scheme in England.
- Operator set up costs are unrealistically low. Specialist commercial staff may opt for redundancy rather than redeployment.
- Operator recurring costs will increase as further on-road supervision is needed to maintain contract compliance, and additional administrative staff are needed for contract quality monitoring & reporting.
- Vehicle replacement. New EVs will have a higher full life cost. Many operators have problems funding basic vehicles let alone EVs.
- Harmonisation of driver rates is only part of the issue of staff reward to reduce staff turnover & attract quality candidates for recruitment. Some operators have extra benefits – overtime premiums, and enhanced holidays/sick pay/pensions that need to be accounted for.

- It is unclear where the over-bussing is in a Welsh context. Only a few areas have significant on street competition. Cuts in frequency elsewhere will reduce the attractiveness of services to existing customers who benefit from a “turn up and go” approach.
- Schedule inefficiency needs to be assessed if, as in London, franchising increases the empty running from depots, complicates driver reliefs, removes the link between timetabling and crew scheduling. The latter is particularly important in rural areas to deal with Home to School trips.
- Operator local knowledge may be lost.
- There is no provision for settlements if operators lose business.
- There is no provision for pre-franchising pension liabilities.
- Higher margins (or rate reviews) may be needed to cope with cost risks. CPT Cymru research undertaken by the TAS Partnership has estimated that the margin might reach 8% £16M pa (£195M NPV over 30 years) from the current 4.4% £7M pa (£86M NPV over 30 years).

Benefits

The following questions around the assumed benefits emerged from our work with Tracsis:

- Estimates of bus use need to take account of bus use being a derived demand. Recent changes to home working, shopping patterns, health consultations and the cost-of-living crisis need to be considered.
- The RIA suggests that moving to local hub & spoke networks will only be a benefit. There will also be significant disbenefits if roads lose service & passengers are forced to change, particularly for the elderly & disabled.
- Multi-operator ticketing is only useful for trips that require a change to another operator’s bus, or where there is a choice of operator on a corridor. This is generally 5% to 20% of passengers & will not provide the trip growth this study anticipates. It can also be achieved without franchising.
- Faster boarding and alighting can be achieved without multi door buses, but if the Welsh Government requires them, they could legally mandate them, without franchising. There are also disbenefits in terms of reduced downstairs seating (with an EIA implication) and a need for significant roadside infrastructure changes.
- Vehicle quality can be improved through partnership investment agreements.
- Best practice for vehicle branding takes a corridor rather than network wide approach.
- The overall transport policy benefits in terms of modal shift are best achieved through demand restraint. This should include parking supply/pricing, road user charging and workplace parking levies & is independent of the regulatory model.
- Comparisons with elsewhere, internationally and within the UK may not be valid. Population density and city structures vary, and different governance & land use planning policies may apply.

A Way Forward

CPT Cymru is keen to continue to work with Welsh Government with a more detailed study of the costs and benefits of the proposals. Our aim is to ensure the decision on

regulatory change is made with the best possible available facts so that any changes are ultimately successful. This requires a two-stage approach.

1. A detailed business plan, assessing the costs and direct benefits of the regulatory models. This will give a clearer projection of the necessary additional public spending.
2. This can then be used as the cost input in a cost benefit analysis set against the various socio-economic benefits.

The business plan approach can then be used to test various assumptions & generate risk scenarios that will more adequately reflect the proposals.

Q19: We would like to know your views on the effects that the proposals would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English.

Q20: Please also explain how you believe the proposals could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

Many bus operators already provide services bilingually and levers already exist around the voluntary Welsh Bus Quality Standards and through the Welsh Language Measure 2011. The proposals will therefore not unduly change the nature of regulation in this area and operators will continue to work closely with Welsh Government and local authorities on issues concerning the Welsh language.

Conclusion

CPT Cymru welcomes the opportunity to contribute to Welsh Government's bus service reform white paper *One Network, One Timetable, One Ticket*. There are a number of challenges ahead of us as a sector and CPT Cymru and its members are committed to working closely with all partners including Welsh Government to help create a successful future for Wales' bus services, to the benefit of passengers.

Whilst we have raised a number of challenges in our response, our ambition is to be a critical friend to Welsh Government as it seeks to implement its reform. CPT Cymru hopes the good engagement to-date with officials can continue.

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