

Stakeholder Bus Franchising FAQs

Profit margins? Why does the private sector need to operate the buses?

A number of stakeholders have suggested there should be greater consideration of municipal ownership. This is where Local Authorities themselves (either WMCA or its constituent member authorities) own and operate a bus company. The government have suggested that forthcoming proposed changes to legislation will make it easier for Authorities to do this, however it should not be considered the case that a municipal bus company is an alternative to franchising. This is because without the market controls delivered through franchising, any municipal bus company would be set-up to compete in the market with commercial operators, and these commercial operators would be likely to employ practices to defend their most profitable services making it difficult for the municipal bus company to access them, such that it would be difficult for a municipal bus operator to secure the commercial routes required to achieve the revenue it would need to cover its costs. There are no plans to deliver powers that would enable a Local Authority to set up a municipal bus company and gift it all of the bus services that operate in its area, preventing any competition. Hence why the creation of a municipal bus company should not be considered as an alternative to franchising. A municipal bus company could be established to compete for contracts or act as an 'operator of last resort' if for any reason a private operator is not able or willing to run services. The establishment of a municipal bus operator would need to be subject to a separate business case, there is no dependency between this and Franchising.

What will happen to current bus operators' staff if they don't win contracts?

It is proposed that bus operational staff, such as drivers and engineers, would continue to be employed by bus operators. If different operators take over routes than mechanisms are in place that enable these staff to transfer between companies on the same terms and conditions (TUPE). Some managerial and back office staff may be given the option to TUPE between operators or in to consolidated TfWM teams (e.g network planning, customer services, revenue protection). It is not anticipated that there would be any compulsory redundancies.

Will councillors be able to decide where buses go?

Insofar as TfWM will design the network – yes, there would be governance in place that provides the opportunity for elected councillors to have a much greater influence over network design and service standards than they have today. Whilst councillors and passengers may be consulted on services changes today, it is ultimately the operator who decides what to do regardless of the views of passengers. However, there would inevitably be cost implications associated with any proposed changes and requirements may conflict (e.g a councillor in one ward may want a more direct service, but this would involve removing a diversion through a street in another ward, which passengers there may object to), so there will always need to be compromise as well as a consideration around affordability. Processes would be put in place to ensure this is managed effectively. It is envisaged there would be a process of ongoing regular public engagement once Franchising is in place to enable continuous improvement.

How will this impact on the partnership between Local Authorities and bus operators?

Franchising replaces the statutory Enhanced Partnership that currently exists between Authorities and bus operators, and TfWM would be able to contractualise any commitments that exist within this that it is considered should be kept.

But the Combined Authority doesn't have to pay those costs today?

The management and depreciation costs of buses and depots that operators own would be taken into account in their profit/loss accounts. This would determine how much network they are prepared to deliver commercially, with TfWM supporting the rest with subsidy. So whilst WMCA would not be directly paying for buses and depots this is a 'business cost' for operators and impacts on the amount of subsidy that would be required to support the network.

Will this lead to a more integrated transport network?

There are various components of 'integration', many of which would be much more deliverable under franchising. Because the entire network and timetables are being specified by a single accountable body (TfWM), it can ensure these are designed in a joined-up way, taking into account all public transport modes. It would also be possible to deliver a single ticketing system and consistent branding, look and feel across all services. Any improvements to interchange facilities, such as bus stations and interchange hubs, would require additional investment as is the case does today. This isn't accounted for in the assessment. However there may be a greater case for such investment if it can be shown to increase passenger numbers, which the Authority would directly benefit from.

Will punctuality and reliability improve?

TfWM will specify performance requirements in contracts and be able to penalise operators who do not meet these, which it is unable to do today, so that should lead to improved performance. However the higher these standards are set the more operators are likely to build an allowance for risk into contracts, so there will need to be consideration of what are appropriate and reasonable expectations. It must also be recognised that many delays are outside of an operator's control (e.g. traffic congestion) and this will need to be taken into account when determining if operators should be penalised or not. There will be a financial incentive for Local Authorities to ensure bus routes are able to operate reliably, because this will require less resource from the operator and thus lower contract costs. There is likely to be a greater case to invest in bus priority, not only because it means services can be operated with less resource if buses aren't stuck in congestion, but also faster, more punctual services are more attractive to passengers, and more passengers will mean more revenue for the Authority.

What about cross-boundary services?

The Transport Authority is able to franchise service that cross the boundary, except that outside of the boundary these may be subject to competition. Alternatively, the Authority can provide 'permits' to operators to run services which sit outside of the franchise scheme, subject to meeting certain conditions (e.g. ticket acceptance). There would be a mixture, the detail of which would be worked through following a consideration of the network at the point a decision is taken to commence Franchising.

Will Franchising help deliver Sprint and Cross-City?

Yes. A challenge of delivering these schemes has been securing commitment from operators to invest in fleet and operational aspects of the service, despite the extensive ongoing investment in infrastructure. Franchising would enable a whole-system approach, where investment in infrastructure can be aligned with investment in services, because the Transport Authority would be specifying all of it. Again, Franchising is not dependent on these schemes being delivered, but there is a greater case for investment if there is more certainty over outcomes.