

To: Edward Mountain MSP, Chair, Net Zero, Energy & Transport Committee,
Scottish Parliament

Dear Mr Mountain

Bus Service Improvement Partnerships (BSIPs) and Local Service Franchising

Thank you for your letter of 12 July 2024 requesting views on the above.

SPT is the Regional Transport Partnership for the west of Scotland, covering 11 full council areas plus part of Argyll and Bute, and was established by the Transport (Scotland) Act 2005. Our responsibilities include the Regional Transport Strategy, investment in transport infrastructure, project development and delivery, the operation and management of the Subway, the provision of supported bus services, ticketing, and others. Further information on our work is available at www.spt.co.uk .

For the sake of brevity, we would draw your and the Committee's attention to recent reports¹ to SPT's Partnership and Committees and significant development work² undertaken in relation to our new statutory Regional Transport Strategy (RTS) and the Strathclyde Regional Bus Strategy (SRBS)³ in terms of evidence supporting our points in this letter.

I would highlight that this response to your questions should be considered draft until considered by SPT's Strategy and Programmes Committee at its meeting on 6 September 2024. I would also highlight that the SRBS is a developing document, and that this response has been written from the approved SPT position at this point in time in order to submit this response within your deadline, and therefore SPT's position on the questions you ask may be subject to change in future.

'How are you planning to use these powers (BSIPs and Franchising)?'

BSIPs:

Based on development, analysis and consultation undertaken to date, and subject to future development, consultation and final approval by SPT's Partnership board, the current status of the Strathclyde Regional Bus Strategy (SRBS), in support of the statutory Regional Transport Strategy (RTS), may not require SPT (and/or partners) to utilise the BSIP provisions of the 2019 Act.

Summarising the background to this position, analysis undertaken as part of the RTS and SRBS found that while potential positives of BSIPs outweigh potential negatives, ultimately concerns remained as to whether BSIPs alone could deliver the bold ambition of the RTS. Following this, as part of the development of 'recommended options' for taking forward as part of the SRBS development, BSIPs were retained, following appraisal, with the recommendation that, given improvements in bus were required in the short/medium term, and that local service franchising has a lengthy development process and delivery risks, SPT should progress with BSIP arrangements to provide a firm basis for private and public sector commitments to arrest further passenger decline and improve the bus network over the medium term.

However, it is worth highlighting that the public consultation on the SRBS 'recommended options' earlier this year resulted in a very mixed view from respondents in terms of support for and opposition to BSIPs. Reflecting this, and in line with the approval of a report to SPT's Strategy & Programmes Committee on 6 September 2024

(https://spt.production.d8.studio/media/termb3fe/sp060924_agenda7.pdf), the original recommendation regarding BSIPs has been amended to remove direct reference to BSIPs as follows: "SPT, and our partners, should progress with the necessary transition arrangements appropriate (e.g. time-limited, voluntary partnerships or other agreements aimed at improving the bus network) to provide a structured basis for private and public sector collaboration in attempting to arrest further passenger decline and stabilise the bus network in the pre-franchising period." This updated recommendation, alongside the other recommendations, will now be developed in more detail for the Final Draft SRBS for public consultation in early 2025.

Local service franchising:

Further, and again based on development, analysis and consultation undertaken to date, and subject to future development, consultation and final approval by SPT's Partnership board, the current status of the SRBS, in support of the statutory RTS, will require SPT (and/or partners) to utilise the local service franchising provisions of the 2019 Act.

Summarising the background to this position, analysis undertaken as part of the RTS and SRBS identified franchising as the most effective way of delivering the ambitions of both the RTS and emerging SRBS, for example, in terms of delivery of enhanced service provision and more affordable fares. There has also been strong support for franchising during consultations undertaken, most recently for the SRBS 'recommended options' and SPT is currently in the process of identifying the way forward for the SRBS following that consultation. Notwithstanding this, however, SPT has been clear that there are crucial caveats in relation to franchising regarding funding, process for establishment, competition, risk-sharing and uncertainty; these are elaborated on in the response to the following question.

'Whether any further support or resource is required to do so, and if so, any further detail on this.'

In short, yes, further support and resource will be required should the powers be utilised.

In terms of support, firstly, we would require the regulations and guidance for the utilisation of both BSIP and local service franchising powers to be published by the Scottish Government as soon as possible, as we have concerns about the processes outlined in the 2019 Act to deliver BSIPs and local service franchising.

Notwithstanding any future utilisation of the provisions of the 2019 Act, it is worth highlighting that there is a strong need for additional funding to support and maintain the current bus network of the west of Scotland. Work undertaken by SPT and Glasgow City Council in 2022 identified that, even without utilisation of the 2019 Act's provisions, high level indicative figures of circa £300m in additional capital funding and

£22.7m in additional revenue funding per annum, as well as the continuation of other funding sources (e.g. NCTS reimbursement and the Covid-support funding available at that time) would be required to maintain and improve the bus network of the west of Scotland to a sufficient standard to deliver the then-emerging ambition of the RTS.

On a separate but relevant note, SPT would also urge the Scottish Government to recommence the Bus Partnership Fund, the funding of which was paused in 2024/25.

Specifically in relation to franchising, and as noted earlier, SPT has identified various concerns for which support and resource is required:

- *Funding*: Delivering enhanced outcomes through franchising which meet the objectives of the SRBS and RTS can only be achieved through additional funding e.g. for targeted affordable fares or enhanced levels of service. The absence of additional funding will simply leave the authority responsible for continuing with 'business as usual' and a declining bus network. The funding required for both the delivery of franchising and in the pre-franchising period is likely to be significant. Work undertaken for the SRBS options appraisal process identified an indicative high-level estimate of £45-85m additional subsidy revenue support per annum to deliver local bus services in a regional franchise.

Further, the preparatory costs of franchising, both in terms of the process (as specified in the 2019 Act) and potential setup costs, are likely to be significant. For example, a substantial capital investment will be required in respect of investment in depots and fleet.

SPT will be undertaking further work on the amounts of funding required in this regard as the SRBS is finalised over coming months, and sources for that funding. It is clear however, that the scale of funding required in terms of both capital and revenue will be beyond the scale of current affordability for SPT and our constituent councils.

- *Competition*: The development of a franchising system requires the introduction of a competitive tendering regime to franchised areas and/or routes. Accordingly, it should be noted that the design and development of a franchise requires significant consideration in respect of scope, scale, risk, finance and funding required in order to engender suitable levels of competition for any subsequent franchise contract(s), and to deliver best value for the taxpayer. Further consideration of the competitiveness, and quality, of the local bus market structure in respect of large operators, SME's and Community Transport operators, would be required for example. Competition, therefore, is an issue on which SPT (and/or partners) will require support and resource to ensure it is addressed effectively.
- *Challenging processes*: The 2019 Act franchising process is untested and there is a risk that there will be delays as it is progressed. The legislation has incorporated the concept of an independent review 'panel' which must agree to the proposing authority's franchising plans before it can proceed. SPT has opposed this, and it should be noted that this requirement was omitted from equivalent English legislation, but did apply under the 2001

Transport Act, when it resulted in a similar style panel rejecting Nexus' Quality Contract (a form of franchising) proposals after some years of development. SPT would therefore emphasise that the process for implementation of the 2019 Act franchising position must be workable, democratic and minimise risk for the promoting authority.

- *Risk sharing and Uncertainty*: The more control the public authority seeking to franchise wishes to direct over bus service delivery, the greater risk will be borne by that authority. For example, in order to simplify and make fares more affordable, the authority may need to take some, if not all, revenue risk and be in a position to react to uncertainties around key drivers such as level of passenger demand. If passenger demand is not as high as anticipated, then the authority will still have to meet its contract payment obligations. Again, resource will be required to address this.

Thank you again for the opportunity to provide our views. We would, of course, be happy to expand on any of our points in this letter, either in writing or in person before your Committee.

Yours sincerely

Councillor Stephen Dornan
Chair, SPT