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Member of Parliament for West Dorset



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Response to the Department for Transport's National Bus Strategy, *'Bus  
Back Better'*

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## 1. Summary

This white paper is, taken as a whole, positive. Its ambition – and at times over-optimism – is commendable and the implementation of a great number of the paper’s intentions could have huge benefits not only for bus infrastructure and industry, but also for the environment, for passengers, and indeed for the wider community. Bus Users, who represent bus passengers in the UK, agree that ‘the new National Bus Strategy is a unique opportunity to make public transport viable and sustainable now and in the future.’<sup>1</sup>

It does, however, fall down somewhat in the details and leaves a number of questions unanswered: the paper excellently lays out the ‘what’, but fails to illuminate the ‘how’. This is particularly pertinent in regard to the new and wide-ranging demands that the paper places on local authorities coupled with the short timeframe for implementation. This is not to say it cannot be achieved, but I will welcome further granular detail as it is released.

The paper does not fully address problems with rural transport, and I will explore that in greater detail here. My response will look closely at two areas prompting further question: the paper’s lack of tangible impact on rural bus and transport services, and the position on franchising.

Given the landscape of West Dorset, I am predominantly concerned with rural bus provision.

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<sup>1</sup> Navigating the new National Bus Strategy, a feature by Bus Users published on the LocalGov website: <https://www.localgov.co.uk/Navigating-the-new-National-Bus-Strategy/52146>

## 2. Rural Bus Services

In my view, it is fair to observe that this white paper is targeted towards urban areas, and urban solutions to rural problems seem to be pushed. While we are expecting a specific strategy for rural transport, this white paper leaves a thorough discussion of rural challenges still to be had.

The paper's solutions to issues facing rural areas boils down to two key suggestions: demand-responsive transport, and extra space on rural buses to store bikes. This is insufficient, and even though there is a rural-specific strategy in the pipeline, it doesn't make much sense that rural issues were not included fully in the *national* strategy.

Rural communities and economies struggle in different ways to urban ones: lack of connectivity reduces job opportunities, can contribute to more loneliness, and does not provide the conditions necessary for flourishing businesses.

### a. Funding in Rural Areas – Case Study: Dorset Council

Dorset Council receives approximately £395,000 per year from the Department in the form of the Bus Service Operators Grant (BSOG). A one-off grant was given in 2019/20 totalling £299,159 for the Supported Bus Services Grant.

This money is not sufficient to cover much of the cost and grants are often overspent. The Council is obliged to use revenue money to support bus services, which they choose to do despite it not being a statutory duty of the Council. The funding could therefore be removed by the Council at any time in light of changing priorities or crises; taken in the context of rapidly rising adult social care costs, it is easy to see how this could become an unfortunate reality. Indeed the amount the Council can spend on public transport is already decreasing, down from £5.8 million spent in 2010/11 to £1.2 million in 2018/19.

Dorset Council and its predecessors have historically been very responsible with finances, and accordingly they prioritise where their transport spending goes, focusing on school services and socially valuable routes. The average spend per route is £120,000, with the highest costing route costing the Council £322,000. The current funding allocation penalises councils which have been financially diligent, as in the case of Dorset Council.

The Council also supports the creation of routes, providing contracts for operators to run routes during which time they are supposed to become commercially viable, although if they do not the burden falls to the Council to provide subsidy if the route is vital.

The age demographics in Dorset are high compared to much of the country which means the Council must also pay for the fares of resident who hold older people's concessionary passes – of which there are 86,885 in Dorset. The Council also bears the cost for visitors who use their passes in Dorset, and those of people from neighbouring areas whose

journeys begin in Dorset. A legacy of the pandemic is that it is likely to prompt some people to holiday in the UK rather than abroad, further increasing the use of concessionary passes in Dorset which may cause overspend of their £3 million budget for this purpose. Central Government does help to cover these costs, but it is clear to see that this is a major spend for the Council.

Concessionary fares, including for school travel for 16-18 year-olds alongside other types, therefore need more consideration to ensure it is fair for councils.

What we can see from the situation of Dorset Council is replicated in rural areas across the country: councils which really want to provide excellent services for their residents without the funding to back that up. As already noted, the white paper does not provide a long-term funding outlook, meaning that planning to improve services further is very difficult.

It is vital that we do not demand that our rural areas step up their bus services without providing them with the fair funding to do so. London received £46.50 per person in net Central Government funding for local bus travel in 2019/20, whereas Dorset received only £4.26: it is not difficult to see the cause of the disparities, not helped by repeated bailouts of TfL worth billions. The nature of rural transport, being over longer distances between more remote areas resulting in higher average cost per journey, means that funding does not go as far as that which is given to urban areas. Upgrading the rural network requires huge investment, which already overstretched councils should not have to bear alone.

#### **b. Demand-Responsive Transport**

Demand-responsive transport is, in many ways, half-way between a traditional bus and a private car. Smaller vehicles collect passengers who have pre-booked, often online or via a mobile app, and travel on a route calculated to be most efficient according to the destinations of the other passengers on the service. For an urban area, it is easy to see how this is an efficient system. With many people living in a comparatively small area, it is likely that a sufficient number of people will be wanting to travel in approximately the same direction at any one given time, and a relatively small fleet would be able to accommodate most of the directions in which people wish to travel, stopping at destinations as they go.

The model would be more difficult to implement rurally where fewer people live in a comparatively larger geographical area. I believe a situation would likely develop to reflect the current issue with bus routes in rural areas: certain journeys, for example from a village to a town, would be more likely to have an appropriate number of people intending to travel at approximately the same time in the same direction. But what if someone on the service wanted to stop at another village, one which required a half-hour deviation from the route to the city, where most people want to go? Or what if there were no circulating vehicles in the area meaning a passenger booking a service would routinely have to wait an hour to be collected, with passengers already on the service presumably having to abide by any detour required to collect that passenger?

In a scenario in which demand-responsive transport does not become commercially viable (which I believe is likely), maintaining services would presumably require local authority investment and funding. This would be particularly difficult for rural areas where funding tends to be lower and does not go as far as in rural areas, coupled with longer distances for journeys, as we have seen from the Dorset Council case study. Rural areas are already hard-pressed when it comes to funding their transport infrastructure, and thus it makes little sense that the proposed solution may cost them even more money. We need more confidence that the Government will support these areas.

According to a statistical release by DfT, there were 246 million passenger journeys on bus routes classed as largely or mainly rural in 2019/20, down from 259 million in 2018/19 (a reduction of 13 million journeys as a result of Coronavirus). In the Dorset Council area, which is predominantly rural, there were just 7.6 million passenger journeys in 2019/20 down from 8.2 million in 2018/19. Despite the pandemic, this was an already-decreasing trend, with 11.1 million passenger journeys occurring in the Dorset Council area in 2010/11.

By comparison, London saw 2.1 billion passenger journeys in 2019/20, down from 2.2 billion in 2018/19. This number is larger than journeys in the rest of England combined. These figures show that London already has vastly increased bus usage compared to rural areas: London and other metropolitan areas would be the places most likely to benefit from demand-responsive transport as it is logistically more feasible, and yet figures for number of passenger journeys show that the capital is already appropriately served by traditional buses, alongside services such as Uber. The commercial model does not appropriately serve rural areas with traditional buses, and it seems likely they will not be served properly by demand-responsive transport either.

Specific demand-responsive services that run hourly through a set route to a medical centre or hospital may be useful for older people who do not drive, but it is hard to see what difference that would make compared to a traditional bus service. The Dorset Council area has an above-average elderly population, with 31% of West Dorset residents over the age of 65, compared to 18% in England and 12% in London. As the Council has reported, it is extremely difficult to engage operators to serve older communities in running evening and weekend services, as these are less favoured by this clientele.

### **c. Integration with Rail**

The case for longer rural journeys to be made via rail is more compelling than by bus, in my view. In these scenarios not only is rail quicker, being unhindered by other traffic, it is more comfortable due to travel on smooth tracks rather than uneven rural roads (which themselves need attention in rural areas, adding yet more cost), and rail is likely to be comparable in price to demand-responsive transport if not cheaper depending on the journey.

Rail would not solve the issue of travelling once within the bounds of a city, town, or larger village but as noted above these are the environments in which demand-responsive transport or a traditional bus would be more effective. For peri-urban areas (less rural built-up areas in the countryside, but further from urban centres than suburban areas), the proposed Superbus strategy also has the potential to work well in the gap between remote areas and urban centres.

Nonetheless, the journey from the remote rural area will have to be done by other means and so the rural solution to transport issues is not solvable only by buses and variations thereof – a combined solution of bus and rail seems more effective to link our rural areas not only to urban centres, but also to other rural areas.

Including rail in the solution to rural transport issues, alongside the proposal in this white paper to develop bus networks which better serve train stations, would be a boost to the industry as well as a greater service to passengers. It can be argued that, in trying to solve every problem with buses, this white paper can be considered somewhat anti-rail, and it is not clear whether the impacts of a heavily Government funded and encouraged bus network on the rail industry have been fully considered in connection with this strategy.

One solution to this could be combined franchising with rail, or Enhanced Partnerships to include rail. If both transport systems are going to be based on franchising, I believe it would make sense to integrate the systems which would be better for our rural communities.

#### **d. Zero Emission Buses**

A zero-emission fleet is a commendable aim, but the reality as it stands is that current technology is not suitable in rural environments. Electric buses can't do the distances we need in rural areas, they struggle with hills and bad weather, and they need charging often.

In their submission to the Rural Transport Strategy Consultation, the Rural Services Network sum up the main issues with electric buses:

The decarbonisation agenda is focusing largely on major urban areas at present and we must ensure that appropriate rural-proofing takes place if the same objective is placed on rural areas. There are practical issues to consider. An electric bus typically costs up to twice as much as its latest clean diesel (Euro VI) equivalent. But whilst there are limited numbers of the latter on the second-hand market for operators unable to sustain new purchase costs, there are no second-hand electric buses yet available. Charging stations are a cost that needs to be added to the cost of going electric and under the current electricity supply regime the costs of connecting a depot to the grid, including any necessary additional substation infrastructure to accommodate increased load on the system, is borne by the customer requiring the supply – in this case the bus operator. But, most importantly, the operating range

of electric buses is still considerably lower than that of diesel – typically up to 150 miles per day, with diesel vehicles capable of twice that. By their nature, rural bus services generally incur greater daily mileage than urban routes and by no means all are suitable for electrification with current technology. In some cases, a second fleet would be required to take over whilst the main fleet received a mid-day charge. Outside London, where the increased costs of purchase and operation are picked up by Transport for London in contract prices submitted by operators, new purchase of hybrid diesel electric vehicles is now uncommon. They attract a significant price premium over diesel but offer relatively few advantages, the reduced fuel consumption typically being offset by increased maintenance and the need to replace components mid-life. They are gradually increasing their capability of zero emissions operation but at considerably increased cost. Poor reliability and component failure have led to many first-generation hybrid buses being rebuilt to use the latest Euro VI diesel engines, abandoning the electric hybrid component altogether.<sup>2</sup>

I am very much in favour of taking steps to protect the environment, but there is no point making expensive investments if they will not work. We have to find ones that do.

There cannot be an effective decarbonisation strategy for the bus network if rural services are left out of the solution. Technologies that work excellently in urban areas are simply not appropriate in a rural landscape for the reasons laid out above by the Rural Services Network.

The high cost with low benefit will be inevitably prohibitive. Hydrogen is perhaps a better solution for longer rural journeys due to the extended distances they can travel and no need for charging. It has also been suggested that the Government assists in acquiring new zero emission buses which can then be leased to operators. This would reduce the cost burden on operators and allow for newer, less tested, technologies to be rolled out quicker without the large risk that would otherwise prevent operators from making purchases.

It is greatly welcomed that the Government will publish a specific strategy for rural transport, and it will be interesting to see more carefully considered proposals than appear in this white paper once that is published. The Rural Mobility Fund of £20 million to 17 pilot demand-responsive transport is also welcome and will hopefully reveal innovations that could allow this model to work to some degree in rural areas.

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<sup>2</sup> Rural Services Network, Bus Back Better: The National Bus Strategy through a Rural Lens, Briefing Note for the APPG Rural Services (26<sup>th</sup> April 2021)

### 3. Franchising

The paper gives Local Transport Authorities (LTAs) and bus operators almost no choice but to franchise, given the extensive incentives to do so and the almost complete lack of support if they do not. The option exists to form an Enhanced Partnership which would qualify for Government support but Paul O’Neil, managing director of UK buses at Arriva, suggested this would not do a great deal more than to just ‘formalise this agenda,’<sup>3</sup> given bus operators’ already close engagement with local authorities.

Given the state of the UK’s bus industry at the current time, it is clear that something must be done. The Government argue that ‘franchising can be an effective way of correcting a market failure’<sup>4</sup> which is certainly true, but great caution should be exercised to ensure franchising is used in a sustainable way which maintains the requisite competition that drives innovation. Some local authorities report difficulty in convincing operators to collaborate, coming up against objections to advertising other operators’ services and providing cross-ticketing, which is a clear example of market failure that franchising has the potential to address.

#### a. Local Authority Resources

It is noted in the strategy that franchising does not always have to equate to the same level of LTA resources and planning as are required for TfL in London. However, below a certain threshold of involvement it is questionable the extent to which a franchise would really be closer to an Enhanced Partnership, and in this case it is not clear where the incentive to franchise would be found. This seems a more pertinent question when we consider that Mayoral Combined Authorities have had the power to franchise unilaterally since 2017 under the Bus Services Act, and very few have chosen to do so.

The Financial Times reports that this is due to high associated costs of franchising, noting that the franchised bus system in London had run at an annual net deficit of £700 million even before the pandemic.<sup>5</sup> Nonetheless, Greater Manchester’s mayor Andy Burnham has announced that he will pursue the franchising option. This follows the MCA having already made steps in the direction of franchising through the Our Network plan.

#### b. Preference for Franchising

It is clear that the white paper intends to reward franchising over other models. There is also the sense that franchising is preferred over Enhanced Partnerships. Either one of these must be in place for eligibility for Government funding which is not a problem in principle since it is necessary for some form of incentive to exist in order to make these changes. It

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<sup>3</sup> *England’s new bus strategy faces challenge to get passengers on board* Financial Times, Harry Dempsey and Andy Bounds, 6<sup>th</sup> April 2021, available at: <https://www.ft.com/content/ecafc009-ef40-4d4a-9df5-bb4abe2ed8a8>

<sup>4</sup> *Bus Back Better*, Department for Transport (2021)

<sup>5</sup> *England’s new bus strategy faces challenge to get passengers on board*, Financial Times, Ibid.



is worth noting though that where incentives are needed, there is usually a lack of will for whatever reason, and those reasons must be taken into account to allow a smooth transition. It is important that the implication of the white paper, that franchising is considered the gold standard above Enhanced Partnerships, is not borne out as real consequences possibly resulting in franchised LTAs being viewed more preferably than those operating under Enhanced Partnerships. As the paper explains, 'LTAs which are not mayoral combined authorities and wish to pursue franchising will *need to satisfy the Secretary of State that they have the capability and resources to do so*, and that it will better deliver service improvements for passengers'. For LTAs which do not have the capability and resources, the only option is to pursue an Enhanced Partnership – it is important that those who cannot franchise are not discriminated against for being unable, and those who have the ability are not given preferential treatment. This outcome would be at odds with a levelling-up agenda.

The white paper also does not set out why a franchise would be more beneficial than an Enhanced Partnership from an operator's perspective. The latter model allows them greater influence on the network, and it would be prudent to avoid a situation that pits operators against local authorities in which one wishes to pursue franchising and the other does not. The first disagreement has already occurred in the Greater Manchester Combined Authority with Stagecoach submitting an application for judicial review on the Authority's franchising consultation, about which, chief executive Martin Griffiths said Stagecoach believes 'the GMCA conducted an unlawful process and a flawed consultation on proposals which do not properly reflect the fundamental and material changes brought about by the Covid-19 pandemic.'<sup>6</sup>

GoAhead, an operator which operates in a wide range of regulatory environments including in franchising with TfL, has shown willingness to enter into statutory processes for franchising and is in discussion with TfGM. However, the operator has expressed its preference for partnerships due to the administrative infrastructure required for franchising. DfT should avoid funnelling operators into legislative scenarios that they would prefer not to be in, which is especially important for smaller operators. Very large operators, such as GoAhead, do have the financial and human resources to franchise but smaller operators may not and may thus lose out.

### **c. Implementation**

Equally important is how franchising is implemented. Franchising is a model that can have a great many benefits when used appropriately, but one that is capable of costing the Government huge amounts of money in a manner not in keeping with creating a sustainable bus system if allowed to go astray. The most pertinent comparison of a way franchising has failed in recent times can be seen in the rail industry. Partly as a result of

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<sup>6</sup> Judicial review bid over Greater Manchester bus network plans, BBC News, 16<sup>th</sup> March 2021, <https://www.bbc.co.uk/news/uk-england-manchester-56418962>

the Coronavirus pandemic, and partly as a result of a franchising model which wasn't best suited to the needs and practical operations of the rail industry, many aspects of the railways now run off a concession-based model. This follows the Emergency Measure Agreements and, later, the Emergency Recovery Measures Agreements (ERMAs) which were necessarily put in place due to huge drop in passenger demand, but look likely to survive beyond the pandemic and ensuing economic depression. The concession-based model takes away the revenue risk from the operator and places it on the Government, removing the incentive to improve services and cost efficiency in place of accepting a fee to operate the lines.

The revenue risk for operators is a necessary element of any future bus franchising system, especially with regard to other demands of the white paper. If operators are expected to overhaul their infrastructure towards a process of decarbonisation, albeit with financial incentive from the Government, without a revenue risk driving operators to firstly make changes in order to receive Government grants, and secondly to make changes to match their competitors within the franchise, there is little driving innovation and improvement. It would be nonsensical to create a model in which innovation comes only after Government diktat.

## **4. Welcomed Elements**

As stated, there is much in this paper that I welcome, and it is worth acknowledging these while being simultaneously aware that they must be implemented carefully in order to be effective.

### **a. Local Authority Autonomy**

Perhaps the most positive aspect of this paper is the focus on autonomy for local authorities and the consistent acknowledgement that a ‘one size fits all’ approach cannot work in the varied geographical and economic landscape of the UK in which each area has its own differing needs. The strategy strives to create the right balance between public and private sector, neither allowing a government take-over of bus services nor leaving them to decisions based on pure commercial viability.

While the autonomy given to local authorities is a valuable thing, there must be caution about the needs of each authority and their attitudes. The paper assumes enthusiasm and compliance from local authorities as given, but some do not prioritise buses and may therefore be disinclined to channel large swathes of funding to it. The short timescales required to meet the timeline of the strategy may come up against a lack of pre-existing in-house resources to create and update a Bus Service Improvement Plan, and then begin statutory processes of Enhanced Partnerships and franchises. It is not to say there are no solutions, and indeed GoAhead advocates that local authorities with limited capacity should not be inhibited in drawing upon operator resources where needed.

### **b. Recognition of the Public Value of Buses**

Some necessary routes are not commercially viable. I welcome the acceptance of the principle of public money for the public good while not stifling the advantages of private enterprise. Acknowledgement of this fact allows other aspects of the strategy to be implemented more reliably, such as the intention to form more cohesive networks that equally serve routes across an area instead of over-saturation of services on key routes while also being more straightforward to use, and ensuring that these networks of public transport reach public services including schools, hospitals, libraries and so on.

This framework as laid out in the paper gives a good overview of the intended national direction of travel. The on-the-ground situation of implementation in individual local areas will bear out the merits and deficits of the Government’s plan, but this should be mitigated to an extent by the flexibility for which the paper does allow. Since each local authority must create a plan which best fits their local needs, there is room for tailoring although the deadline of October 2021 could prove difficult if not impossible. It is unlikely that full recovery after Covid will be immediate, and as such it seems that DfT are asking local authorities and bus operators to plan with total uncertainty about the short-term future.

The model of London as the example to aim for is certainly useful provided that the strategy is successful in allowing local authorities to differ their operations from that which exists in the capital. London's infrastructure is unique among UK cities and it would be a mistake to over-sell the London model to other local authorities as the example to recreate.

### **c. Environmental Ambitions**

It would be remiss not to highlight the environmental ambitions of this strategy as a great positive. The main strength of the environmental elements is the cohesion between this white paper from DfT with other aspects of Government policy. Demanding a specific sector alone take drastic steps to decarbonise out of sync with the rest of the economy is almost always ill-fated, but the decarbonisation of the bus industry alongside a multitude of other sectors is more likely to be effective. The restructuring of incentives away from fuel and mileage, and towards green technologies, is particularly welcome: changing vast swathes of infrastructure is expensive, and without the proposed Government support as laid out in this paper, would be impossible for all but the largest and most profitable bus operators. It will be interesting to see how this manifests in the promised reform of the Bus Service Operators Grant (BSOG).

Given that only 2% of England's bus fleet is zero-emission and the Government intends to make that 100% in time for achieving net zero by 2050, it is clear that there is much to do. While the target does seem hard to reach from the perspective of 2021, it is nonetheless admirable that a solid start is made through this and other strategies. Of course, buses and coaches produce emissions on a fractional scale compared to cars – with the sector being responsible for just 3% of greenhouse gas emissions – so the environmental benefit of zero emission buses will be negligible if the strategy does not succeed in tempting passengers away from their cars. Assuming it does achieve this aim, there are clear and significant environmental benefits to expanding bus usage.

### **d. Digitisation of the Bus System**

Digitisation of bus use through means of contactless payment, apps, and web services is fitting in shifting the bus industry into the modern age, but due consideration must be given to significant proportions of the older population for whom these methods can be more confusing than they are helpful. Complete digitisation, therefore, should not be pursued at the expense of accessibility for all in society and indeed doing so would be counter to the aim of getting as many people out of their cars and onto buses as possible. A combination of payment, booking, and information options should therefore remain, even to the extent of leaning more heavily towards the digital, in order for this aspect of the strategy to be as effective as intended.

### **e. Value for Money**

Financially speaking, Government investment in buses has previously shown itself to be high-yield in terms of both monetary and social value. Given that nationally, 77% of people who are looking for a job do not have a car, it is clear that improved bus infrastructure could potentially have life-improving impacts for such people. In the wake of the pandemic it is especially vital that each pound of taxpayers' money is spent in the most effective way, and it does seem as though bus networks for local travel is one way to do this. It is prudent that the Government continues to steer away from a 'cheap and cheerful' mindset, and ensures that all investment into the bus sector is done in a way that ensures longevity and sustainability rather than trying to obtain rapid results at low cost in the short term. It does, however, seem as though the long-term impact hasn't been much considered – where the paper calls for Improvement Plans to be 'ambitious, but achievable', it also hampers the ability of local authorities to plan ambitiously by not providing clarity of long-term funding.

## 5. Conclusions

It is clear that some aspects of this strategy have been considered more closely than others, possibly reflecting what the Department see as the priorities. It will be welcome to receive further, more detailed guidance on the processes for Enhanced Partnerships and franchising as these are released, and the rural transport strategy when that is published in full. It is vital that the Department engages closely with local authorities as this strategy is rolled out, owing to the new demands placed on them, possibly alongside indirect associated costs, in a short timeframe. The Department and wider Government must show flexibility to change plan in response to local authority feedback: not doing so would undermine the autonomy this strategy would otherwise give to local authorities which, as mentioned above, is one of the most positive aspects in the paper. The paper is, on the whole, a good proposal which with a little further clarification could have the potential to produce very effective results.

Ideally, this paper should be the first and last national bus strategy that we ever need.