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Llyr Gruffydd MS

Chair - Climate Change, Environment and Infrastructure Committee

Senedd Cymru

Cardiff Bay

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.cc Ken Skates MS, Cabinet Secretary for Transport and North Wales
James Price, TfW Chief Executive

By email

Dear Llyr

Bus Services (Wales) Bill – Stage 1 Residual issues to be considered in Stage 2 Amendments

I am writing to highlight elements in the draft Bill that I believe require consideration in the Stage 2 amendments.

Councils are supportive of the objective and aspiration to increase bus patronage. It is important, though, that the approach being taken within the Bill is efficient, and minimises risk to the public purse and the potential reduction of existing services for current users. I would therefore like to take this opportunity to raise a number of points with you and your Committee.

A primary consideration is the affordability of the proposals both in terms of the administration cost and of being able to meet expectations being raised by the Bill regarding increased bus service provision.

The Welsh Government Financial Assessment includes an estimated additional administration cost of £30m per annum to deliver franchising. This is a significant increase over the administration costs of councils delivering the current network. I have had verbal reassurance from TfW that they do not recognise the figure of £30m and that they understand the need to match current administration costs. I believe it is important that this point is clarified and documented as part of the committee's deliberations.

The case for franchising highlights the opportunity to improve services, suggesting new routes and / or service level improvements will be provided. However, it is clear from the South West Wales public consultation and information circulated to councils in the region by TfW, that there are no additional staff and vehicle resources immediately available. Therefore improvements, at least initially, are likely to be marginal.

Discussions to date and the consultation on the Draft Welsh Bus Network Plan have highlighted the importance of local knowledge in understanding the needs of users and being aware of physical highway and infrastructure constraints that impact on bus operations.

The proposed network revisions emanating from TfW include greater use of interchange connectivity. That introduces additional journey times. Longer journeys that merge routes, and are less frequent and leave some areas without a service or reduced levels of service, are also being proposed. Some former bus journeys will need to be completed through an interchange with rail. This will have unintended cost consequences for concessionary pass holders, who will be required to pay a portion of the cost of travel that they were previously entitled to for free.

Increased operational running distances will increase the risk and impact of congestion on bus service reliability with fewer, if any, opportunities to mitigate.

There are also plans to separate the provision of infrastructure and information provision. However, these elements are intrinsically linked, as information cannot be provided without suitable infrastructure. Whilst councils recognise the importance of bus stops as the shop window to users, funding pressures have limited the ability to provide infrastructure that meets our shared aspirations. The omission of wider highway infrastructure considerations, including bus priority measures, means that one of the fundamental barriers to bus use remains unaddressed by the plans.

The Bill effectively limits the role of councils to one of being a consultee, although councils will still have legal duties for critical elements of the system including Home-to-School transport, roadside infrastructure and being the relevant Highway Authority.

Welsh Government has proposed the use of a Memorandum of Understanding with councils. However, it is not clear that this would carry sufficient status to enable councils to discharge their relevant duties effectively. A duty to work jointly with councils would be preferable. In this respect, there is also a need to clarify governance arrangements. Ultimately, as drafted, Welsh Ministers will be responsible for approving the bus network. This creates a risk that what is approved may conflict with councils' duties and responsibilities in relation to highways and Home-to School transport provision. Whilst there are good joint working arrangements which would hopefully avoid such situations, a duty to work with councils would provide added reassurance.

The approach to procurement, with full, 'gross cost' contracts, does increase the financial risk to the public purse. It also introduces an increased requirement for contract management and administration. The proposed approach, in effect, guarantees operators' profit margins for all services with no financial risk to them.

The long-term success of cost control in such a procurement model, is reliant on a strong supply market. There is a risk that the number of suppliers, especially SMEs and municipally owned bus companies, will be seriously impacted if they are unsuccessful in the first round of franchising. Equally, major bus operators could decide to pull out of Wales if they are unsuccessful. In both cases, this reduces competition and risks instability and price increases in later rounds. The loss of such operators will also constrain the ability of councils to meet their statutory Home-to-School duties due to the loss of capacity and / or inflated prices to reflect the reduction in the supply of suitable vehicles.

The proposed purchase of depots and vehicles will introduce further up-front costs to the public purse that may not be recouped or deliver value for money. The proposed use of the residual value mechanism to procure vehicles from incumbent operators inherently introduces fleet inefficiencies. I have suggested a different approach to TfW that would involve the use of financial incentives to operators to upgrade their fleets.

In submissions to Senedd committees WLGA representatives highlighted concerns with the cost and revenue assumptions within the RIA. These concerns remain, with the risk that the over-optimistic assumptions and any additional administration costs will make it difficult to deliver the current network within the budget available. Given the fixed contract price for successful operators, any budget shortfalls would have to be addressed through service cuts and / or fare increases.

The proposed transfer of existing council functions to Welsh Ministers has considerable implications for staff resources and efficiencies. As council staff generally perform multiple roles, any job cuts that result will impact on transport knowledge and capacity in councils more generally. The exclusion of Home to

School Transport and the Welsh Government Concessionary Travel Scheme from the Bill places these staff at particular risk.

The aspiration to make use of the public transport network for Home to school transport is supported, with many Local Authorities operating integrated transport units, which already maximise such opportunities. Whilst the intention to consider further opportunities is noted, there is an inherent risk that the approach will introduce conflicting requirements and erode existing efficiencies. The proposed network changes risk the removal of statutory home-to school journeys that are facilitated by the existing network. The funding assumptions of the franchise contracts will need to carefully consider the potential loss of existing revenue sources.

Council officers have many years of expertise in planning and co-ordinating bus networks and are keen to continue to work closely with you as this work progresses,

I hope these observations are seen as constructive and helpful to you in shaping the Bill to achieve our mutual objectives of increasing bus patronage whilst delivering best value to the public purse. I am copying this letter to Ken Skates MS, Cabinet Secretary for Transport and North Wales and James Price, Chief Executive of TfW.

Yours sincerely



Councillor Andrew Morgan OBE
WLGA Leader and Transport Spokesperson