

# A better deal for the bus from the Spending Review

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With 4.7 billion trips made every year, for most people in England the bus is public transport. Public support for bus represents exceptional value for money as it delivers multiple and overlapping economic, congestion reduction, social and environmental benefits. Yet, for whatever reason, the bus has been one of the biggest losers of recent years from decisions on transport funding with all six of its main sources of public support seeing significant reductions resulting in service cuts, fares increases and falling patronage. This briefing summarises how buses are funded, the raw deal they have been getting, and how the Spending Review can give the bus the greater share of available funding that it deserves given its contribution to multiple Government policy goals.

## Why the bus matters

### The bus matters economically because...

- More people commute to work by bus than all other forms of public transport combined. Bus commuters generate £64 billion in economic output every year.<sup>1</sup>
- Compared to car trips, a greater proportion of bus trips are linked to economically productive activities – for example, 38% of bus trips are for work or education purposes, whereas the equivalent figure for car trips is 27%.<sup>2</sup>
- More people access the high street by bus than any other mode, and people use the bus to make shopping and leisure trips to a value of £27 billion.<sup>3</sup>
- The bus industry has a turnover in excess of £5 billion, much of which is ploughed back into regional economies.<sup>4</sup>
- 1 in 10 bus commuters would be forced to look for another job or give up work altogether if they could no longer travel to work by bus.<sup>5</sup>
- 400,000 workers are in better, more productive jobs as a direct result of the bus, and the additional economic output they produce is £400 million per annum.<sup>6</sup>

### It matters socially because...

- Over half of households on the lowest incomes do not have access to a car.<sup>7</sup> Bus use rises as income falls.<sup>8</sup>
- 64% of jobseekers either have no access to a vehicle or cannot drive.<sup>9</sup>
- Young people are amongst the biggest users of bus services – 17-20 year olds make almost twice as many bus trips as the average person in Great Britain.<sup>10</sup>
- 40% of over 60s use the bus at least once a week.<sup>11</sup>
- 60% of disabled people have no car in the household.<sup>12</sup>

### It matters environmentally because...

- Each double decker bus can take 75 cars off the road, reducing congestion and improving air quality.<sup>13</sup>
- If drivers switched just one car journey a month to bus or coach, it would mean one billion fewer car journeys and a saving of 2 million tonnes of CO<sub>2</sub>.<sup>14</sup>
- The best used bus services in urban centres may be reducing carbon emissions from road transport by as much as 75%.<sup>15</sup>

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It matters in public health terms because....

- Simply by catching the bus, commuters achieve half of the 30 minutes of daily exercise recommended by Government.<sup>16</sup>
- It is a third less stressful to commute by bus than by car.<sup>17</sup>

For more on the case for investing in the bus see:

- Institute of Transport Studies (2012) [‘Buses and Economic Growth’](#)
- *pteg* (2013) [‘The Case for the Urban Bus’](#)

## How buses are provided

In England there are two systems. In London bus services are planned and funded by Transport for London and provided under franchise by private operators. In the rest of England bus services are provided on a fully commercial (‘deregulated’) basis which means that, subject to minimum safety and operating requirements, anyone can start up a bus service. In practice 70% of bus services are provided by five large operators (Stagecoach, First, Go-Ahead, National Express and Arriva). Local Transport Authorities are allowed to support services where no commercial service has been provided. These tendered services make up around a fifth of the network. Bus services in Scotland and Wales are also deregulated. In Northern Ireland all bus services are provided by a state-owned corporation.

## How bus services are funded

In England outside London public support for bus services comes in six main forms.

1. Local Transport Authorities (LTAs) can **support the provision of bus services which no commercial operator is operating**. These services include off-peak, rural and housing estate services. Around 21% of total bus miles are supported in this way at a cost of £475 million a year.
2. LTAs fund **concessionary fares schemes**, including the statutory national concessionary fares scheme for older and disabled people, but also enhancements to that scheme, and concessions for other groups like children and young people, and jobseekers. The annual cost of funding the English national concessionary travel scheme is around £900 million.
3. Government funds the **Bus Service Operators Grant (BSOG)** as a rebate on fuel duty for bus operators. The nature of this funding stream is changing – with an element of devolution as well as incentives towards smartcard ticketing, real time information and low carbon vehicles. BSOG funding amounted to £430 million in 2011/12 but fell by 20% in 2012/13.

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4. Bus services also benefit from **ad hoc national funding programmes** like the Green Bus Fund (Round Three of the Green Bus Fund was worth £31 million) and from **LTA capital investment** in bus interchanges, stops and shelters and bus priority schemes. It is sometimes difficult to break out this expenditure from wider LTA capital spending budgets but we estimate that this funding amounted to between £150 million and £200 million per year on average.
5. Local Education Authorities (LEAs) provide funding for **home to school transport** (including bus, but also other modes such as taxis, depending on pupil's needs). National expenditure on home to school transport is around £1 billion per year. Spending on special needs transport accounts for around 60% of this total. LEAs also receive a specific grant allocation from central government to provide additional home to school transport for those in receipt of benefits. LEAs may also provide transport or subsidise fares for students aged over 16, but there is no statutory requirement to do so.
6. Local Transport Authorities, to a greater or lesser extent, also provide **financial support for bus service information** (including public transport information call centres, printed timetables and materials) and electronic formats and **for the staffing of bus stations, monitoring of service use, security and so on.**

## How funding for bus services has been affected by public spending cuts

Bus funding outside London has been affected by three key trends.

- In general the Government favours capital funding over revenue funding – and buses are particularly reliant on revenue funding (rather than large infrastructure projects) .
- LTA funding for buses comes from wider local government budgets and funding for local government has been particularly badly hit by Government spending reductions.
- Local transport spending outside London has been the biggest loser from DfT spending plans since 2010 – doing worse than the three other main categories (London, national roads, national rail).

The bus is also at a disadvantage because the public funding it relies upon comes from different government departments working largely in isolation from each other over the cumulative effects of their decisions on bus services. Indeed the department that arguably has the most impact on funding for buses is the Department for Communities and Local Government (DCLG) for whom buses are less than a central consideration in their wider decision making on local government.

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### What has been the impact on the six main sources of funding for buses?

In practice these three key trends have led to reductions in funding for all of the six main sources of public funding for buses

1. Because of reductions in wider local government funding **LTAs have been reducing budgets for supported services** – between 2010/11 and 2011/12, the number of supported bus miles outside London went down by over 9%.
2. **Funding for the Government's national concessionary travel scheme for older and disabled people has not kept pace with the rising costs of the scheme.** DCLG will have reduced funding for the scheme by 27% between 2010/11 and 2014/15.<sup>18</sup> This has already had a knock on effect on wider LTA budgets, including for supported services.
3. **The Government has reduced the BSOG payment rate by 20% in 2012/13.** Since then they have announced a top up fund for some Local Transport Authorities. However this will not make up for the overall 20% reduction.
4. It is difficult to make a precise estimate of how much the **capital spending** which supports bus services has declined as capital spending comes from a variety of national and local funding streams, some of which support more than bus schemes. However, what is clear is that local transport spend outside London has been hard hit by spending reductions. Relative to the pre-election budget, Integrated Transport Block (the main source of LTA capital funding for bus infrastructure) and Major Scheme funding were cut by 37% immediately following the 2010 election.
5. Research conducted for **pteg** indicates that **LEAs are cutting back on discretionary areas of school transport spending.** The scope, extent and phasing of these cuts varies, however provision of free transport for pupils attending denominational schools and support for those aged 16-18 are common areas for retrenchment. Some LEAs are also tightening their eligibility criteria for special needs transport. The cuts mean that fewer children will receive free home to school transport and more will be travelling on mainstream supported or commercial buses, putting pressure on concessionary travel budgets.
6. It is hard to quantify the precise impact on **information provision and staff support for bus service provision.** However, it is fair to say that some LTAs have already reduced funding for information and staffing – and that these trends are highly likely to continue as local authority budgets are further reduced.

### Buses in London

As already noted, London's buses are organised differently from the rest of the country, with services contracted by Transport for London. The bus network in London has had significant investment and in fact has been rated in a study by Imperial College as being the best among world cities. Buses are the most used form of public transport in London, with 2 billion journeys a year or 6 million each weekday. They are particularly important in outer London as a means of getting people to work and education and supporting suburban town centres. If revenue funding for London buses were to fall, reductions in frequencies and potentially route cutbacks would result, with consequences for London's suburban centres and for the wider economy. The night-time economy in London is particularly dependent on buses bringing in employees, so cuts in London's bus funding would have a severe impact here.

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## What has been the impact on bus services of the reduction in funding for buses from all six of its main funding sources?

According to research by Campaign for Better Transport<sup>19</sup>, during 2012/13 some 41% of local transport authorities in England made cuts to their budget for supported bus services. They calculate that nationally, cuts totalling £18m have been made in 2012/13, with almost 11% of local authorities making cuts of more than £1 million.

The latest cuts come on top of previous reductions identified in 2011 when one in five council supported bus services were either withdrawn or cut back. The total estimate for cuts in 2011/12 was £36m.<sup>20</sup>

Cuts to bus services look set to continue into 2013/14 as local authority budgets continue to be squeezed and commercial operators seem likely to review less profitable routes to offset the impact of BSOG reductions.

## What will happen if the bus continues to be seen as a low priority when decisions are taken in Whitehall on local government and transport funding?

Current trends in terms of service reductions, fares increases and consequent patronage decline will continue.

In practice this will mean:

- Labour markets will shrink and the Government's ambitions to get more unemployed people into work will be hit because fewer people will be able to access areas of employment, especially in outlying areas.
- Skills and apprenticeships will be hit because of reduced access to further education.
- High street regeneration plans will suffer because of reduced access to town centres.
- There will be increased pressure on congested road networks as some bus users transfer to the car. This will increase business costs (as vans, lorries and business travellers are held up by congestion) and undermine major employment and retail centres as congested roads will make them harder to access.
- There will be public health impacts as more people use a car for more trips (forgoing the exercise that bus use provides in getting to and from stops) and as more people are isolated in their own homes through lack of alternative transport (with the consequent impacts on physical and mental health).
- Young people will be badly affected as they are particularly reliant on the bus to provide them with access to jobs, education, training and leisure.

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## How can the Spending Review give the bus a better deal?

The Government has changed its mind before on how transport funding should be spent. For example, by the time of the 2012 Autumn Statement national Highways Agency funding for 2014/15 had almost doubled relative to the 2010 Spending Review. It's time for a change of direction too on bus spending.

Here are some practical proposals on how this could be done for the spending review.

### Recognise the cross-departmental benefits of bus spending

Spending on buses benefits Department of Work and Pensions (through reducing welfare spending by providing jobseekers with access to employment), the Department of Health (through public health benefits and through providing access to healthcare and reducing the cost of missed appointments), the Department for Education (through providing access to schools and colleges) and of course transport and the wider economy. Yet this is not recognised in the complex way in which bus services are supported.

#### A better deal...

- HMT make a **cumulative assessment of the overall impact of the spending review on bus services.**
- Announce a trial over a major area of the concept of 'Total Transport' (see annex one) where health, social services, education and mainstream transport budgets are pooled to provide a single service.
- Recognise the need for a **national free concessionary travel scheme for young people and jobseekers**, and review how this could be achieved in a way which builds on existing industry and local government initiatives, and be implemented so as not to lead to unintended consequences for the overall level of bus service provision.
- Ensure that the **concessionary travel scheme for older and disabled people is adequately funded** so that the benefits it brings are not at the expense of overall bus service provision.

### Greater parity with rail spending

National rail spending has been protected in every spending review and budget since the election – and rightly so – as rail has a key role to play in supporting the UK economy. Yet the bus has been one of the biggest losers in the transport sector from changes in transport spending since 2010.

#### A better deal...

- As part of the cumulative assessment of the overall impact of the spending review on buses (see above) greater **parity with the way rail spending is treated should be a factor.**
- Local transport spending saw major frontloaded cuts after 2010 but from 2012/13 spending begins to rise again. **This rate of increase should be accelerated.** If the 2014/15 increase were to be brought forward to 2013/14 then this would result in an increase in local transport spending in the region of £300 million. This would benefit bus services – for example through expanding the budgets for the successful Green Bus fund, Local Sustainable Transport Fund, and Better Bus Area funds.

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## Tax breaks

### A better deal....

- Introduce a **tax benefit concession for commuters who use buses**. Such a benefit would be especially valuable and timely for the many young people seeking work and depending on buses to get there. It would level the playing field with car commuters who are provided with tax-free parking by employers. The proposal should exclude London in order to minimise deadweight tax costs to the Exchequer. Such arrangements have been very successful over many years in the US and elsewhere.

## An appraisal system that recognises the full benefits of investing in the bus

### A better deal....

- Ensure that the contribution of bus networks to the adequate functioning of labour markets is properly recognised. This could include the development of existing DfT guidance on regeneration benefits to ensure local authorities and DfT have the tools of their disposal to quantify the impact of more affordable and more accessible bus services on labour participation and productivity.

## Annex One

### Total Transport

The public sector provides and funds collective transport in a variety of forms – not just conventional bus services but also healthcare services (funded by the NHS), social services and education transport. On top of that there is also community transport and other voluntary sector collective provision. However, these services are often provided through different budgets and by different administrative arrangements. There is scope for greater pooling of budgets and vehicle fleets to provide a single service more cost effectively. This 'Total Transport' approach is already being applied in some areas of the UK but so far to a very limited effect. Some countries in mainland Europe have gone much further and pooled public transport, education, healthcare and social services budgets into one pot to provide a single transport service – capable of providing a mainstream service which can also flexibly respond to the needs of particular users. Total transport on a large scale is probably most easily achieved in less urban areas where most public transport is publicly supported anyway, and where the scale of the administration for currently separate budgets and vehicle fleets is more manageable.



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