



Bus Franchising Feasibility Study

November 2021

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Executive summary

Context

This report takes an impartial view to consider how bus services in Brighton & Hove could be franchised compared with a partnership approach, both options being promoted by the National Bus Strategy for England.

Bus services are an essential component of the local transport network. Historically, the area has experienced bus provision from private initiatives with later nationalisation and subsequent privatisation. The current arrangements involve Brighton & Hove Buses (part of the Go-Ahead Group) as an exemplar operator, building demand over many years with a high quality offer and a culture of continuous improvement. The requirements of the national bus strategy include the production of a Bus Service Improvement Plan to include infrastructure measures alongside service improvements plus ticketing, service information and other initiatives, achieved through the Enhanced Partnership process.

Stage 1: Options available

This Enhanced Partnership approach is required even if an authority wishes to pursue franchising subsequently. Local authorities cannot currently establish a bus operation, although this position may change.¹ The legislation for franchising allows for Mayoral Combined Authorities to proceed but other local transport authorities need to apply to the Secretary of State following which rigorous assessment and scrutiny is required. This requires legislative change which would be costly and take time should the scheme be evidenced and justified.

There are no direct comparisons for franchising. The Transport for London model has different funding arrangements and is naturally much larger in scale. Greater Manchester is a leading proponent but Nexus (Tyne and Wear) abandoned the concept after much analysis and opposition. An equivalent might be Jersey for which a contract for all services was designed and introduced in 2013 which has been a success in terms of the number of bus users, customer satisfaction and contract costs. There are few examples on Enhanced Partnerships although Cornwall has adopted the approach as part of a devolution deal for its largely rural territory. To date, most authorities and operators have cooperated on a voluntary basis which, as in Brighton & Hove, has been very successful. However, voluntary arrangements have to be mindful of competition legislation and ensure that local authorities have no part in fare-setting.

Stage 2: Assessment of current services

Brighton & Hove has seen a healthy increase in the number of bus users over many years, a position only achieved by a few other areas. By 2018/19, Brighton & Hove had the highest levels of bus use outside London and considerably more than most areas. Passenger satisfaction has been high apart from some dissatisfaction about fare levels.

Enhanced Partnerships requires collaborative working between bus operators and highway authorities. This takes a completely different approach to the previous arrangements in that operators are able to work jointly including timetabling, fares and ticketing which was not permitted under competition law. Under a franchising scenario, Brighton & Hove City Council (BHCC) would set the specification for all services including fares and therefore has control over the network. Services or groups of services would be tendered with exclusive awards being

¹ Department for Transport states in the National Bus Strategy that 'The Bus Services Act 2017 prevents further municipal (that is, local authority-owned) bus companies being set up from scratch. While this is not an absolute barrier, as Local Authorities can already purchase an existing bus or coach company, we believe this part of the legislation is ripe for review.' (p.50).

given to bidders on the basis of cost. Government guidance includes an expectation that small and medium sized operators would be able to bid. This then raises the prospect that Brighton & Hove Buses would not necessarily win all the tenders which could undermine decades of experience and effective partnership working. There are also practical considerations – any incoming operator would need a depot, vehicles and staff which may not be available in the city even if an incumbent operator does not retain its current capacity. A further difficulty is that operators that are bidding competitively may not have investment funding available on the same scale. However, if a franchise specification requires for example zero emission buses, tender prices will increase.

Comparisons have been made between Brighton & Hove fares and those in similar areas. Fares have been rising across England over many years, largely as a result of rising operating costs. A further cause of increased costs is traffic levels which in Brighton and Hove is ranked as the fourth highest congestion level in the UK; this affects the punctuality of cross-city services particularly. This is a risk to a franchising authority setting fares with uncertain revenue scenarios.

Brighton & Hove adult single fares are comparable to those elsewhere; the range of day ticket prices varies with the minimum in Brighton & Hove being slightly higher than elsewhere but with a lower maximum. Because fare revenue needs to exceed operating costs, changing fare yield is the only means of generating revenue unless substantial increases in the number of users can be achieved.

Stage 3: Potential improvements

Many of the aspirations for bus services can be delivered through Enhanced Partnership or franchise, the main differences being the extent of local authority control, service specification and flexibility, ticket pricing and the costs and risks incurred. Other aspects of provision such as branding, multi-operator ticketing, passenger information and vehicle and fuel types can be included in both an Enhanced Partnership or franchise although different levels of commitment, funding and cooperation would apply.

In comparing Brighton & Hove's network, any incoming operator would need to build a collaborative arrangement from scratch. Considerable opposition to franchising can be expected from Go-Ahead Group given the success and profitability of Brighton & Hove Buses for which it cannot be assumed would win all – or indeed any – services. If the other operators in the area were to gain specific franchises, then this would erode Brighton and Hove Buses' territory and major operator role.

Enhanced Partnerships are required to set out proposals to improve services and identify funding sources. For franchising, BHCC would need to commit to underwriting any revenue losses, for example resulting from fare reductions or introducing non-profitable services and would need to fund legal fees to establish the franchise and then to maintain and monitor it.

If service frequencies are to be improved, it is unlikely that there will be an immediate or proportionate rise in demand and this will need to be covered by the franchising authority. Any additional vehicles will incur operating costs in the order of £140,000 per year over and above purchase costs.

In the absence of a precedent for franchising at this scale, the costs incurred by Greater Manchester provide some guidance; this has been costed as £1.2 million for core activities and £3.4 million for support activities annually. Further transition costs are estimated to be £14.3 million with start-up costs totalling £16.3 million. While Brighton & Hove is approximately one tenth the size, ongoing funding will be required in addition to start-up legal and other costs. It should be noted that with franchising in place and therefore direct control by the transport

authority, franchising does not guarantee an increase in the demand for bus use even if a good rate of return on investment can be demonstrated.

The fundamental principle of bus services generating sufficient revenue to cover their operating costs does not apply to franchising because it is the authority that underwrites any losses rather than the operators. The franchising authority may choose to reduce fares to an 'affordable' level but if additional revenue is not achieved through more users, then there is less funding to reinvest in services. It remains unclear if central government funding will be available in future years to support services despite the budget set for the national bus strategy. Attempting to reduce Brighton & Hove Buses' profit is likely to have an adverse effect on asset replacement and investment in the business, particularly if franchising results in shrinking the current operation. In any event, the Covid-19 pandemic severely dented profitability with a severe reduction in the number of users which is expected to take several years to recover.

Recommendations

While the opportunity for bus franchising could be made available to local transport authorities, it also presents considerable risks. There is a trade-off between the extent of control over bus services exerted by local authorities and the liabilities that it takes on from operators. The success of Brighton & Hove's buses over many years suggests that the current arrangements could translate well to an Enhanced Partnership but would incur numerous problems in a franchised scenario. Apart from diluting the benefits achieved by Brighton & Hove Buses, new or expanded operators would face practical problems of establishing a larger presence locally to fulfil franchise requirements.

Based on the available evidence, it is recommended that adoption of franchising in Brighton & Hove would be detrimental to bus users and may present risks to BHCC as the sponsoring authority through anticipated high costs being incurred with no guarantee that its objectives would be addressed.

0 Context

Mott MacDonald is providing an impartial view of the options available for bus services in Brighton & Hove to be franchised. This would give Brighton & Hove City Council (BHCC) direct control of planning bus services through competitive bidding by bus operators to operate a route or group of routes. 'Bus Back Better', the recent national bus strategy for England, requires all highway authorities to promote Enhanced Partnerships between local authorities and bus operators but with the option of franchising subsequently. Fuel subsidy and access to other Government funding can only be accessed if an Enhanced Partnership or franchise is in place. This report investigates the issues.

We understand that there is a desire amongst some stakeholders to:

- Reduce bus fares, which are perceived to be high;
- Provide more frequent routes or feeder services to parts of the city not served by the commercial network;
- Improve the frequency of services to areas less well served at present (predominantly those currently forming part of the supported bus network); and
- Have more control over the number of buses travelling through the city centre (most commercial services currently do so).

The purpose of the study is therefore to outline the advantages and disadvantages of a franchising model in Brighton & Hove and assess the likelihood it would better address the above issues compared to other operating models. The study also considers the practicality of introducing franchising and identifies the requirements for and potential risks of doing so.

0.1 Objectives

Bus services are a vital component of local transport with considerable potential to attract new users. However, the challenge is to enable people, many of whom are habitual car users, to use buses regularly. The situation in Brighton & Hove is typical in that buses are delayed by traffic (largely cars) and hence their predictability and punctuality is undermined. This puts off potential users and is frustrating for current users and so it is imperative that buses provide what people want – a short wait for a comfortable, safe and on-time journey at an affordable price. One of the key solutions is traffic management measures that give buses priority over other traffic – the benefits are considerable in terms of transport efficiency, air quality, social inclusion and carbon reduction. Hence promoting bus services in a positive way is a means of enacting BHCC's wider policies.

0.2 Buses in Brighton & Hove

Reviewing the history of buses in Brighton & Hove shows how different arrangements have worked. The area has a proud history of providing bus services both locally and beyond to a range of other centres. Since the mid-19th Century, various operators merged then in 1901, Brighton Corporation started tram operations and in 1903 the first motor buses appeared. Southdown Motor Services emerged in 1915, covering a large area alongside the acquisition of local services provided by the Thomas Tilling group; the Brighton, Hove and District Omnibus Company (BH&D) was a Tilling subsidiary from 1935. Between 1969 and 1985, BH&D and Southdown were consolidated as part of the National Bus Company (NBC), losing the BH&D identity in the process; the Corporation retained a stake in this combined business. Brighton & Hove Buses was subsequently split from Southdown under NBC ownership in January 1985 in preparation for privatisation.

More recently, the greatest change occurred when bus privatisation appeared in 1985 with 'deregulation' and privatisation, initially a management buy-out between 1987 and 1993. Then the company was acquired by Go-Ahead Northern, later to become Go-Ahead Group which manages subsidiaries throughout the UK. Brighton Borough Council's transport activities were acquired by Go-Ahead in 1997 as were some former Stagecoach (ex-Southdown) routes beyond Brighton.²

Go-Ahead's approach has been to operate each of its businesses autonomously. This has enabled local involvement and major expansion in contrast to the consolidation of activities driven by the other leading bus operators. Brighton & Hove Bus and Coach Company operates as a subsidiary of Go-Ahead. In many ways, the local bus network has been an exemplar in becoming part of the established fabric of the city and seeing growth in the number of users compared with the majority of UK bus operations. Brighton & Hove is cited in the national bus strategy (Figure 0.1) as a leading example of what can be achieved through effective partnership working between a local transport authority and bus operators.

Figure 0.1: Extract from the National Bus Strategy for England



The lessons of the early days of bus operation, subsequent nationalisation then privatisation offer valuable insight into the role of bus services into the future. In recent years, the role of local authorities in planning bus services has been limited to concessionary fares, home to school transport and supported services, those that are given revenue support funding for social reasons in instances where they otherwise cannot be provided commercially.

² www.history.buses.co.uk

0.3 The National Bus Strategy for England

A new approach to bus provision was set out in the National Bus Strategy ‘Bus Back Better’ published in March 2021.³ This framed a bold approach in which many of the practices of the privatised bus network would be swept away and replaced by new arrangements designed to increase substantially the number of bus users. New approaches were heralded that placed cooperation above competition in the market and improvements are expected even in places such as Brighton & Hove with a track record of success. It should be noted that before the Covid-19 pandemic, many bus services in the UK were precarious financially and, with some notable exceptions, were losing business, mainly to car use. The effects of the Covid-19 restrictions meant that a massive and sudden decline in bus use has necessitated emergency funding from central government, without which many services would have been withdrawn. The opportunity to change how buses are provided is now available.

The main documents concerning the national bus strategy include:

- Department for Transport (March 2021) *Bus Back Better – national bus strategy for England*;
- Department for Transport (May 2021) *National bus strategy: Bus Service Improvement Plans. Guidance to local authorities and bus operators*;
- Department for Transport (July 2021) *The national bus strategy. Delivering Bus Service Improvement Plans using an Enhanced Partnership. Guidance*; and
- Department for Transport (August 2021) *Bus Service Improvement Plans. Presentation of funding requirements*.

It should be noted that much of the guidance, particularly requirements relating to competition matters such as ticket pricing and timetabling, pushes aside the legal requirements as set out in successive Transport Acts and competition legislation. Until revised legislation is enacted, the provisions of current statutes contradict much of the thrust of the guidance, although bus legislation is a particularly complex area.

0.4 Enhanced Partnership

The Council’s Environment, Transport and Sustainability (ETS) Committee voted to commence the Enhanced Partnership approach on 22 June.⁴ The relevant resolution states

‘That the Committee notes the new opportunities available for an Enhanced Partnership and franchising and the potential benefits this could bring to the city’s bus services.’

The decision to form an Enhanced Partnership (EP) was required to maintain central government Covid-19 funding and associated Bus Service Operators’ Grant (BSOG) for bus services and to benefit from other funding such as that available for infrastructure and low/zero-emission buses. Regarding operators, a lack of an Enhanced Partnership would make them ineligible for BSOG, the payment of which is based on distance operated, normally the only direct subsidy from government to bus operators for services rather than vehicles.

Enhanced Partnerships are not new having been introduced by the Bus Services Act 2017 but have only been taken up on a limited basis with the great majority of authorities and operators instead working within voluntary partnership arrangements. The examples of EPs include:

³ Department for Transport (March 2021) *Bus back better. A national bus strategy for England*.

⁴ Brighton & Hove City Council, Environment, Transport and Sustainability Committee, 22 June 2021, Item 18.

- **Hertfordshire County Council** – Starting in April 2020, a statutory agreement was made with local bus operating companies to adopt the 'Intalink Enhanced Partnership' in accordance with the 2017 legislation;⁵ and
- **West Midlands** – An EP for the A34(N) from Birmingham city centre to Walsall in the north and the A45/B425 from Birmingham city centre to Solihull and Birmingham International Station to the south.⁶

The new guidance makes clear that Enhanced Partnerships are the way forward, even if as an interim step towards franchising. The Department for Transport (DfT) advises that

'... most of the outcomes from franchising can be delivered using an EP if the LTA [Local Transport Authority] and its local bus operators work together. They also offer significantly more flexibility than franchising and can deliver benefits to passengers far more quickly'.⁷

This assertion is investigated more fully later in this report.

It should be noted that for areas where an Enhanced Partnership is not proposed, then access to discretionary Government bus funding would be precluded. Also, payments such as BSOG would be halted. Hence, in effect, EP is the only realistic option available and is required even if franchising is promoted subsequently.

0.5 Bus Service Improvement Plan

Under the national bus strategy for England, the Bus Service Improvement Plan (BSIP) is required to set the scope for a package of improvements to be delivered by the Enhanced Partnership. The requirement is to make improvements available from April 2022, an unusually short time frame for the implementation process that includes initial design, consultation, procurement and construction of infrastructure measures and similarly lengthy processes for the other initiatives planned. DfT advises that the BSIP is 'a blueprint for bus service improvement' that does not necessarily deliver improvements in the 2022/23 financial year but planning for implementation as soon as possible after that date based on the assumption that the funding period is limited. Also, further DfT guidance is expected on the requirements for an EP or franchising.

We note that work to support the Enhanced Partnership and BSIP is underway. We have not engaged with operators as part of this study and have adopted an impartial and independent approach.

0.6 Structure of this report

The study is being undertaken in stages to review the options available, how they might be pursued, supporting evidence and culminating in recommendations (numbered according to the Brief):

- **Chapter 1** considers the regulatory options available according to recent government guidance;
- **Chapter 2** assesses the current services across the area to see if there are specific issues in Brighton & Hove's network that will need to be addressed by these options;

⁵ Hertfordshire County Council (February 2020) *Intalink Enhanced Partnership Plan and Scheme*. [Intalink Enhanced Partnership - Intalink](#).

⁶ Transport for the West Midlands, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council and Walsall Council (December 2020) *West Midlands Enhanced Partnership for buses. Supporting the development of bus services on two corridors: A34(N) Walsall-Birmingham city centre and A45 Birmingham Airport/B425 Solihull-Birmingham city centre*. [Document.ashx \(walsall.gov.uk\)](#)

⁷ DfT (March 2021) *Bus back better* (para.24).

- **Chapter 3** considers potential improvements to services and how these might best be achieved; and
- **Chapter 4** provides some conclusions and recommendations.

This draws out the relative advantages and disadvantages of each option in relation to Brighton & Hove and the particular issues identified for this commission while drawing on experience from elsewhere to illustrate their merits.

1 Stage 1: Identifying the options available

1.1 Current partnership arrangements

Many local authorities have established voluntary partnerships with bus operators since the 1980s, many resulting in successful improvements that have delivered growth in passenger numbers. For those areas where growth in the demand for bus travel has been achieved, collaboration between operators and local authorities has been achieved on a voluntary partnership basis. A good example is Nottingham and Nottinghamshire which adopted a comprehensive strategy for transport some years ago and has systematically introduced changes in line with that strategy. Here the key players have included Nottingham City Council and Nottinghamshire County Council, Nottingham City Transport (the local municipal bus operator) and trentbarton (an innovative operator for inter-urban services which features a money back initiative should customers not be entirely satisfied). Much has been achieved including high quality and integrated services, a fleet of electric buses, a light rail network (Nottingham Express Transit) and other initiatives, the latter being part-funded by a Workplace Parking Levy.

Brighton & Hove Buses has worked for many years with local stakeholders to build its business and address local objectives with the result that demand for bus use is high and was growing before the pandemic; the service is high quality and the travel needs of local communities and the many visitors are addressed. This has been achieved on a voluntary partnership basis. However, there is always scope for improvement and, as the Nottingham example shows, initiatives need to apply more widely than bus services alone. Having continuously improved bus services across the area, Brighton & Hove needs to direct attention to further measures that support bus use such as additional traffic management measures to restrict car access, noting that parking prices are high already. Government guidance indicates that even where extensive improvements have taken place, further initiatives should be presented in the BSIP.

1.1.1 Enhanced Partnership

The national bus strategy notes that:

‘Franchising is not the only route to better and more locally accountable bus services. Most of the outcomes from franchising can be delivered using an EP [Enhanced Partnership] if the LTA [Local Transport Authority] and its local bus operators work together. They also offer significantly more flexibility than franchising and can deliver benefits to passengers far more quickly.’⁸

The Bus Services Act 2017 sets out the requirements for Enhanced Partnerships.⁹ In summary:

- ‘An enhanced partnership plan is a plan that –
- (a) specifies the area and the period to which the plan relates,
 - (b) sets out an analysis of the local services provided in that area,
 - (c) sets out policies relating to local services in that area,
 - (d) sets out objectives as regards the quality and effectiveness of local services provided in that area by reference to that period,

⁸ DfT (May 2021) National Bus Strategy: *Bus Service Improvements Plans. Guidance to local authorities and operators* (para.24).

⁹ Bus Services Act 2017 section 138A. [Bus Services Act 2017 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2017/57/section/138A)

(e) describes how the related enhanced partnership scheme or schemes is or are intended to assist in implementing those policies and achieving those objectives, and

(f) describes the intended effect of the related enhanced partnership scheme or schemes on areas neighbouring the area to which the plan relates.’

The plan must state how and when it is to be reviewed, the requirement to provide specified ‘facilities’ [infrastructure] and ‘measures’ [other initiatives] with their dates of implementation and consultation arrangements. Specifically:

‘An enhanced partnership scheme may not be made unless the authority or authorities are satisfied that the scheme will –

(a) bring benefits to persons using local services in the whole or any part of the area to which the scheme relates by improving the quality or effectiveness of those services, or

(b) reduce or limit traffic congestion, noise or air pollution.’

Further details need to be specified including vehicles, payments, service information, publicity, multi-operator ticket pricing, dates for timetable changes, electronic ticketing arrangements and fuel type. All the measures identified must contribute towards increasing the use of local bus services or curtailing or reducing a decline in the use of services as well as improving the quality of the bus offer. However, an Enhanced Partnership cannot be progressed if bus operators object.¹⁰ This raises the prospect of an Enhanced Partnership being blocked by an operator’s substantive objection. However, franchising would then not be possible because an Enhanced Partnership is the only current route to franchising. Should an EP be blocked by an objection, bus operators would lose funding, including BSOG.

There is also a requirement to consult with the Competition and Markets Authority although subsequent guidance makes clear that initiatives that are regarded as anti-competitive according to the 2017 legislation are no longer to be regarded as such for the purposes of an Enhanced Partnership. Similarly it is unclear what the default scenario would be should an authority wish to revoke an Enhanced Partnership which will require the agreement of the relevant operators.

There has been very limited uptake since the legislation was enacted. Hertfordshire ‘Intalink’, the specific corridors in the West Midlands have enacted EPs while Cornwall has progressed an EP more recently with every other area adopting voluntary arrangements to varying extents and effectiveness.

1.2 Subsequent franchising

The Bus Services Act 2017 also deals with franchising.¹¹ This involves the franchising authority granting exclusive rights to operate services to which the contract relates, with the undertaking by an operator to provide those services to the prescribed level. In the initial stages, it must be demonstrated that the scheme will be effective and a comparison provided with other courses of action. Also, it must be shown ‘whether the authority or authorities would be able to afford to make and operate the scheme’ and ‘whether the proposed scheme would represent value for money’. There is also reference to ensuring that the procurement process for services ‘will facilitate the involvement of small and medium-sized operators’. This has implications in Brighton & Hove where the majority of services are provided by an operator that is part of an

¹⁰ *ibid* section 138F(5).

¹¹ *ibid* section 123A.

extensive business. Unlike EPs, operators affected by franchising should be consulted even if that operator is precluded from operating specific service(s).

Revocation of a franchise scheme is only possible if:

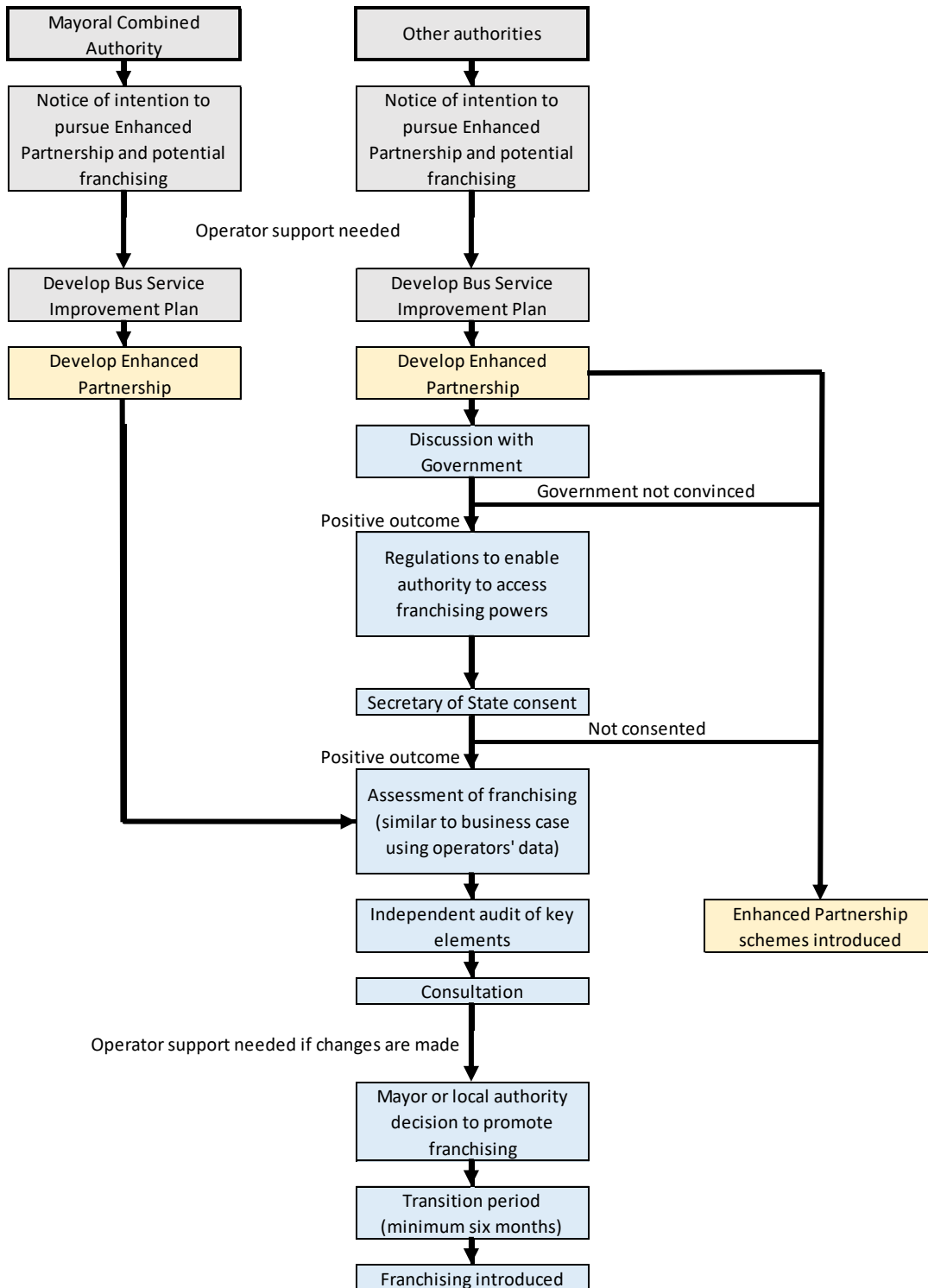
- '(a) local services in the area to which the scheme relates are likely to be better if the scheme did not apply,
- (b) the continued operation of the scheme is likely to cause financial difficulties for the authority or any of the authorities, or
- (c) the burdens of continuing with the scheme are likely to outweigh the benefits of doing so.' (section 123N).

Essentially, franchising requires funding commitment over the franchise period and it remains unclear how substitute arrangements could be introduced in the event of failure of a franchise scheme. Unlike the now-defunct rail franchise arrangements, buses have no operator of last resort should a franchise fail.

If an established operator does not win a franchise, its staff would have the right to transfer to the incoming operator under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Exercising these rights would place any such operator in a poor position should it wish to bid for other services in a franchised area with depleted staff and assets.

Figure 1.1 shows the various stages of securing an Enhanced Partnership and franchising.

Figure 1.1: Department for Transport route to franchising



Source: Mott MacDonald from Department for Transport guidance.

1.3 Requirements for franchising

Government guidance notes that an authority pursuing franchising ‘must be able to satisfy the Secretary of State that they have the capacity and resources to deliver the franchised model chosen’¹² and will require an Enhanced Partnership in the meantime. There are other requirements set out by government including those that are set out in the Bus Services Act 2017:

- ‘Franchising is a big decision which – as well as creating new opportunities – can have significant implications for existing bus operators and passengers and potentially expose local authorities to significant financial risks.
- ‘Franchising powers are therefore only available automatically to Mayoral Combined Authorities. Other types of authorities can request franchising powers for which secondary legislation is necessary. In addition these other types of authorities need the consent of the Secretary of State before they can begin to use the new powers. They will need to demonstrate, amongst other things, their capability to deliver, as well as their track record in delivering transport improvements and plans to make a difference for passengers.
- ‘The decision on whether or not to introduce a franchising scheme should be taken locally and a named individual, such as a Mayor, should be clearly accountable for it.
- ‘These decisions need to be based on robust evidence and analysis – with the needs of passengers, including those who travel into and out of the franchising area, the impacts on existing operators and the affordability of the plans firmly in mind.
- ‘Bus services should continue to be provided by commercial operators, not local authorities. Local authorities cannot set up new municipal bus companies to compete for franchised services with existing operators or any new private sector providers.
- ‘Commercial services should be able to continue to operate into and out of the franchising area and to spot and fill any gaps in service provision that the authority may have overlooked – providing they do not adversely affect the franchised arrangements.
- ‘Plans to implement franchising must take account of the needs of small and medium sized operators.
- ‘Non-commercial community transport operators should not be adversely affected by franchising.’¹³

DfT offers some intended outcomes that cover easier payments and ticketing, integration with highway maintenance and traffic management activities and better value. Regarding value, there are some interesting nuances including ‘Giving Local Government the central funding for bus services that is currently provided directly to operators’¹⁴ which presumably points to a reformed BSOG. Also, ‘focusing services on where they are most needed – rather than where the best commercial opportunity may be’ suggests revenue support without indicating where this might be sourced. A further aim is ‘Creating effective competition to run bus services in areas

¹² Ibid (para.8).

¹³ Department for Transport (2017) *The Bus Services Act 2017. New powers and opportunities.* (para.3.16 verbatim).

¹⁴ Ibid (para.3.15).

where there is little on-road competition today' which conflicts with the principle of franchising in which on-road competition is eliminated. In this respect, franchising shifts the competitive element from direct duplication of services (in whole or in part) to competitive bidding for the exclusive right to operate services. Without any examples of franchising in practice, it is difficult to assess its merits.

Outside Mayoral Combined Authority areas, an authority can express its intention to promote franchising but this will require legislative changes with the result that it remains a longer term possibility for the majority of authorities in England.¹⁵ To achieve this, the authority must become a 'franchising authority' to which the Secretary of State must give consent. This depends on the authority having 'clear aspirations which will benefit passengers, a sensible plan in place and the right attributes to make franchising a success.'¹⁶ The application needs to be supported by refining the proposal, assessing it and consulting on it before a decision to proceed is taken. There also needs to be evidence of strong governance arrangements, the coverage of the scheme (particularly where there are many cross-boundary routes) and adequate resources (including funding commitment) and management capability.

The key activities to secure franchising include:

- Developing the compelling case for change;
- Setting objectives;
- Option generation and refinement;
- Detailed assessment of options; and
- Selection of a preferred option.

This assessment is similar to a five case Outline Business Case which would be a complex and costly undertaking, setting out how risks would be addressed with full economic and financial appraisals covering all the options in accordance with standard government requirements. An independent auditor, a qualified accountant, assesses each business case. In addition, stakeholder and public consultation is required to cover the proposed scheme, the assessment of it and the auditor's report. Only then can the scheme be progressed to the transitional stages of registering and deregistering services, transferring staff and issuing permits for services that originate outside the defined area. Applications to operate the contracts can then be sought.

Revoking the scheme is a similar process and needs to be justified fully.

1.3.1 Examples of similar contractual arrangements

Experience in other areas is illuminating:

- The franchising process is, in effect, contracting services in a similar way that **Transport for London** invites competitive bidding, typically for single routes. Drawing comparisons with London is difficult because the arrangements for bus services have always been different for those outside London, not least in scale. Also, Transport for London's funding regime has been very different with substantial direct government subsidy for its bus operations until the election of the current Mayor. Currently services need to be cross-subsidised from other TfL activities although Government has provided additional emergency funding during the pandemic.
- Nexus, the passenger transport executive for the then **Tyne and Wear** Integrated Transport Authority considered franchising in some detail through a similar 'Quality Contract Scheme'

¹⁵ Department for Transport (2017) *The Bus Services Act 2017. Franchising scheme guidance.*

¹⁶ Ibid (para.1.10).

in 2012.¹⁷ The proposal was developed in accordance with the process set out in the Transport Act 2000. This was dropped after strong objections from the bus operators and the potential financial risks to the authority;

- **Greater Manchester's** Mayor has been strongly supportive of franchising in a major conurbation with a recent history of bus competition, duplication and lack of coordination. The Mayor's re-election in 2021 had a mandate to pursue this course of action;
- For **Cornwall**, a devolution deal was struck that includes an Enhanced Partnership because it was deemed to be appropriate in that many rural services operate with subsidy and demonstrated a clear vision to integrate all forms of public transport; and
- Since 2013 when a new form of bus contract for **Jersey** was introduced, demand increased by 37% in the first four years, the contract price has fallen by 11%, customer satisfaction has increased by 5%, five new routes have been introduced and frequencies have been improved on key corridors. The contract, essentially a franchise, involved risk sharing, financial penalties to encourage maintaining standards and a contract period (seven years) to enable vehicle renewals and incentivise performance by allowing for up to three one-year contract extensions. A key lesson is that although a contract is in place, both parties view it as a partnership. The inclusion of a profit share mechanism has encouraged the alignment of priorities between the parties, while the letting of a longer contract with the right incentives has encouraged innovation.

Brighton & Hove, as an authority that is not a Mayoral Combined Authority, would need to apply to the Secretary of State to progress a route towards franchising and demonstrate a compelling case for change. This could be very difficult for Brighton & Hove given its extensive record of successful partnership over many years in promoting bus use and generating growth in the number of users. DfT explicitly cites Brighton & Hove as an exemplar of effective partnership working in the national bus strategy as shown in Figure 0.1.

1.4 Creating a municipal operator or acquiring an existing operator

According to the Transport Act 1985, modified by the Transport Act 2000 and Bus Services Act 2017, a bus operator cannot be created by a local authority. While a handful of bus businesses remain owned by local authorities, they are required to operate as arms-length companies under the Transport Act 1985. Most local authorities have historically operated a bus network as part of their activities but few remain including Blackpool Transport, Lothian Buses (Edinburgh), Ipswich Buses, Nottingham City Transport, Reading Buses and Warrington's Own Buses and in Wales where the requirements are different to those in England, Cardiff Bus and Newport Bus. Others have been bought out by their management, absorbed by larger businesses (some on the margins of legality) and some have failed, most recently Halton Transport.

However, the national bus strategy states that:

'We will review whether it remains right that local authorities cannot set up new bus companies. The Bus Services Act 2017 prevents further municipal (that is, local authority-owned) bus companies being set up from scratch. While this is not an absolute barrier, as Local Authorities can already purchase an existing bus or coach company, we believe this part of the legislation is ripe for review. There are only a

¹⁷ [Nexus invites operators to help develop plans for local bus services | nexus.org.uk](https://nexus.org.uk)

handful of municipal bus companies at present, but there are some strongly performing examples among them.¹⁸

This suggests that a municipal bus operation could be created at some future date but with no defined time scale or indication of any funding support, this remains an ill-defined possibility. Acquisition of an established operator is, for the purposes of the franchising debate, the same as creating a council-owned operator.

Of the remaining municipal operators, Nottingham City Transport and Reading Buses have been award-winning and highly successful in attracting new users and adopting innovation with high quality underpinning all their operations. However, the recent pandemic hiatus has meant that all operators have suffered from huge revenue loss, highlighting the risks to the parent authority.

Approximately four fifths of the UK bus market is provided by the main operators which has shown how, over time, the appeal to potential investors for privatised bus services has diminished. The local autonomy led by Go-Ahead subsidiaries has shown that local involvement in bus services can be very successful and the other main players are now recognising this by trying to re-assert local management in place of corporate identity and control.

1.5 Legal context

Legislation regarding bus operations can be found in various places with legislation being amended and refreshed at various points. The key legislative items are:

- **Transport Act 2000** which sets out the option for a statutory Enhanced Partnership;
- **Bus Services Act 2017** which inserted the EP legislation into the 2000 Act;
- **Local Transport Act 2008** which defines coordination of timetables and ticket agreements;
- **Competition Act 1998** (Public Transport Ticketing Schemes Block Exemption) Order 2001 (as amended and extended); and
- **Transport Act 1985** which enacted the privatisation process and precluded local authority establishment of bus companies..

In addition, relevant Government guidance includes:

- Department for Transport (2017) *The Bus Services Act 2017. New powers and opportunities*;
- Department for Transport (2017) *The Bus Services Act 2017. Enhanced Partnerships guidance*;
- Department for Transport (2017) *The Bus Services Act 2017. Franchising scheme guidance*.
- Department for Transport (March 2021) *Bus Back Better – national bus strategy for England*;
- Department for Transport (May 2021) *National bus strategy: Bus Service Improvement Plans. Guidance to local authorities and bus operators*; and
- Department for Transport (July 2021) *The national bus strategy. Delivering Bus Service Improvement Plans using an Enhanced Partnership. Guidance*.

Government guidance on BSIPs refers to competition requirements and in fact promotes what would hitherto be considered as anti-competitive practice. Initiatives such as coordinated timetables or multi-operator ticketing appear to fall within the Enhanced Partnership guidance but at reduced risk of breaching competition law (with specific exemptions). To demonstrate

¹⁸ Department for Transport (March 2021) *Bus back better. A national bus strategy for England*. Page 50.

this, every Enhanced Partnership must involve a multi-operator travelcard but only by applying a prescribed approach to pricing.

1.6 Assessment

The strengths and weaknesses of the options can be considered against the principles of providing a safe and equitable public service. Here we consider only EPs and franchising given that any council-owned bus operation or acquired operation is precluded and in any case is subject to the same requirements as EPs. Table 1.1 provides a comparison.

Table 1.1: Comparison of Enhanced Partnership and franchising options

Principle	Enhanced Partnership	Franchising
Public control of bus service planning	Greater role for local authorities in statutory partnership compared with current scenario	Direct control of network planning and service specification
Public control of bus operations	Greater role for local authorities in statutory partnership compared with current scenario	Direct control of operations including incentives and penalties for contracted operators
Infrastructure provision and maintenance	Greater commitment to providing bus priority measures than currently	
Integration of transport modes	May involve train operators and others in a similar way to current scenario	Bus services can be provided to better integrate with other modes
Reinvestment of profit	Most services expected to operate without subsidy therefore incentivising operators to generate more revenue and profit	Operators will identify profit when bidding for contracts alongside its funding commitments and planned improvements. Competition for the market is likely to reduce profits to ensure that bid is competitive on price.
Competition arrangements	Limited on-road competition but possible timetable coordination and frequency constraints on a particular route or corridor.	Competitive bidding for the exclusive right to operate services or groups of services
Costs incurred by the council	Commitment to capital works. Revenue support position unclear but not all additional services will operate commercially.	Costs incurred in legal agreements, procurement, network monitoring, management and planning.
Traffic reduction and modal shift from car to bus	Bus service improvements expected to reduce demand for car use if fully delivered.	Greater bus provision expected, particularly if lower fares are introduced but growth in demand unknown.

Source: Mott MacDonald.

1.7 Financial implications of options

Administering an Enhanced Partnership will involve funding, time and effort but franchising requires a more formal and complex approach. Activities will include applying for powers then defining, managing and monitoring contracts through a procurement regime. Implicitly, additional costs will be incurred when improvements are introduced and although capital funding is available, longer term commitment to revenue support is likely to incur more costs with franchising than with an Enhanced Partnership. This is because franchising is less flexible

than other options and is steered more by local authority aspirations than by commercial realities. Underlying all the options is the fact that operators expect to make a profit and their investment is determined by the extent to which profit is retained or reinvested.

Government guidance on the funding of bus services remains unclear. The national bus strategy refers to a pool of funding for which local authorities can bid but is unclear whether this is capital or revenue funding. It appears that approximately one third of the available funding will be used to purchase new zero-emission buses but how the remainder will be applied is not mentioned. If it can be used for revenue funding, then BSIPs are likely to benefit from improved bus services that will not, initially at least, attract sufficient users to cover operating costs.

Any option that includes providing more services can be expected to incur additional costs, the question being the extent to which additional revenue will be generated or subsidy will be needed. If the latter, for example to operate comprehensive evening services, then services can be planned accordingly.

For new routes, the prospect of immediate take-up is unlikely to be at a level that would avoid the need for subsidy. This then places risk on the operator; if however, support is available, then the service improvements may be more ambitious in the knowledge that any losses will be underwritten by the promoting authority.

Both an Enhanced Partnership approach and franchising are dependent on the extent of revenue funding available. Given the constraints currently on local authority spending, future funding commitment is a key issue which will define the scope for network improvements.

Regarding fare levels, if lower fares are to be adopted, then the difference in revenue needs to come from subsidy. This could be an important feature of franchising in that high fares, perceived as a barrier to bus use, could be reduced to enable a shift from car to bus. Lower fares could also feature in an Enhanced Partnership but at significant risk to revenue expectations unless subsidy is included as part of the tender process.

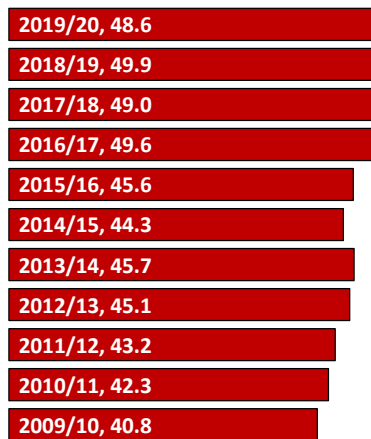
2 Stage 2: Assessment of current services

2.1 Current services

2.1.1 Demand for bus services

Brighton & Hove Buses has been a success story with growth in demand over many years as shown in Figure 2.1. The city had the highest bus use outside London in 2018/19 with 172 bus journeys per head compared with 39 for the South East region, 247 for London and 77 for England as a whole.¹⁹

Figure 2.1: Bus passenger journeys in Brighton & Hove 2009/10 to 2019/20 (millions)



Source: DfT Bus Statistics Table BUS0109.

However, Covid-19 destroyed much of the demand and it is thought that it will take several years to recover. Post-pandemic demand in 2020/21 was 15.2 million according to BHCC data, a huge decline compared with pre-pandemic levels.

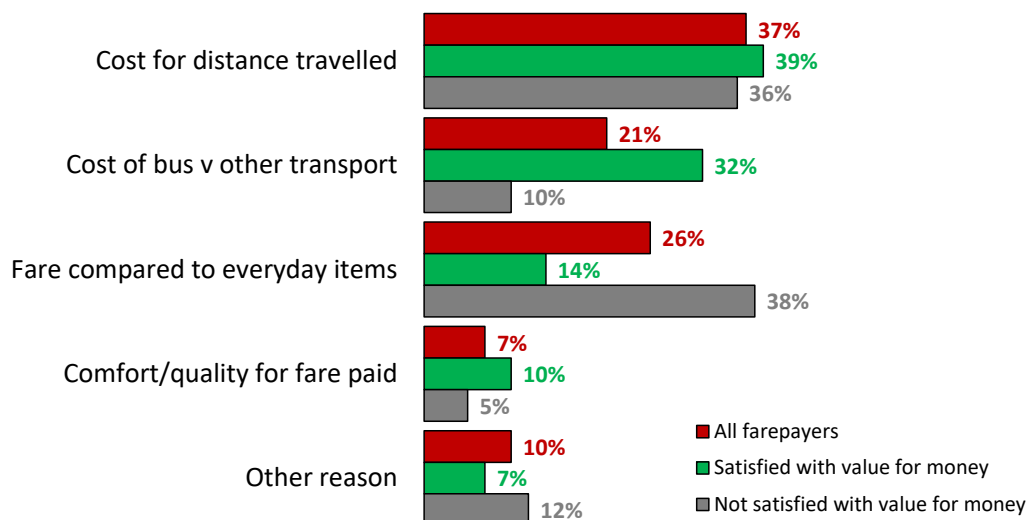
2.1.2 Passenger satisfaction

Passenger satisfaction levels are high for all aspects of the bus experience apart from some dissatisfaction with fare levels. Overall satisfaction with the journey for Brighton & Hove Buses in 2019 was 87% compared with 89% for England outside London.²⁰ Regarding fares, a concern in the area, 64% of users in England were very/fairly satisfied with value for money compared with 51% in Brighton & Hove. As Figure 2.2 suggests, this appears to result from comparisons with other everyday items rather than with other travel options.

¹⁹ Department for Transport statistics: Passenger journeys on local bus services per head of population by local authority. <https://www.gov.uk/government/statistical-data-sets/bus01-local-bus-passenger-journeys>

²⁰ Transport Focus Data Hub.

Figure 2.2: Influences on value for money rating – Brighton & Hove Buses, fare-payers only 2019



Source: [Transport Focus data hub](#).

2.1.3 Level of service

Tables 2.1 and 2.2 show current services together with an estimate of the Peak Vehicle Requirement (PVR) for the smaller operators and Brighton & Hove Buses respectively. The majority of services are provided by Brighton & Hove Buses which includes a network of daytime services, night buses, leisure routes and a high number of school services.

Table 2.1: Current bus services – The Big Lemon, Metrobus, Compass Bus and Stagecoach

Service	Days of Operation	Origin	Subsidy	Single time mins	Round time mins	Min layover mins	Freq mins	PVR no.	Fleet no.
The Big Lemon									
16	Monday - Saturday (except PH)	Portslade, Hangleton		28	56	7	60	1	
47	Monday - Saturday (except PH)	East Saltdean, Bannings Vale	Y	85	170	20	60	4	
52	Monday - Saturday (except PH)	Woodingdean, Patcham	Y	85	170	20	60	4	
57	Sundays & Bank Holiday	Saltdean, Bannings Vale Dep	Y	59	118	14			
								The Big Lemon total	9
Metrobus (Go-Ahead)									
271	Daily	Crawley Bus Station	Y	110	220	26	120	2	
272	Monday - Saturday	Crawley Bus Station	N	50	100	12	120	1	
273	Daily	Royal Sussex County Hospital	Y	66	132	16	60	3	
								Metrobus total	6
Compass Bus									
37	Daily	Bristol Estate, Meadowview	Y	43	86	10	60	2	
37B	Monday - Saturday	Bristol Estate, Meadowview	Y	55	110	13	60	2	
								Compass Bus total	4
Stagecoach									
17	Monday - Saturday	Horsham Station	N	97	194	23	60	4	
700	Daily	Portsmouth	N	118	236	28	10	27	
								Stagecoach total (partly Brighton-based)	31

Source: Operator web sites.

Table 2.2: Current bus services – Brighton & Hove Buses

Service	Days of Operation	Origin	Subsidy	Single time mins	Round time mins	Min layover mins	Freq mins	PVR no.	Fleet no.
Brighton and Hove Buses (Go-Ahead)									
1/1A	Daily	Whitehawk	N	57	114	14	5	26	
2	Daily	Rottingdean, Steyning	part	48	96	12	20	6	
2B	Daily	Hove, Steyning	part	25			2 per day		
5	Daily	Patcham, Hangleton	N	66	132	16	20	8	
5A	Daily	Patcham, Hangleton	N	67	134	16	20	8	
5B	Daily	Sussex Uni, Hangleton	N	48	96	12	20	6	
6	Daily	Sainsbury, Benfield Valley	N	25	50	6	20	3	
7/N7	Daily	Hove, Marina	N	26	52	6	8	8	
Coaster 12/12A/12X	Daily	Eastbourne	N	41	82	10	20	5	
Coaster 13X	Daily	Eastbourne Pier	N	34	68	8	30	3	
14/14A/14B/14C	Daily	Newhaven, Sainsbury	N	38	76	9	15	6	
18	Daily	Down Terrace, Stonehurst Court	part	44	88	11	20	5	
21	Daily	King George VI Drive, Marina	Y	32	64	8	60	2	
21A	Daily	King George VI Drive, Marina		74			60	0	
21E	Daily	Whitehawk, Goldstone Valley		59			1 per day		
22	Daily	Churchill Square	N	77	154	18	16	11	
23	Daily	Sussex Univeristy, Marina	N	38	76	9	60	2	
24	Daily	Fiveways, Churchill Square	N	51	102	12	20	6	
25	Daily	Portslade, Sussex University	N	54	108	13	10	12	
26	Daily	Lewes Road, Coldean Lane	N	54	108	13	20	6	
27/27C	Daily	Westdene, Saltdene	N	66	132	16	15	10	
Regency 28	Daily	Lewes		36	72	9	30	3	
		Ringmer		55	110	13	30	5	
Regency 29/29X	Daily	Uckfield		62	124	15	60	3	
		Tunbridge Wells		117	234	28	60	5	
46	Daily	Southwich	N	25	50	6	10	6	
48	Daily	Churchill Square	N	32	64	8	20	4	
49	Daily	Portslade Station, Birdham Road	N	41	82	10	10	10	
50	Daily	Churchill Square, Davey Drive		32	64	8	15	5	
Breeze 77	Daily	Devil's Dyke	Y	29	58	7	45	2	
Breeze 78	Sat, Sun & Bank Holiday	Stanmer Village	Y	31	62	7	70	1	
Breeze 79	Sat, Sun & Bank Holiday	Stanmer Village	Y	31	62	7	70	1	
27B school	Monday - Friday	Saltdean, Coombe Vale	N	70	140	17			
55 school	Monday - Friday	Portslade Academy, Thornhill Rise	N	40	80	10			
59A school	Monday - Friday	Varndean College	N	55	110	13			
60 school	Monday - Friday	Steyning, Shooting Field	part	72	144	17			
70 school	Schoolday only	Brighton University, The Avenue	N	26	52	6			
71A school	Schoolday only	Whitehawk, Swanborough Drive	N	58	116	14			
71 school	Schoolday only	Whitehawk, Swanborough Drive	N	58	116	14			
72/72A school	Schoolday only	Whitehawk, opp Bus Garage	part	22	44	5			
73 school	Schoolday only	Cardinal Newman School	N	28	56	7			
74 school	Schoolday only	Queens Park, Egremont Place	Y	51	102	12			
75 school	Schoolday only	Patcham High School	Y	24	48	6			
76 school	Schoolday only	Longhill School	Y	21	42	5			
76A school	Schoolday only	Longhill School	Y	29	58	7			
91 school	Schoolday only	Ovingdean, opp St Dunstans	Y	53	106	13			
92 school	Schoolday only	Bottom of Telscombe Cliffs Way	N	55	110	13			
93 school	Schoolday only	Seven Dials, Goldsmid Road	N	32	64	8			
94/94A school	Schoolday only	Doroth Stringer School Grounds	Y	23	46	6			
95/95A school	Schoolday only	Cottesmore School, Upper Drive	Y	38	76	9			
96/96A school	Schoolday only	Hove, Palmeira Square	Y	24	48	6			
98 school	Schoolday only	Old Shoreham, Red Lion	N	31	62	7			
492 school	Schoolday only	Seahaven Academy	N	12	24	3			
494 school	Schoolday only	Seahaven Academy	Y	39	78	9			
CSR	Daily: City Sightseeing	Seafront	N	20	40	5	30	2	
Night Bus 1	Monday - Saturday	Downs Park	N	35	70	8			
Night Bus 5	Monday - Saturday	Hollingbury, Hangleton	N	50	100	12			
Night Bus 7	Monday - Saturday	Hove, Marina	N	25	50	6			
Night Bus 25	Monday - Saturday	Universities	N	31	62	7			
		Local stage carriage services						174	200
		Leisure routes (PVR 4 on weekdays)						6	7
		School services						25	29
		Night buses (included in day total)						4	

Source: Operator web site

2.1.4 Start and finish times

The morning start and evening finish times indicate coverage throughout the day. Some Brighton & Hove Buses services operate from the early morning (before 0700) including service 1/1A (first journey 0450) with a number of night services. Similarly, evening services are available with many ending between 2300 and midnight. This suggests that the bus network addresses demand with a better service than many areas during early mornings and late evenings, including weekends.

Full subsidy is provided by BHCC for services 47, 52 and 57 (The Big Lemon), 273 (Metrobus), 37/37B (Compass Bus) and 21/21A/21E, some school services and Breeze leisure routes (Brighton & Hove Buses). Partial subsidies are available for some services on route 18 and eight school services provided by Brighton & Hove Buses. Metrobus 271 also receives public subsidy from West Sussex County Council and the NHS with a minimal contribution from BHCC. All other services are operated commercially with fare revenue covering their operating costs.

2.2 Practical considerations

With an Enhanced Partnership, working with the established operators is required but for franchising, contracts for services are open to any operator. In theory, contracts for routes or groups of routes could be tendered based on the lowest cost. In the event that Brighton & Hove Buses, as the dominant operator, faces competition from another operator and loses part of its current operation, then an incoming operator would require vehicles, depot premises and staff that are currently part of Brighton & Hove Buses' assets.

The availability of suitable alternative depot sites is very restricted and is likely to be a barrier to market entry in a franchising scenario. This means that the dominance of one operator could be diminished but many years of operating experience could be lost; also, investment by incumbent operators is likely to be compromised because their scale of operations would be reduced. Any incoming operator needs to be fully familiar with the requirements of the contract and the areas served.

When faced with a potential loss of part of its business, an operator is put into a difficult position in which a competitor could acquire its assets. However, there is no obligation for an operator to sell its depot or fleet assets to an incoming operator and instead it could transfer these assets to other parts of a larger operating group or sell the depot for redevelopment. Given that suitable depot sites are unlikely to be available other than those already in place, then transferring from one operator to another achieves little and longer contracts would provide greater security of tenure. It is this potentially predatory scenario which has resulted in many operators being strongly opposed to franchising. Government guidance notes that 'plans to implement franchising must take account of the needs of small and medium sized operators'²¹ implying that dominance by one operator is not intended. If this is the case, then decades of experience and effective partnership in Brighton & Hove may be cast aside.

2.2.1 Resources required

Table 2.4 shows the current Brighton & Hove Buses fleet which includes 22 articulated buses for service 25 and 244 double deck buses although not all are in use. In addition there are coaches, training buses and fleet support vehicles. These are allocated to depots at Lewes Road and Whitehawk in Brighton, Conway Street in Hove and at Newhaven.

Figure 2.3 shows the age profile of the current Brighton & Hove Buses fleet. Half the fleet is more than seven years old with an average age of 6½ years. While the life expectancy of a bus

²¹ Department for Transport (2017) *The Bus Services Act 2017. New powers and opportunities*. Paragraph 3.6.

is between 12 and 15 years (sometimes with extended use, for example for school journeys), this suggests that replacement is a continuing requirement with 49 buses (18%) being 14 years old or more, although 54 buses (20%) are less than three years old. However, it appears that between 2008 and 2010 inclusive, no replacements were made.

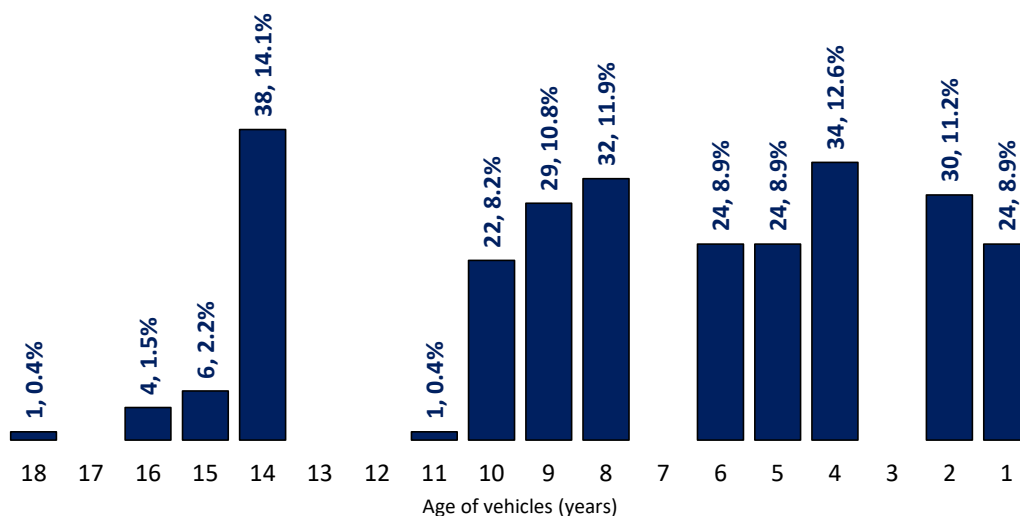
We estimate that based on the current timetable, 174 buses are needed to operate Brighton & Hove Buses services which approximates to a fleet of 200. In addition, Metrobus uses six vehicles on its routes into Brighton, The Big Lemon requires nine vehicles, Compass Bus requires five vehicles and Stagecoach requires four for its Horsham route and 27 vehicles for service 700 although the latter are not all based in Brighton.

Table 2.3: Brighton & Hove Buses fleet list (August 2021)

(August 2021)

Vehicle	Type	Fleet	Built	Used	Lewes Road, Brighton	Conway Street, Hove	Whitehawk, Brighton	Newhaven	Branding
Mercedes Benz Citaro AB43D+101	Artic	10	2007	2012	10				25
Mercedes Benz Citaro AB53D+80	Artic	6	2007	2012	6				25
Mercedes Benz Citaro AB53D+80	Artic	4	2007	2012	4				25
Mercedes Benz Citaro AB43D+101	Artic	2	2007	2012	2				25
Alexander Dennis Enviro 400ER H39/25D + 1 wheelchair	DD	30	2019	2019		30			
Alexander Dennis Enviro 400ER H39/25D + 1 wheelchair	DD	24	2020	2020			24		
Volvo Wright Gemini B9TL DP43/28F	DD	21	2011	2011	4	17			6 and 4
Volvo Wright Gemini B9TL DP43/28F	DD	18	2012	2012	18				2
Volvo Wright Gemini B5LH DP41/23F	DD	1	2010	2012		1			
Volvo Wright Gemini B5LH DP41/23F	DD	1	2011	2012		1			
Volvo Wright Gemini B5LH DP41/25F	DD	11	2012	2012		11			
Volvo Wright Gemini B9TL DP43/28F	DD	20	2013	2013	3		17		
Volvo Wright Gemini B9TL DP43/28F	DD	12	2013	2013			12		
Volvo Wright Gemini B9TL DP43/29F	DD	2	2007	2012		2			
Scania N94UD OmniDekka East Lancs O47/32F or O47/29F + 1 wheelchair	OTDD	1	2003	2003			1		
Scania N94UD OmniDekka East Lancs H47/32F or H47/29F + 1 wheelchair	DD	4	2005	2005		4			78 & 79
Scania N94UD OmniDekka East Lancs H47/32F or H47/29F + 1 wheelchair	DD	4	2006	2006		2			2
Scania N270UD OmniDekka East Lancs H47/28F or H47/25F + 1 wheelchair	DD	14	2007	2007	10				4
Mercedes Benz Wright Streetdeck DPH45/25D	DD	24	2016	2016	16		8		
Mercedes Benz Wright Streetdeck DPH45/25D	DD	31	2017	2017	15	15	1		
Scania N94UD OmniDekka East Lancs O49/31F + 1 wheelchair	OTDD	2	2006	2006			2		
Mercedes Benz Wright Streetdeck DPH47/34F	DD	24	2015	2015					24
Mercedes Benz Wright Streetdeck DPH47/34F Built 2017	DD	3	2017	2017					3
Total		269			88	84	64	33	

Source: Mott MacDonald from Brighton & Hove Buses web site.

Figure 2.3: Age profile of Brighton & Hove Buses fleet

Source: Mott MacDonald from Brighton & Hove Buses web site.

2.2.2 Supported services and value for money

BHCC currently provides funding for some services which would otherwise not be commercially viable and for which there is considered to be a community need. This is discretionary funding, noting that some authorities have removed subsidy from all bus services due to successive funding cuts.

For Brighton & Hove, supported services are shown in Table 2.4. Of the local services (rather than leisure services), The Big Lemon has been awarded the majority on the basis of its tender prices and quality. Although the lowest bids do not necessarily secure a contract, competitive pricing may indicate how a franchised network would work.

Home to school services are funded from the education budget rather than the transport budget. The 'Breeze' services are aimed at leisure trips by residents and visitors with options for different outward and return journeys to access to the Downs and are available from Brighton Station. Approximately £1.23 million was spent annually on supported services of which £308,000 was for school services. The English National Concessionary Travel Scheme for older and disabled people costs approximately £10.8 million per year but is a subsidy for users, not operators.

Table 2.4: Supported services

Service	Route	Operator	Days	Funding source
16	Portslade, Knoll Estate, Hangleton	The Big Lemon	Mon to Sat	BHCC
21	Marina, city centre, Hove; extension funded from Goldstone Valley to King George VI Drive	Brighton & Hove Buses	Daily	BHCC
37/37B	Meadowview, city centre, Kemp Town, Bristol Estate	Compass Bus	Daily	BHCC
47	Saltdean, Marina, Kemp Town, Brighton Station, Knoll Estate, Hangleton	The Big Lemon	Mon to Sat	BHCC & East Sussex CC
52	Woodingdean, Marina, Kemp Town, London Road, Patcham	The Big Lemon	Mon to Sat	BHCC
57	Saltdean, Marina, Kemp Town, Brighton Station	The Big Lemon	Sun and public holidays	BHCC & East Sussex CC

Service	Route	Operator	Days	Funding source
72, 74, 75, 76, 76A	Longhill School and Patcham High School	Brighton & Hove Buses	Schools	BHCC
77	'Breeze to the Downs' Brighton Palace Pier, Brighton Station, Devil's Dyke	Brighton & Hove Buses	Daily, commercial in summer	Part funded by BHCC and National Trust
78	'Breeze to the Downs' Old Steine Brighton Station, Stanmer	Brighton & Hove Buses	Sat, Sun and public holidays	BHCC
79	Breeze to the Downs' Old Steine Brighton Station, Stanmer	Brighton & Hove Buses	Sat, Sun and public holidays	BHCC
91, 95, 95A	Newman School	Brighton & Hove Buses	Schools	BHCC
271	Haywards Heath & Crawley	Metrobus	Daily	Part funded by BHCC & University Hospitals Sussex NHS
272	Haywards Heath and Crawley	Metrobus	Mon to Sat	Part funded by West Sussex CC

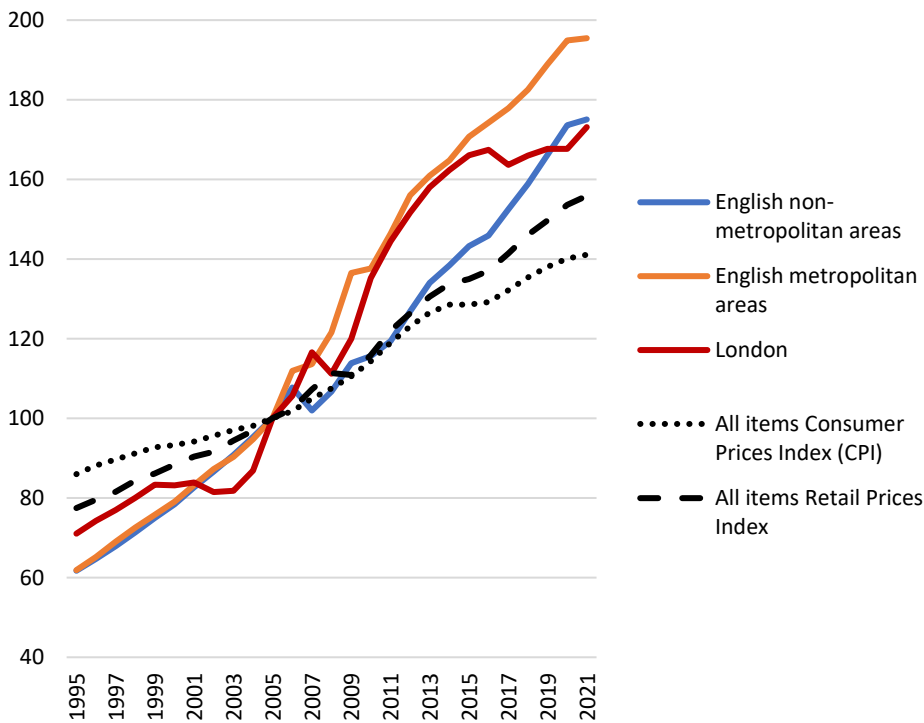
Source: BHCC.

A survey of users of supported bus services was completed in March 2020, with 277 interviews taking place across the supported bus services. The services are important to those who use them and, across all of the services, 68% of passengers said they would not have an alternative means of making their journey if the bus service did not exist.

2.2.3 Comparison of fares from elsewhere and car parking charges – affordability

Figure 2.4 shows the DfT bus fares index with fares increasing at a rate above the Retail Prices Index and the Consumer Prices Index. The variations for London are related to political direction but outside London, fares have risen at an increasing rate, even in metropolitan areas. For other areas such as Brighton & Hove, the divergence between bus fares and changes in pricing indices is evident. This can be attributed to worsening traffic delays that affect bus operating speeds, reductions in BSOG payments and concessionary travel reimbursements, all of which add to operating costs.

Figure 2.4: Local bus fares index at current prices, England 1995 to 2021 (March 2005=100)



Source: Department for Transport (2021) Transport Statistics Great Britain. Table BUS0405a.

Table 2.5 provides a comparison of fare levels for Brighton & Hove and similar areas. All transactions can be made with contactless cards and some pre-purchase options are typically priced slightly lower than traditional on-bus transactions. Regarding fare levels, adult single fares in Brighton & Hove are comparable with others outside London. The range of day ticket prices is wide and although the minimum price in Brighton & Hove is slightly higher than the comparators, the maximum is not. However, weekly tickets do appear to cost more in Brighton & Hove than elsewhere.

Table 2.5: Comparison of fares – Brighton & Hove, London, Reading and Southampton (July 2021)

	Adult single	Daily	Weekly	4 week/monthly	Annual	
All operators in City Saver area	min	£1.90	£4.70	£21.60	£77.00	
	max	£2.70	£5.30	£27.50	£79.50	£669.00
B&H Buses beyond City Saver area	min	£1.90	£5.20	£23.60	£82.83	
	max	£5.90	£7.00	£27.50	£83.00	£730.00
Stagecoach 17 and 700 Patcham or Shoreham and beyond	min	£2.55	£4.30	£14.90	£50.70	£528.00
	max		£9.10	£25.30	£88.70	£930.00
Transport for London Oyster and contactless	min		£4.65			
	max	£1.55	£5.00	£21.90	£84.10	£876.00
Reading Buses	min	£2.00	£4.00	£16.00	£29.00	£575.00
	max		£7.00	£20.00	£75.00	£830.00
Southampton City Reds (First)	min		£3.50	£9.00	£43.00	£96.00
	max		£5.50	£20.00	£70.00	£132.00
Southampton Bluestar (Go South Coast)	min		£3.40	£9.00	£45.00	£410.00
	max		£6.00	£17.50	£62.00	£510.00

Sources: Brighton Area Buswatch, www.firstbus.co.uk/southampton, [Fares & tickets - Bluestar \(bluestarbus.co.uk\)](http://www.firstbus.co.uk/southampton)

Ticketing tends to be complex but pricing is determined by each operator independently of others with the exception of multi-operator tickets which are usually promoted by local authorities. Under the current legislative framework, operators are not permitted to agree pricing amongst themselves but under Enhanced Partnership arrangements, coordinated ticketing is encouraged. With franchising, local authorities have a much stronger role in setting fares and the range of tickets available.

Currently, fares are determined at a level which will generate sufficient revenue to cover the costs of operating the service (apart from those services which receive revenue support funding from local authorities or services operating as Quality Contracts.²² Essentially, if operating costs increase (largely labour rates and fuel), then fare increases are the only means for an operator to maintain viability. Should the number of users decline, then surplus is eliminated and operating savings may be necessary i.e. poorer services which in turn is likely to cause a further reduction in the number of users. Alternatively, prices can be increased but the bus market is very sensitive to such changes and a scenario in which fewer passengers pay more can constrain growth.

2.3 Traffic delays

Efficient bus operation is undermined by traffic congestion caused by other vehicles. We have considered similar areas, Southampton and Bournemouth, on the basis that they are both south coast conurbations with services provided by Go South Coast, another Go-Ahead subsidiary. Both operate alongside a competitor and both have been working in partnership with their respective authorities to improve the levels of use and quality of bus services.

Table 2.6 shows data on levels of traffic congestion and indicates that Brighton & Hove is ranked fourth highest for congestion levels in the UK after Edinburgh, London and Hull. This substantiates the premise that delays in Brighton & Hove are worse than elsewhere which will influence bus journey times, service levels and operating costs. Although 2020 travel behaviour was severely disrupted by the Covid-19 pandemic, the proportionate reduction from 2019 was broadly consistent.

Table 2.6: Traffic index ranking

City	World rank	UK rank	Days with low traffic	Congestion level 2020	Average peak delay ²³	Change from 2019
Brighton & Hove	73	4	77	28%	8.4 mins	-7%
Bournemouth	112	6	93	25%	7.5 mins	-9%
Southampton	121	8	109	24%	7.2 mins	-9%

Source: TomTom. [Traffic congestion ranking | TomTom Traffic Index](#). Based on 416 cities across 57 countries.

²² A Quality Contract Scheme is an arrangement in which services are sponsored by a third party but operate alongside conventionally provided services under the Transport Act 2000. Examples include those sponsored by universities but which are open to the public as well as university users including Uno in Hertfordshire (University of Hertfordshire) and Unilink (University of Southampton). There are various requirements that have to be met by Quality Contract services, notably not to specifically replicate commercial services.

²³ Congestion levels show the difference between congested periods and uncongested periods i.e. a 28% congestion level means that a 30 minute journey would take 28% longer in peak periods. This is equivalent to $0.28 \times 30 \text{ mins} = 8.4 \text{ minutes}$ additional travel time.

2.3.1 Southampton: Go South Coast and First

The city of Southampton is a similar size to Brighton & Hove and has three main bus networks:

- City Reds (First);
- Bluestar (Go South Coast) with services in the city and beyond; and
- Unilink (contracted to Bluestar) providing public services to Southampton University and across the city.

For many years, the level of bus use stayed constant although market share was gained by Bluestar and Unilink at the expense of First. Subsequently, First rebranded as City Reds, a move that has improved a number of key services. However, a unified network identity remains elusive with separate city centre termini and limited multi-operator ticketing although the standard of the bus offer overall has improved. Delays occur due to other traffic but the city is to benefit from the Transforming Cities Fund which includes more restrictions on car traffic in the city centre and measures to improve bus journey times.

2.3.2 Bournemouth: Go South Coast and Yellow Buses

The Bournemouth, Poole and Christchurch conurbation is now a single unitary authority with two main bus operators:

- Yellow Buses (owned independently); and
- Morebus (part of Go South Coast); and
- Unibus (contracted to Go South Coast) by Bournemouth University.

The transformation of local services was initiated by rebranding as Morebus and both Go South Coast and Yellow Buses have upgraded their standards over many years. As with Brighton & Hove, summer seasons are busier than other times of the year for which additional bus services are provided.

For both comparators, competition between the two main operators is evident and there is scope to create a unified bus offer with unique route numbers although there is limited overlap of services. With their respective university networks, the aim has been to build student bus use which has been very successful and reflected by similar Quality Contract networks in other parts of the country. Each area has benefitted from one operator improving standards which has been followed by the other so that the overall bus offer is enhanced. Branding has been important in creating local affinity with services among local residents and the student populations.

The Go-Ahead subsidiaries determine their own pricing, reflecting their local autonomy. As the fare comparison shows, fares in Southampton tend to be lower than in Brighton & Hove. However, Bluestar competes directly with First in Southampton and the geographical areas covered are not easy to compare because many journeys operate beyond the city boundaries within and beyond the conurbation.

2.4 Services through the city centre

A typical local bus network is based on radial routes from the centre with inter-urban services on the main corridors. Orbital routes are less common due to the distances involved and the cost of providing an attractive service in both directions. Delays in city centres have resulted in many services being terminated in the centre to avoid late running spreading across the network. In many cases, buses layover in the city centre to provide some recovery time if needed although this needs suitable locations for bus stands. However, some cross-city services are retained for people wishing to avoid changing buses in the centre.

From an operator's point of view, terminating buses in a city centre is beneficial for regulating services and associated activities such as driver changeovers. There are instances when cross-city services have particular benefits such as to serve park and ride sites on both sides or to address particularly corridors where demand is strong enough to support an intensive cross-city service.

From the bus users' view, a radial network can be inconvenient. Journeys may need to be made into the centre to transfer to another service to get to another part of the city, a requirement that is inconvenient and may incur the additional costs of two tickets if there is no transferable ticket available. Without a bus station of adequate capacity, transferring passengers may find it difficult to find their next bus which may not be located close to their arrival stop. Maintaining some cross-city routes is beneficial in this respect.

2.5 Levels of bus use

Table 2.7 shows modal share data for journeys to work in 2011 (the most recent Census data available).

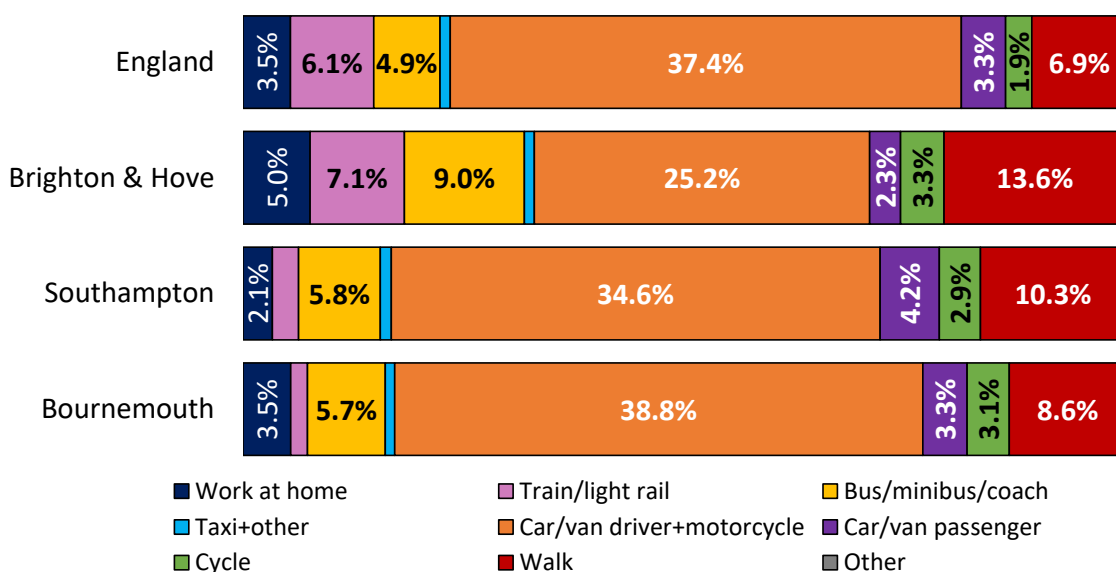
Table 2.7: Mode share for journeys to work 2011

	Brighton & Hove	Southampton	Bournemouth/Christchurch/ Poole	Great Britain 2019
Resident population	Brighton & Hove (2014) 281,000 Adur (2014) 63,200	Southampton (2014) 236,882 Eastleigh 125,199	Bournemouth (2018) 194,400; Christchurch (2018) 50,000; Poole (2018) 151,400	
Working from home	12.0%	7.8%	4.1%	
Journeys to work:				
- Walk	17.5%	12.6%	11.8%	9%
- Cycle	4.6%	3.8%	4.9%	[Other 4%]
- Bus/train	21.6%	10.5%	8.3%	Bus 7%, train 11%
- Car/van	43.9%	65.2%	68.8%	68%

Mode share includes Adur/Brighton & Hove, Eastleigh/Southampton, Bournemouth/Christchurch/Poole. Modal share excludes non-working residents of working age.

Source: Centre for Cities [Brighton | Centre for Cities](#) and [Southampton | Centre for Cities](#) from Census 2011; [Transport Statistics Great Britain 2020 \(publishing.service.gov.uk\)](#)

Figure 2.5 shows the modal share for journeys to work in Brighton & Hove, the comparator urban areas and England as a whole. While all are dominated by car, the proportion of bus trips in Brighton & Hove is significantly greater than other areas as a proportion of the total. It is apparent that Brighton & Hove is a success in terms of the uptake of sustainable travel. As the most recent Census data available is for 2011, it is likely that this situation prevails but the disruption of the Covid-19 pandemic is likely to have increased the proportion working at home and, temporarily at least, reduced the number of bus and train users.

Figure 2.5: Comparison of modal share for journeys to work (working resident population 2011)

Source: www.nomisweb.co.uk

2.6 Operating costs

We have estimated annual operating costs on the basis of the PVR calculated as shown in Table 2.7. With a fleet of 275, total annual operating costs are in the order of £38.5 million; apart from services that are supported wholly or in part by the council, all are operated commercially with revenue exceeding operating costs. This can be used as the basis for extrapolation to estimate future costs and therefore indicate the relationship between costs and revenue.

Table 2.8: Estimated annual operating cost for Brighton & Hove Buses

Item	Units	Value	Source
Revenue			
2019/20 passengers carried all operators	million	48.6	DfT bus statistics Table BUS0109
2019/20 passengers carried B&HBC only	million	38.9	80% of total
B&HBC turnover 2019 (£000)	£ 000	101,871	Companies House
Mean yield per passenger journey (£)	£ 000	2.62	Turnover/passengers
B&HBC operating profit after exceptional items 2019 (£000)	£ 000	14,110	Companies House (13.9%)
Turnover less profit 2019 (£000)	£ 000	87,761	
Mean yield per passenger journey adjusted	£	2.26	Turnover less profit/passengers
Operating costs			
Total fleet	no.	275	Estimate
Annual operating cost per vehicle	£	140,000	Estimate
Total annual operating cost estimate	£ million	38.5	Fleet x cost per vehicle

Source: Mott MacDonald from various sources.

3 Stage 3: Potential improvements

3.1 Delivering improvements

We can consider the range of potential initiatives from the BSIP and how each will be implemented through an Enhanced Partnership and a franchise arrangement. Many can be provided through both options but the level of buy-in from operators is critical. If a partnership does not gain the full support (and funding) from all parties, then the outcomes will not be met. Alternatively, franchising removes this risk and instead sets out a series of changes to which contracted operators will be required to conform.

A number of key issues have emerged including the notion that franchising is risk-free. Franchising is not risk-free financially²⁴ and in fact could cost the local authority considerably more than the current arrangements. Greater Manchester's planned franchising is expected to be very costly while not delivering a step change in bus service provision or levels of bus use.

However, Enhanced Partnerships are legally binding and require all parties to contribute. Bus priority measures will help bus services which can be reflected by service improvements by operators. The role of local authorities in an Enhanced Partnership will be stronger than with the current arrangements.

Long term growth in demand will need to be achieved if bus services are to flourish and some consider this to be unachievable under the current arrangements with one dominant operator. A large operator may be inappropriate in that competition is limited but in the case of Brighton & Hove, the partnership arrangements already in place have been far more successful than efforts elsewhere. It also enables cross-subsidy to take place i.e. that profitable services make up for those which are more marginal. There is a risk that one operator would adopt the leading role in a partnership and pursue its own agenda but this can be managed. However with franchising, guidance indicates that the process should be open to all sizes of provider which implies that one dominant operator would be inappropriate. For Brighton & Hove, suppressing the role of Brighton & Hove Buses would not necessarily improve services and could undermine the benefits of working at a larger scale as well as diminishing the operator's enthusiasm to pursue improvements and bear risk such as cross-subsidising services.

²⁴ Department for Transport (2017) *The Bus Services Act 2017. New powers and opportunities* states that 'franchising is a big decision which – as well as creating new opportunities – can have significant implications for existing bus operators and passengers and potentially expose local authorities to significant financial risks.' (para.3.16)

3.2 Potential initiatives to boost bus use

3.2.1 Faster journeys with improved punctuality

Creating predictable bus journey times and avoiding congestion are central to the appeal of bus services. By implication, this is likely to involve further reallocation of road space (primarily bus lanes) at the expense of car movements. Punctuality is a key metric for which continual monitoring will be required.

Enhanced Partnership

Requires infrastructure improvements such as bus lanes and bus gates.

Includes targets for bus journey time improvements.

Removes need for longer journeys at peak times.

Outcome: punctual services that attract more users.

Franchising

Requires infrastructure improvements such as bus lanes and bus gates.

Includes targets for bus journey time improvements with penalty payments for failure to achieve contractual performance standards.

Removes need for longer journeys at peak times.

Outcome: punctual services that attract more users with onus on operators to fulfil the terms of the franchise.

3.2.2 Bus priority measures

Priority measures are an essential part of the package of bus service improvements that need to be used by as many services as possible. Both an EP and franchising can include priority measures with an understanding of funding availability and opening dates. Both approaches are likely to impinge on the movement of other traffic if they are to be effective. Enforcement by the highway authority is required (with ongoing cost) in both scenarios.

3.2.3 More frequent services

Improving service frequency is often the key to generating more demand because users have less reliance on knowledge of the timetable and passenger wait times are reduced.

Enhanced Partnership

Operating costs of additional services need to be covered by revenue from more users (operator risk).

Potential to mitigate incremental operating costs of additional services by linking frequency enhancements to delivery of bus priority measures that improve the average speed of bus operation.

Franchising

Operating costs of additional services need to be covered by revenue from more users (risk with franchising authority because services will be provided at set cost).

Franchising authority has a direct incentive to invest in bus priority measures that improve the average speed of bus operation and reduce unit operating costs.

3.2.4 New services

Additional services can be provided where network coverage is weak or where there is a need to improve accessibility for specific areas on a similar basis to currently tendered services.

Enhanced Partnership

Both local authority and bus operators agree service specification.

Operating costs of additional services need to be covered by revenue from more users and/or subsidy (mainly local authority supported).

Franchising

Service specification is set by the franchising authority.

Operating costs of additional services need to be covered by revenue and subsidy (risk with franchising authority because services will be provided at set cost).

3.2.5 Cross-boundary services

Many bus services extend beyond the immediate area hence there needs to be consistency between timetables, fares and branding between adjacent areas.

Enhanced Partnership

Agreement is needed between local authorities and operators to ensure consistency.

Franchising

Agreement is needed between local authorities to ensure consistency.

3.2.6 Cross-city services

For many urban areas, regular traffic congestion has disrupted punctual bus workings and as a result, routes are curtailed to avoid delays spreading across the network. This reduces connectivity for those passengers who need cross-city services and for whom a change of bus in the city centre incurs time and possibly cost.

Enhanced Partnership

With infrastructure schemes in place as part of the EP, punctuality can be improved and agreement reached on maintaining cross-city services and adding more.

Franchising

With infrastructure schemes in place, operators are required to operate services as specified.

3.2.7 Tickets and pricing

Ticket options and pricing can be highly competitive but Government guidance is now directing Enhanced Partnerships to coordinate ticket types and pricing. This includes simplification of fares and ticketing and reduced fares as appropriate including flat fares in urban areas, lower point-to-point fares elsewhere with daily price capping.

This raises a number of issues regarding ticketing equipment compatibility, reallocation of revenue and the level of yield generated. Ticketing should be seamless and multi-modal with easy payment. Both EPs and franchising share a number of ticketing options:

- Adopting multi-operator or multi-modal tickets and different media;
- Adopting daily price capping;
- Coordinated marketing;
- Operate zonal ticketing; and
- Coordinate conditions such as standardising season ticket durations or age thresholds.

Enhanced Partnership

Pricing of single operator tickets set by operators.

Introducing lower fares creates revenue risk for operators.

Franchising

Pricing for all tickets set by franchising authority.

Lower fares underwritten by franchising authority.

3.2.8 Network identity and passenger information

A coherent, consistent and strongly-branded operation is required with all services being marketed as one network with comprehensive service information.

Enhanced Partnership

Area-wide branding to be agreed.

Multi-media service information to be unified.

Real time information system to be provided and managed by local authority.

Franchising

Area-wide branding to be determined by franchising authority.

Service information to be unified by franchising authority.

Real time information system to be provided and managed by franchising authority.

3.2.9 Improved bus emissions and decarbonisation

Zero-emission buses represent the ultimate scenario; in the meantime, improvements can be achieved by deploying Euro VI emission buses. However, the greatest contribution to decarbonisation and improved air quality is by modal shift from car to bus.

Enhanced Partnership

Progressive fleet replacement working with low/zero-emission buses acquired by operators with possible funding support.

Electric, hydrogen or biogas buses require plant at depots which will need to be procured by operators.

Extensive marketing required to push shift from car to bus.

Franchising

Defined requirements for zero-emission buses or incremental change towards zero-emission fleets.

Additional plant at depots to be funded by franchising authority and/or operators.

Extensive marketing required by franchising authority to achieve modal share targets.

3.2.10 Passenger engagement

Any strategy must be consumer-led with defined standards and participation by bus users (and potential bus users).

Enhanced Partnership

Passengers' Charter required.

Arrangements for greater participation e.g. Advisory Board to influence EP.

Improved passenger facilities e.g. bus stops to be programmed by local authority.

Customer relations function coordinated by operators with Passenger Charter in place as a BSIP requirement.

Franchising

Passengers' Charter required.

Advisory Board involved with franchise specification and renewals.

Improved passenger facilities e.g. bus stops required by franchising authority.

Customer relations function coordinated by franchising authority

3.2.11 Innovation and complementary policies

Creating wider appeal of bus services requires innovation as demonstrated by those successful operators in the form of alternative fuels, fare initiatives, community involvement and so on.

The area is known for its strong bus culture, led by Brighton & Hove Buses as part of the Go-Ahead Group which relies on autonomous management of its subsidiaries, many of which are innovative and successful. Also, the Big Lemon has created an electric bus fleet and has pioneered the partnership between energy consumption and bus services. Another local operator, Stagecoach, has used its considerable size to trial electric buses elsewhere and other initiatives that can be replicated by its subsidiaries around the country.

A franchise specification can incentivise innovation if required as demonstrated by the Jersey contractual arrangements.

Enhanced Partnership

Innovation by all parties is supported e.g. joint-sponsored alternative fuel buses, agreed ticket initiatives and service specification.

Scope to integrate with wider opportunities e.g. Net Zero, sustainability, environmental, health, economic and other commitments.

Demand-responsive transport could be developed.

Bus Rapid Transit (BRT) corridors could be identified and promoted.

Franchising

Innovation is allowed/encouraged where it conforms with the franchise terms e.g. vehicle upgrades at the contractor's risk.

Involvement with wider initiatives needs to be specified at the outset of the franchise agreement.

Demand-responsive transport could be required if coverage and arrangements defined in franchise.

BRT could be specified in franchise if highway measures can be funded and delivered in a specified time frame.

3.3 Implications for Brighton & Hove

In the Brighton & Hove context in which there is one main operator, Enhanced Partnership working is achievable, building on the voluntary arrangements that have been in place for many years. Given that significant progress has been made to date in improving services, an EP can identify and deliver further schemes. The franchising scenario is riskier in that should Brighton

& Hove Buses not win the majority of the routes on offer, then it would effectively destroy much of what has been achieved. Any incoming operator(s) would need to build a collaborative arrangement with the Council.

It is possible to speculate on the level of interest in operating Brighton & Hove services from established operators elsewhere. Stagecoach is a very large business and may well wish to expand its territory as it has done in many other areas. Predatory operations were a feature of the current arrangements in which large operators subsumed small operators by various means. However, Brighton & Hove Buses as part of the Go-Ahead Group can be expected to resist any incursions by others whether or not they already operate in the area. There could be an expectation from the parent company that profit would continue at its current level which would add to the bid prices. With franchising based on price, new operators may come forward with lower bids but with no previous experience locally and no local depot facility. This is the implication of the requirement to franchise services to be suitable for small and medium-sized operators to participate.

While considerable opposition to franchising has been evident in areas such as the North East, some operators have been supportive of the concept including Abellio which has 800 buses to operate Transport for London services. New opportunities would be created for operators in markets which have been difficult to access to date.

Regarding the council's resources over the lifetime of a franchise period, DfT needs to be satisfied that the commitment would be fulfilled. Although the funding issue is unclear in the national bus strategy, some of this commitment may be derived from DfT sources and deployed via the council. Unless adequate funding is committed by DfT, then the risk remains with the council. The extent of this risk depends on the extent to which the franchising scheme will generate growth in the demand for bus use given that Brighton & Hove has succeeded already in securing much greater bus use than many areas. If there is limited scope for further improvements, then the financial risk may be limited for a franchise that is unambitious.

Franchising incurs a number of costs that would otherwise be avoided. There are legal costs which could escalate should disputes occur and, with limited precedent, establishing the terms under which franchising would be achieved could be complex.

Outside Greater Manchester where the franchising process is more advanced, there are no other UK examples to follow. The franchised services have two main demands on funding: revenue support for services that are considered necessary but are unlikely to cover their operating costs and reduced fares.

Experience from tendered socially-necessary services over many years has shown that tender prices have increased (due to cost increases in the industry) while local authority funding has declined. With franchising potentially requiring more services to be subsidised, then additional funding could be considerable.

The National Bus Strategy also includes fare reductions in areas where affordability is an important consideration. As we have shown, the current fares in Brighton & Hove do not appear to be excessive compared with other areas but government is seeking fare reductions or at least simplification which would also require funding commitment. In effect, operators are unlikely to support a scheme in which their revenue declines simply because lower fares are imposed on them, particularly if lower fares do not generate significantly more users. In addition, if the franchise specifies new vehicles, then a franchisee will expect to cover the cost within its bid price which could be costly if the franchise period is short because the cost of new vehicles is high, particularly if they are electric, hydrogen or biogas powered. There will also be costs of fuelling infrastructure and plant for non-diesel vehicles which will need to be recovered through revenue.

Creating a franchised operation will incur one-off legal fees but contract procurement, management and monitoring will require ongoing resource. If additional services are specified in the franchise, then additional resources will be required. In some cases, these will be at marginal cost such as extending more services into the evenings because vehicles and staff are already available. For intensified or new services for which additional staff and vehicles are required, this will add approximately £140,000 per year per vehicle to operating costs which needs to be recoverable from additional fare revenue (more users) and/or subsidy. While more frequent services can be a strong driver of demand, in areas such as Brighton & Hove, the likely cap on the number of users (or at least a point beyond which there are diminishing returns) may have been reached so that demand will not increase proportionately with the additional resources required.

To contribute to a trajectory towards net zero emissions, a further shift from car use to bus will be needed with initiatives such as park and ride as well as improved conventional services. For example, increasing the frequency of all but the most frequent services (20 mins to 15 mins, 30 mins to 20 mins and so on) would require a PVR of a further 49 vehicles. If the current PVR is 178 (fleet=205) increasing to 227 (fleet=261), then the additional cost is nearly £8 million annually. This may be offset to some extent by efficiency savings within the partnership or franchise such as bus priority measures that reduce bus journey times as well as additional revenue but any shortfall needs to be funded.

3.4 Potential cost of franchising

3.4.1 Greater Manchester franchising analysis

Greater Manchester Combined Authority has estimated its cost of franchising to be £134 million over five years.²⁵ This is the area with the most advanced franchising plan for which detailed analysis has been undertaken. Tables 3.1 to 3.3 set out the Greater Manchester core costs, support activities and the transition from the current to franchised arrangements respectively.²⁶ While these costs represent a large scale franchise, they do provide an indication of the tasks and roles required to administer a franchise.

Table 3.1: Franchising costs for Greater Manchester – core activities

Functional area	Headcount	Salary cost (£000 pa)	Ongoing operating costs (£000 pa)	Ongoing IT systems support costs (£000 pa)
Franchise leadership and management	20	993	106	424
Commercial development and network planning	9	401	150	84
Existing roles – duplication removed	-20	-954		
Total	9	440	256	508

Source: Greater Manchester Combined Authority.

The core activities represent an annual commitment of £1.204 million (Table 3.1) plus £3.462 million for support activities (Table 3.2), an annual total of £4.609 million. Should the scale or scope of the franchise change over time, then it is likely that costs will increase.

In addition to the transition costs of £14.311 million (Table 3.3), there are further costs totalling £16.299 million covering advisory/assurance, project management office, modelling,

²⁵ [Greater Manchester bus franchising plans accelerated | Manchester Confidential \(confidentials.com\)](#)

²⁶ Greater Manchester Combined Authority (September 2019) *Bus franchising in Greater Manchester assessment. Management case supporting paper – franchising.* [10-management-case-supporting-paper-franchising-web.pdf \(greatermanchester-ca.gov.uk\)](#)

stakeholder management, operational continuity and mobilisation, assets, specification, procurement, legal advisors, other transition costs, operating model and contingency. Hence transition costs total £30.610 million.

Table 3.2: Franchising costs for Greater Manchester – support activities

Functional area	Role	Headcount	Salary cost (£000 pa)	Ongoing operating costs (£000 pa)	Ongoing IT support systems support costs (£000 pa)
Operations management	Revenue protection	31	662		21
Assets, infrastructure and systems	Managing assets, infrastructure and systems to deliver TfGM objectives and to maximise return on investments. Outputs include: <ul style="list-style-type: none"> - providing relevant assets to successful operators; - managing asset disposals, renewals and procurement; - maintaining assets; - planning asset investment; - ensuring regulatory compliance; - capturing information on assets; - managing process for bus stop locations; - planning energy requirements; and - monitoring asset performance. 		37	16	
Stakeholder	Managing the relationship with all TfGM stakeholders, demonstrating that bus strategies and plans align to the wider Greater Manchester objectives	3	112		
Customer	Managing the relationship with customers; day-to-day interactions, sales and marketing. Outputs include: <ul style="list-style-type: none"> - providing travel information (multi-channel); and - handling enquiries and contact point. 	16	401	500 driver training	9
Finance	Providing the appropriate level of financial control and statutory accounting. Collecting revenues and making payments to operators in line with the contract. Outputs include: <ul style="list-style-type: none"> - receiving financial contract performance data; - reconciling tickets and revenues; - managing revenue apportionment and re-imburement; - managing contract payment schedule; - managing accounts payable; and - producing management accounts and revenue reports. 	10	358		39
Risk and assurance	Ensuring that TfGM risk is effectively managed. Outputs include: <ul style="list-style-type: none"> - the ability to audit bus operator data on an ad hoc basis; and - auditing and reviewing TfGM bus processes 	2	55		

Functional area	Role	Headcount	Salary cost (£000 pa)	Ongoing operating costs (£000 pa)	Ongoing IT support systems support costs (£000 pa)
IT support	Headcount-related IT costs	2	68		170
Procurement	Managing the rolling bus franchise procurement renewals process and contract variation. Outputs include: <ul style="list-style-type: none"> - receiving and reviewing specifications; - building procurement plans; - monitoring supply chain capability, and negotiating where appropriate; - creating and issuing tender packs; - managing the tender process and evaluating responses; - managing contracting processes; and - making contract awards. 	3	157	20	42
Sales and marketing	Sales and marketing, service improvements. Informing short and long-term interventions. Outputs include: <ul style="list-style-type: none"> - identifying and leveraging latent demand; - growing customer knowledge and understanding (working with Commercial Development); - developing offers and promotions; - marketing services to the customer; - building TfGM bus brand; - building sales and marketing plans; and - identifying sales and marketing opportunities and liaising with franchise manager. 	5	178		
Total		73	2,028	536	284
Operator savings	Roles that would transfer from the operators to TfGM. This was obtained from operator Information.	(25)	(764)		
Total including operator savings		48	1,263		
Total (direct management and other management support)		57	1,703	871	831

Note: Salary costs exclude NI and pension costs which are added in the financial model.
Source: Greater Manchester Combined Authority.

Table 3.3: Franchising costs for Greater Manchester – system costs for transition

Business area	Systems requirement	Capital (£000)
Core activities		
Commercial development and network planning	Operational planning tools to develop timetables	637
Franchise management	Tools to manage governance, performance management and financial management of bus franchising	2,670
Core activities sub-total		3,307
Support activities		
Operations	Day-to-day operational process and workflow management	172
Customer	Customer Relationship Management tools and temporary mobile ticket app	350
Finance	Financial management and payments	80
Business intelligence	Business intelligence tools to mine data to support commercial decision-making	245
IS hardware (PC, licences, phones, etc)	Due to additional staff	378
Procurement	Tools to manage the bus franchising procurement process: building and enhancing the ProContract and SharePoint capabilities	260
Human resources	Modifications to SAP (HR management system)	55
Support activities sub-total		1,540
Total		4,847
Systems development and delivery costs	Integrating new systems with each other and existing systems	9,464
Total costs in transition		14,311

Source: Greater Manchester Combined Authority.

Greater Manchester's economic case provides comparisons between the franchising scenario, an 'operator preferred' partnership and an 'ambitious' partnership. However, all of these scenarios are based on demand reducing over time and none generate the growth in demand that addresses many wider objectives.²⁷

While several methodologies are examined, the recommended calculations for costs and benefits are shown in Table 3.4. The Benefit Cost Ratio (BCR) is a commonly used indicator of economic performance - here franchising performs less well than the partnership options (as it does with TfGM's capital budget and DfT's Transport Analysis Guidance calculations) but all show that there is a good return on investment. However, an assessment of the wider economic impacts shows that franchising performs best and while costs are considerably more than other options, it does not halt or reverse the trend of declining bus use across Greater Manchester.

²⁷ Greater Manchester Combined Authority (September 2019) *Bus franchising in Greater Manchester assessment. Economic case supporting paper*. Chart 4. [01-economic-case-supporting-paper-web.pdf \(greatermanchester-ca.gov.uk\)](https://www.greatermanchester-ca.gov.uk/01-economic-case-supporting-paper-web.pdf)

Table 3.4: Benefits and costs of Greater Manchester options ('recommended formulation')

	Franchising	Operator preferred partnership	Ambitious partnership
Benefits (PVB)	344.7	113.3	141.8
Costs (PVC)	-110.8	-32.8	-38.7
Benefit Cost Ratio	3.11	3.45	3.66

Source: Greater Manchester Combined Authority.

3.4.2 Implications for Brighton & Hove

On the assumption that Brighton & Hove is approximately 10% of Greater Manchester's population, then we could expect franchising to cost at least £13 million over five years but, as in Manchester, there is no guarantee that bus use will increase. Local costs may be greater if new legal processes are required for a non-metropolitan unitary authority, particularly if BHCC is the sole promoter because these costs would not be shared. The figures for Greater Manchester also assume that some cost recovery is possible due to existing staff and related resources being subsumed into the new arrangements; for a relatively small authority, these staff do not exist to the same extent so proportionately more costs would be incurred.

The critical issue is whether or not franchising the Brighton & Hove network would be advantageous compared with the EP scenario in terms of planning, control and fare setting. Growth in the number of bus users is central to the debate but, as discussed for Greater Manchester, this is not necessarily achieved through franchising. Considerable costs would be incurred and while creating direct control over bus services, franchising is unlikely to create better services in Brighton & Hove than has already been achieved through partnership working.

3.5 Comparing cost and revenue estimates

3.5.1 Balancing operating cost and revenue

The established network has evolved with the majority of services being commercial i.e. revenue equals or exceeds operating costs. The minority of services receive revenue support largely from the Council, noting that some authorities have provided no discretionary subsidy in recent years due to successive budget reductions.

For Brighton & Hove Buses, we can assume that a good profit is the holding group's requirement. However, operating costs are not the whole picture. Investment funding is required for asset replacement and upgrades, new buses costing considerably more than the buses they replace due to improved specification and standards. This is especially the case for non-diesel options which also require new infrastructure e.g. charging equipment and possibly additional sub-stations for electric buses, a hydrogen hub for hydrogen fuel cells or gas compression plant for biogas buses. The bus operators therefore need to generate sufficient revenue to upgrade on an annual basis to allow for this investment fund.

There is a balance to be struck between fare revenue, any subsidy available and the level of service provided. The national bus strategy appears to assume that more services will generate proportionately more demand which is not necessarily the case – providing more of the same in poor circumstances is not a good proposition. However, targeted expenditure can generate more business in other circumstances, particularly if the bus offer is improved e.g. with new priority measures that improve bus journey times and/or if there are punitive measures for car use. Achieving this may require an initial subsidy because demand may take a few years to build up to a profitable level.

3.5.2 Setting fare levels

Fare levels also need to be considered carefully. The demand for bus use is very elastic in response to fare increases so perceived good value for money is critical. The balance is between a lower number of users each paying more or a larger number of users generating relatively low yields.

An interesting trial is being undertaken in Swansea with the local authority paying for all bus services which are now free to use; this is one end of the spectrum which will indicate whether or not pricing is the key determinant of bus use or a combination of other factors.

Where higher prices are in place, this does not necessarily deter users if there is a clear advantage to using bus compared with the other options available, for example segregated busways for which over a quarter of users have a car available for that journey. Examples include the Cambridgeshire Guided Busway and the Leigh-Salford-Manchester services which include a section of busway where the road network is congested.

In the event that fare levels are reduced based on current service levels, the immediate response is likely to be reduced revenue manifest as reduced operating surplus. Unless sufficient demand is created to compensate, then little will have been achieved other than a reduction in investment funding. Conversely, if fare levels are the prime local concern, then a combination of lower fares and improved services may prompt more users in which case the yield per passenger may reduce but the overall revenue increases although this could involve substantial cost increases.

3.5.3 Value for public money

Comparing an Enhanced Partnership with the current arrangements, costs of both infrastructure and services are expected to be greater because improvements will be required as set out in the BSIP. Without clarity from DfT, one scenario is that additional costs will be covered from the national bus strategy funding although the demands from multiple BSIPs for funding are likely to far exceed the budget available. This then presents the second scenario in which the Enhanced Partnership requires funding locally from the council and/or operators or defaults to the current scenario which balances operating costs against known (pre-Covid) revenue expectations.

Contrasting with this is the franchising option. The only example of a similar situation is in Jersey where significant improvements have been made to the network and demand has increased alongside a reduction in funding from the States of Jersey administration. However, the circumstances of an island network contracted to a single operator and a transition from a previous gross cost contract are different to those in Brighton & Hove where a good level of service is already in place, much of which is operated commercially.

To develop the network and increase demand further will require an intensification of services and more schemes to improve bus journey times and punctuality, all of which incur cost, particularly in the early stages. As the Greater Manchester proposals have shown, additional costs are envisaged both to set up and manage the franchising process but also needing revenue support for additional services.

It can be concluded that the lowest public spend is associated with the current situation as the baseline. Any future Enhanced Partnership can be expected to cost more unless funded in whole or in part by central government while a franchise option would incur considerably more start-up and ongoing funding commitments.

3.6 Comparison of options

Table 3.2 provides a comparison of the options against key headings.

Table 3.5: Summary comparison of Enhanced Partnership and franchise options

	Enhanced Partnership	Franchise
Services	Improvements agreed subject to the level of revenue support available. More control by local authority than currently.	Improvements agreed and funded. Local authority controls network and service specification.
Vehicles	Specification set by partnership, new buses subject to funding available. Alternative fuel buses possible if purchase cost and supporting infrastructure can be funded.	Specification set with which bidding operators must comply but this will be reflected in bid pricing. Alternative fuel buses possible if purchase cost and supporting infrastructure can be funded.
Passenger information	Work towards coordinated information with multi-media outputs including apps, web sites, real time at stops, etc. with limited number of updates.	Specification set with which bidding operators must comply.
Ticketing	Simplified, capped and multi-operator ticketing required plus any other coordinated improvements.	Simplified, capped and multi-operator ticketing expected with a range of mobile phone, smart card and contactless offers including multi-operator
Staff	Existing staff with additional training.	Likely to be same staff subject to TUPE. Training standards included in franchise.
Infrastructure	Sequential delivery of schemes to improve bus journey times. Potential to link service enhancements to delivery of infrastructure schemes that improve the average speed of bus operation and reduce unit operating costs.	Immediate delivery of schemes to improve bus journey times and punctuality to prescribed standard. Franchising authority has a direct incentive to invest in infrastructure schemes that improve the average speed of bus operation and reduce unit operating costs.
Customer experience	High satisfaction ratings expected. Builds on established customer relationships. Requirement to develop and implement a local Bus Passenger Charter.	High satisfaction ratings required. May fragment experience to date if multiple franchisees awarded contracts. Franchise specification can include compliance with a Bus Passenger Charter.

	Enhanced Partnership	Franchise
Creating mode shift from car	Improved services should increase demand. Need for complementary schemes e.g. traffic management, car parking availability.	Improved services should increase demand. Need for complementary schemes e.g. traffic management, car parking availability.
Funding	Unclear but includes costed improvements and revenue support. Cost greater than current arrangements.	Initial cost to establish franchise arrangements. Ongoing commitment to revenue funding. New vehicles likely to be required. Cost greater than Enhanced Partnership reflecting the ongoing cost of franchise management and monitoring.

Source: Mott MacDonald.

3.7 Funding support

Views have been expressed that bus operators generate considerable profit with only a small proportion of it being re-invested in the business. This suggests that excessive profit benefits shareholders over the travelling public and that billions of pounds from central government supports the bus industry.

One claim has been that government provided 42% of bus service funding amounting to £2 billion annually.^{28 29} However, this is misleading in that local authorities subsidise socially necessary services on a discretionary basis – although receiving funding contributions from central government, not all local authorities have sufficient funding available to support bus services. More significantly, over £1 billion is accounted for by the national concessionary travel schemes which are a subsidy to bus users, not to operators

Other sources of grant funding include funding to introduce alternative fuel buses and programmes such as the Transforming Cities Fund which has a wider remit than buses; such programmes are competitively bid by local authorities for which certain conditions need to be met. In effect, the only grant paid to all operators is the Bus Service Operators' Grant which is a fuel subsidy based on the distance operated by local bus services.

Clearly the funding support arrangements have been misunderstood by some, acknowledging that emergency funding was required to keep services operating throughout the Covid-19 pandemic. However, many sectors of the economy received emergency funding apart from transport operators, noting that the coach sector received nothing. In fact, the circumstances of the pandemic have resulted in operators' investment reserves being depleted and not all operators have survived. Most do not expect revenue to be generated to the same extent post-pandemic which places a significant question mark over the viability of services into the future. The National Bus Strategy for England appears to have allocated £3 billion but it remains unclear how this will be allocated and if it will be available to use for large scale revenue support.

²⁸ Center for Human Rights and Global Justice, New York University (July 2021) *Public transport, private profit. The human cost of privatizing buses in the United Kingdom.*

²⁹ House of Commons Transport Committee (May 2019) *Bus services in England outside London. Ninth report of session 2017-19*

3.8 Operator profit

Concerns have been voiced that bus operators extract profit with only a small proportion of it being re-invested in the business. To consider this, we have investigated the evidence available from Companies House for Brighton & Hove Bus & Coach Company.³⁰ The net profit for the year ending 27 June 2020 recorded £5.919 million (6.4% of revenue) compared with the previous year of £12.044 million (11.8% of revenue). No dividends were paid in the year ending 27 June 2020 in contrast to the £11.5 million paid the previous year. The effect of the pandemic resulted in reducing the capital base, leasing rather than purchase of vehicles and freezing all discretionary expenditure.

The financial year 2019/20 was exceptional and it is worth considering profit and dividends in previous years (Table 3.6). For the year ending June 2018, net profit was £10.789 million (gross £13.473 million) with dividends of £11.5 million and for 2017, profit was £12.733 million with dividends of £22.0 million.

It is evident therefore that the company has made substantial profits in recent years, much of which has been distributed as dividends to its investors. Bus operators require regular injections of investments in order to stay attractive to its customers and to ensure operating efficiencies while offsetting liabilities such as pension commitments. As a private company, Brighton & Hove Buses has been successful in generating profit for successive years with an increased numbers of customers. This has involved improving the bus offer with continuous investment in the business over many years including the acquisition of 54 hybrid buses in 2019 and 2020. Regarding how revenue was obtained for the year ending June 2020, £77.361 million was passenger revenue with £7.145 million contract revenue and £1.710 million other revenue; government Covid-19 grant totalled £6,348,000.

Table 3.6: Brighton & Hove Bus and Coach Company revenue, operating costs and profit 2014 to 2020

Year ending	Revenue (£000)	Operating costs (£000)	Net profit (£000)	Profit as % of revenue
27 June 2020	92,564	84,919	5,919	6.4%
29 June 2019	101,871	87,761	12,044	11.8%
30 June 2018	97,396	83,908	10,789	11.1%
01 July 2017	96,392	80,825	12,733	13.2%
02 July 2016	92,793	79,482	10,841	11.7%
27 June 2015	67,076	54,728	10,082	15.0%
28 June 2014	63,590	54,412	7,276	11.4%

Source: Companies House.

For Brighton & Hove Buses, the evidently high profit skims over the need for vehicle replacement and other ongoing commitments. However, if the equation is simply balancing fare revenue against operating cost, then any surplus above that is required for asset renewal and replacement could be deployed in network improvements. In the Brighton & Hove context, perhaps half of a typical year's operating surplus could be used to fund additional vehicles, staff and services, bearing in mind the need to replace life-expired assets such as the 2019/20 new buses. With a typical bus costing between £100,000 and £150,000 per year to operate (we have assumed £140,000 for Brighton & Hove where bus staff wages compare favourably against other areas), for every £1 million, seven additional buses could be made available and added to the network.

³⁰ Companies House records for Brighton & Hove Bus and Coach Company Limited, company number 00307468. [application-p11.1%df](#)

The Covid Bus Services Grant was introduced in March 2020 in the face of a 90% drop in passenger numbers due to the pandemic, since when no profit was recorded.

3.9 Risks

3.9.1 Financial risks

The discussion above indicates the relative merits of the options in relation to the level of spend that is likely to be incurred. What is unclear at this stage is the level of exposure to financial risks for both local authorities and operators given that both an Enhanced Partnership and a franchise are legally binding contracts with limited flexibility to revise their structure once agreed. Although franchising would be costly, a Jersey-type model offers potential for significantly reduced franchise management and monitoring costs compared with the Transport for London approach – Jersey has just one officer managing the contract. Significant moderation of operator profit through competition for the franchise would be required to cover these costs. Operators will continue to require a profit however which could be undermined by competitive bidding. Also, bidders will seek to recover their bidding and mobilisation costs over the life of the franchise. Both of these are costs incurred by operators with franchising that are not incurred currently.

3.9.2 Operational risks

Typically across England, improvements to bus services have been planned for many years but some schemes have not been promoted or have been rejected thus depriving bus services of improvements that would directly address the current problems. Improving buses is about far more than newer vehicles and more services – it involves a comprehensive package of measures which, as the guidance makes clear, includes extensive bus priority infrastructure. Failure to deliver such measures undermines the potential success of other improvements and compromises the outcomes.

The need for a local depot is a practical consideration because without one, it would be difficult for an incoming operator to find a suitable site within reasonable distance of the routes they intend to operate. This site would need to include refuelling and maintenance facilities so costs would be incurred to provide what is needed. Also, if the services are additional to their current activities, they will need staff who also have to be within a reasonable catchment.

3.9.3 Political risks

Local politicians are under pressure from some of their constituents to resist any schemes that promote better bus services on the spurious grounds that there will be some detriment to car users. A simple example is the removal of on-street parking to accommodate a bus lane. Such matters are often highly contentious so a large scale package of bus measures may be difficult politically, despite sustainable transport being a key component of local policy to address objectives such as social inclusion, carbon reduction, improving air quality and so on.

Government guidance on the national bus strategy explicitly requires local authorities (and by implications their elected Members) to promote radical measures, even if they are at the expense of car movements. Hence the scope of an Enhanced Partnership or franchise includes specific aspirations that need to be balanced against policy and deliverability but this may result in the specification of services to be compromised.

4 Stage 4: Conclusion and recommendations

4.1 Context

Government has heralded a new approach to the provision of bus services in England outside London with a National Bus Strategy. The options available include Enhanced Partnerships, a formal and legally binding agreement between local transport authorities and bus operators, and franchising in which routes or groups of routes are tendered so that operators bid to operate them. Any failure to commit to an Enhanced Partnership will result in a loss of funding for bus services. Franchising is a means of moving direct control of services from operators to local authorities which then specify when and where buses operate. All authorities will require an Enhanced Partnership, even if franchising is proposed in the longer term and produce a Bus Service Improvement Plan to set out a range of improvements with associated targets.

4.2 Identifying the options available

Buses are a vital element of local transport and Brighton & Hove has a long history of privately operated bus services, nationalisation then privatisation. Brighton & Hove Bus and Coach company, the majority provider in the area, is part of the Go-Ahead Group. After many years of effort and voluntary partnership working, the city's buses are regarded as an exemplar network with an impressive modal share and increasing numbers of users pre-pandemic. The National Bus Strategy challenges the previous arrangements and promotes collaboration between operators rather than the competitive environment adopted since the mid-1980s.

Currently, franchising powers are available only to Mayoral Combined Authorities. Other authorities need to apply to the Secretary of State for Transport for consideration if they wish to pursue franchising which would need legislative change. Local authorities cannot currently establish their own bus companies.

The aspiration of franchising is to create services in a similar way to those provided in London by Transport for London's contractual arrangements although this has different funding streams. In Tyne and Wear, Nexus (the passenger transport executive) investigated franchising in some detail but rejected it due to the additional costs incurred by the procurement authority and strong opposition from operators. However, Greater Manchester is progressing franchising under the leadership of the Mayor. For Jersey, a new contractual approach similar to the franchising model commenced in 2013; this has been successful in attracting new users while improving the bus offer. Cornwall has agreed a different Enhanced Partnership arrangement that includes many rural services with revenue support. Both an Enhanced Partnership and franchising have advantages and disadvantages although the latter gives control but also significant risks to the local authority.

4.3 Assessment of current services

Buses in Brighton & Hove have been a success story with growth in demand over many years and the highest bus use outside London and strong passenger satisfaction. Brighton & Hove Buses operate the majority of services with some 200 buses supplemented by The Big Lemon, Metrobus (Go-Ahead), Compass Bus and Stagecoach.

Most services are operated commercially i.e. revenue exceeds operating costs with a small number receiving revenue support. The dominance of Brighton & Hove Buses has resulted in many improvements but under franchising, this consolidation and decades of operating

experience could be lost. Also, new operators taking on contracts would need premises and staff within the area.

A particular issue in Brighton & Hove is bus fares. Fares across England have risen at a rate faster than prices for many years and Brighton & Hove has not been an exception given that revenue needs to cover its operating costs. Comparison with similar areas shows that Brighton & Hove fares and day tickets are priced similarly to those elsewhere although weekly tickets do appear to be slightly higher than those elsewhere. Under franchising, fares and types of ticket would be set by the local authority but would be agreed and coordinated under an Enhanced Partnership.

In setting the specification for services, delays caused by other traffic need to be taken into account. This is pertinent with Brighton & Hove being the fourth most congested urban area in the UK, adding to operating costs. This is behind the current network which features a limited number of cross-city services so that transfer between one bus and another typically takes place in the city centre. The annual operating cost for Brighton & Hove Buses is estimated to be in the order of £38.5 million. Profit in 2019 was £14.1 million against a turnover of £101.9 million although revenue plummeted during the Covid-19 pandemic in common with all bus businesses.

4.4 Potential improvements

Potential improvements need to be set out by BHCC as highway authority (bus priority measures, traffic management, on-street parking and some off-street parking) and bus operators (routes, fares, service frequencies and hours of operation). Under an Enhanced Partnership, buy-in by operators is essential but should support not be forthcoming, the risk is removed by franchising. However, franchising increases risk both financially in underwriting costs and potential revenue losses but also in securing value for money services. For example, Greater Manchester expects franchising to be very costly (£134 million over five years) but will not deliver a step-change in the number of users. Experience in Brighton & Hove has shown that partnership works and can be highly successful which could be lost under a franchised arrangement.

Punctuality is a key metric and improved bus journey times are likely to be achievable only if extensive bus priority measures are in place; similarly, frequency increases also attract new users. These can be achieved either through partnership or franchising but the level of control and costs incurred by the local authority are the main differences. This would build on success to date but with franchising, there is no certainty that Brighton & Hove Buses would win any or all of the route contracts and a reduction in profit could be expected which could stifle further investment.

Franchise costs include core activities, transition costs and support activities but for Greater Manchester, analysis indicates that franchising represents better value for money given its wider economic impacts. Should BHCC pursue franchising – the area being approximately one tenth the size of Greater Manchester – then costs could be in the order of £13 million over five years as a minimum. However, significant costs for legal processes would be incurred, particularly if no other authorities pursue franchising (none having indicated that they will) and more officer time. However, franchising is not necessarily advantageous compared with an Enhanced Partnership in securing growth in the number of bus users.

Regarding profit, an element is required for reinvestment particular asset renewal in the form of new buses and to cover rising operating costs (primarily labour and fuel). The pandemic severely damaged bus businesses despite Government emergency funding with the result that further investment options are limited.

There are further considerations including the need for a depot site and staff if a new operator wins franchised services. Alongside this requirement, local politics may affect the specification of services either to create more services with a lower rate of return than established services or to under-specify services to save money. In contrast an Enhanced Partnership could be more responsive to changes in the market given the more commercially-based role of the operator.

4.5 Recommendation

Based on the available evidence, it is recommended that adoption of franchising in Brighton & Hove would be detrimental to bus users and risky for BHCC as the sponsoring authority which would incur high potential costs to set up and monitor the franchise arrangements with no guarantee that all its objectives would be addressed.

