

# Rural buses: an endangered species

Rural bus services are being engulfed by rising costs and there is a real danger of a spiral of decline. To combat this, it's essential there is action by operators and both central and local government, involving more powers for local authorities over buses, stable and secure funding and better and more passenger-focused regulation, combined with better marketing and effective local transport planning.

Some claim that the decline in rural buses is inevitable. The argument is that public transport is all very well in cities and large towns, but in rural areas we must accept the supremacy of the car. The Eddington Report does not mention rural transport, rural areas or tourism. The draft Local Transport Bill focuses on improving buses in key city regions, and only mentions rural areas in connection with community transport. Government policy and priorities seem to suggest that an effective rural bus network is beyond reach.

Yet other countries don't see it this way. A few years ago, we commissioned research to examine rural transport overseas (*Rural Transport Futures*, 2003). This found integrated and widespread transport services even in remoter rural areas.

Far from being an anachronism, rural buses are vitally important, for three main reasons.

- They are essential to combat social exclusion. One in five rural households has no car and many even in car-owning households do not have access to a car, or are too young or too old to drive one. Buses enable non-drivers to access jobs, shops, education, training and services, all of which have been centralised and rural facilities closed
- They can bring in visitors and tourists. If the countryside is to avoid becoming a ghetto, lived in and visited only by the rich, then it must be made accessible to a wide range of people and income groups, including people without cars. Rural buses are also important for the economy. Many small businesses set up in the countryside or market towns, and need good public transport for employees
- They can help to combat the significant rise in rural traffic. Country lanes are ill-placed to cope with this rise, and in areas like National Parks, traffic damages and devalues the very countryside that people are coming to see. Traffic also causes a vicious cycle of increasing car use by making rural buses less reliable. Good rural bus services can offer an alternative to car use, cutting both traffic and carbon emissions

## **Rural buses: a fragile situation**

The viability of rural buses is fragile. Increasingly, local authorities are stepping in to support services that are no longer commercially viable. The proportion of bus kilometres requiring local authority support is greater in rural areas than in cities and large towns, and growing at a faster rate. What is more, the cost of each supported kilometre in non-metropolitan areas rose by 20% in the five years to 2005, compared to a 9% drop in metropolitan areas. Why are rural buses endangered?

### **Reason 1: Cheaper car use, increasing car ownership**

The real cost of travelling by car fell 10% between 1997 and 2006 while the cost of taking the bus rose 13%. No surprise, then, that car ownership is increasing. The Department of Transport's *Regional Transport Statistics* show that as car ownership rises, bus use falls. In Yorkshire and the Humber, for instance, car ownership rose by 2.9% from 2003 to 2004, and bus use fell by 5.5%.

### **Reason 2: Cost pressures on rural buses**

We have used detailed data from three rural bus operations, drawn from different rural areas across England, to analyse cost trends. We have looked at three factors in particular – insurance, wages and fuel.

#### **a) Insurance**

Across the three operations we examined, the cost of insurance per passenger rose by an average of 42% between 2002 and 2005. Clearly this huge increase has made rural bus services less profitable.

#### **b) Wages**

The bus industry is very labour dependent, with staff costs accounting for around 60-65% of all costs. Across the three operations we examined, the cost of wages per passenger rose by an average of 15% between 2002 and 2005.

#### **c) Fuel**

The Bus Service Operator Grant refunds 80% of the duty paid by bus operators on diesel. While this is welcome, it does mean that increases in world oil prices have a greater impact proportionately on the cost of providing local bus services than on other sectors of the road transport industry. What is more, although each of the three operations improved fuel efficiency between 2002 and 2005, the decline in passenger numbers meant that they used more fuel per passenger.

Rural bus costs have also been increased by the way European regulations on maximum working hours for bus drivers have been imposed in the UK. This has ended in a blanket ban on bus routes over 50km long (even if drivers change), so rural bus routes have had to be split into smaller parts with no through tickets, adding to costs for operators and increasing the costs of bus use and inconvenience for passengers.

Operators also cite increasing congestion in the market towns and even some villages served by rural bus services as a further cause of cost increases; while some urban authorities have been prepared to install bus priority measures, these are rare in more rural areas.

### **Reason 3: Increasing bus fares**

Facing declining passenger numbers and increasing costs, many operators have felt that their only option is to increase fares. Unlike rail fares, bus fares outside London are unregulated and operators are free to raise them as often as they feel necessary. In some areas this has led to a spiral of decline, where bus fares rise, fewer people use buses and more use cars, adding to cost pressures which in turn lead to fares increases and service cuts.

## How to revive and strengthen rural buses

The Local Transport Bill provides an opportunity for the Government to fundamentally re-examine existing policies and regulations in order to attract passengers back on to rural buses.

### Establish area networks

Rural areas, like urban areas, should be able to plan bus networks that meet people's needs. If bus patronage is going to grow, the bus user must be prioritised, whether that bus user is in a city or in the countryside. Campaign for Better Transport's vision is of a seamless network of integrated public transport across the UK as a real alternative to the car. High quality rural bus services are a key part of this vision.

Rural local authorities need to have a range of options for creating high quality networks in their areas:

- linking existing bus funding together
- being able to upgrade existing commercial bus services
- setting up "tendered network zones"
- agreeing improved quality partnerships with a range of operators and covering whole areas rather than specific routes
- creating "quality contracts" where whole networks are franchised and local authorities specify the fares, frequencies and maybe timings for the services

Some of these options will involve legislative change and we want to see the Local Transport Bill include these. But a first step to improving the quality and quantity of rural bus networks is to link together existing services. Rural areas have a lot of different transport services commissioned and run by different bodies: social services, education, health, youth service etc. If these are linked together, better rural transport services can be provided with no extra cost. In counties like Devon with a single transport co-ordinating unit, funding for buses can be brought together so that coherent bus networks paid for by different funders can be planned. This makes better use of existing public funding. We want to see more authorities co-ordinating their transport services and funding, and the Government promoting this through local area agreements.

At present, there is a clear divide between commercial bus services provided by operators and subsidised services provided under contract to the local authority, which can only intervene if commercial operators won't provide services the authority considers socially necessary. The Local Transport Bill proposes to blur this divide by allowing local authorities to fund improvements to commercial services, and we support this. In many rural areas, all or most services are subsidised anyway. However, local authority attempts to design and procure a cohesive network can sometimes be undermined by operators 'cherry picking' the best bits of the best routes, or providing poorly integrated services.

The Association of Transport Co-ordinating Officers, which represents local authority transport co-ordinators, has proposed "Tendered Network Zones" as a way round this. In a 'Tendered Network Zone', the Traffic Commissioners would cooperate with the local authority, and would refuse to register a commercial service if it would undermine the network. Bus Service Operator Grants would be paid to the Tendering Authority rather than the operators (as proposed for quality contracts). 'Tendered Network Zones' would give local authorities more control where quality contracts do not exist, and would enable them to plan and deliver a stable network. We support this as an option to be included in the Local Transport Bill.

Local authorities can already make a formal arrangement with bus operators, where both parties commit to certain improvements (Quality Partnerships). Under the Local Transport Bill it may be possible for these schemes to include frequencies, timings and fares, which will make these schemes a more useful option. However, the Bill needs to allow for quality partnerships that are long term, multi-operator and area wide, rather than route specific. The application of these schemes to entire bus networks would enable local authorities in rural areas to plan strategically.

In many rural areas where all or most services are already subsidised by local authorities, these options may be enough to create the high quality networks we want to see. However, we also believe that bus franchising (or 'Quality Contracts') should be a realistic option for rural as well as urban local authorities. Franchising means that the local authority plans a bus network, specifying the fares, frequencies, timings, routes and tickets that are needed. Bus operators then bid to run the services specified, and the contract is awarded on value for money criteria. With this approach, the local authority must decide what kind of bus network will meet local people's needs, rather than relying on the deregulated market. London's buses are already provided this way, and passenger transport authorities in other cities have argued that only with franchising can they provide a comprehensive, integrated public transport network and have real control over the quality of that network. They also argue that it is more cost effective because it enables cross-subsidy (so that popular routes can provide the revenue needed for less popular ones), and stops monopolies, high profit margins and competitive over-provision of buses on core routes.

Bus franchising is widely used across Europe, in rural as well as urban areas. A recent study concluded that "In no region or city that can be considered to be delivering better or exemplary practice in transport policy implementation is the local roads-based public transport system deregulated; the most successful systems are run on a franchised (quality contract-type) basis." (*Transferability of Best Practice in Transport Policy Delivery*, Colin Buchanan and Partners for the Scottish Executive, 2003). We believe that franchising needs to be a real option available to rural as well as urban authorities in the UK if they judge it is the best way to create high quality public transport networks. Operators argue that it can ossify networks by making them less responsive to passenger needs and that cross subsidy can mean hobbling the expansion of successful routes at the expense of less useful ones. We believe that this can be addressed by letting contracts where operators keep some or all of the revenue they collect and hence have real incentives to grow the business. Contracts can also be specified in ways that reward operators for attracting people out of cars.

In summary, we want to see the Local Transport Bill give local authorities a range of options for providing high quality rural bus networks, including tendered network zones and quality partnerships and making Quality Contracts a realistic option for rural local authorities, as well as urban ones.

### **Stable and secure funding is necessary part of solution**

There is a concern that some of the existing funding for buses is untargeted. We suggest that funding for rural transport be channelled in two directions:

- 1) The current Bus Service Operator Grant refunds 80% of the duty paid by bus operators on diesel. The system has been criticised for removing incentives for operators to adopt low-emission or low-energy vehicles. The grant should be increased to 100%, but part of it should be conditional on operators improving fuel efficiency, and part on improving marketing. As already noted, the Local Transport Bill would allow local authorities letting bus franchises ("quality contracts" to receive this funding, and this could be applied more generally where local authorities fund bus services
- 2) There should be more ring-fenced funding to local authorities to pay for rural transport. Funding which is not ring-fenced risks being diverted into other areas. Options include an increased and permanent Rural Bus Subsidy Grant or ring-fenced revenue funding dependent on the public transport strategy within the Local Transport Plan. We also suggest giving transport funding to National Park Authorities through a ring-fenced sustainable transport fund, as suggested by the Council for National Parks.

The Government can improve the use of funding by improving the local authority tendering process. For instance, a requirement should be introduced that all bids contain a marketing and publicity strategy.

In principle, income from motoring charges could be used to pay for good public transport networks. The Government already allows local authorities to develop local road charging schemes, though so far few rural authorities have shown interest. A more realistic immediate option might be to use income from parking charges to pay for public transport improvements.

Action also needs to be taken to bring down costs to operators. For example, following our findings above, the Government should examine whether the bus insurance market is working properly and has enough competition within it.

### **Modal integration is important**

If rural public transport is to work, it must be integrated: people must be enabled to combine different modes of transport (trains, buses, taxis etc) in order to reach their destination. In some rural areas in Europe there is a 24/7 public transport service provided by combinations of trains, buses and franchised taxis all linking together (*Rural Transport Futures*, 2003). This need not be much more expensive than our current system, because providing a coordinated system would be more efficient, and would increase revenue. Currently, lack of regional transport coordination and provision, the way different modes of transport are funded and regulated, and the way ticketing works, makes this very difficult.

Local authorities must have the freedom and flexibility to commission and co-ordinate rural services, and they must be able to link local buses with local rail and ferries. Multi-modal ticketing is a crucial part of providing integrated services, and must be on offer everywhere. If this cannot be achieved through cooperation between bus companies, local authorities must have powers that they can realistically use to enforce it.

Community transport and demand-responsive services must be integrated with fixed-route public transport. Such services can increase bus use significantly, by linking people who do not live on bus routes into the bus network. In Lincolnshire, the 'InterConnect' networks of core fixed routes fed by demand-responsive links has worked so well that some of the fixed routes are now run without subsidy. These kinds of services need stable and secure funding and sensible regulation.

In other countries, taxis are often used in rural areas as part of public transport networks. In some cases, this allows even remoter rural areas to have a 24 / 7 transport service with buses during the day and taxis in evenings and nights. Bringing taxis within public transport provision would help improve access and services in rural areas. At the minimum, taxi licensing should be given to counties rather than districts and options for taxi franchising developed.

### **It's time for a passenger watchdog**

An independent, Government-funded statutory passenger watchdog for bus users is needed to improve the quality of bus services and help to reverse the decline in rural bus provision. Increasing bus patronage requires rethinking how bus users are treated. The passenger watchdog should lobby for national minimum standards in line with bus users' priorities. These national minimum standards would be set and monitored by the Traffic Commissioners, who would need an expanded brief and budget. National minimum standards should cover all aspects of bus travel: fares, frequencies, timings, security for passengers (and staff), punctuality and reliability, helpful drivers, clean buses and bus shelters, accessible buses, and information that is readily available and easy to use. These standards need to be accompanied by funding to implement them.

## **Competition law must be revised**

Current competition law means that in practice operators are deterred from practical cooperation which would be in the interests of passengers, such as agreements to accept other operators' tickets or to run regular interval services on multi-operator routes. We believe that a broader approach is required to competition within the bus industry, which will promote and allow agreements between operators that are in the public interest while continuing to prevent action that would be against the public interest.

## **Better marketing is needed**

It is clear that marketing works. However, rural bus services are often not marketed or in some cases publicised at all. There is often an assumption by bus operators and councils that the market for rural buses is captive and declining. Lack of incentives means this assumption goes unchallenged. Operators are often paid by authorities to run services on a 'gross cost' basis, meaning that they are paid the same whether there are people on the buses or not.

This lack of publicity and marketing is simply not acceptable. Marketing, publicity, branding and advertising of rural bus services is effective. It is also achievable by local authorities. Hertfordshire County Council runs a county-wide quality partnership to provide public transport information. A levy on all operators pays for up-to-date information at all bus stops and county-wide marketing.

- Stagecoach invested £250,000 in a marketing campaign, which incorporated sophisticated market research and direct marketing techniques. The extra fare income generated as a result was three times the investment
- The Blazefield group in Yorkshire (now part of Transdev) tackled the problem of the low perceived social status of the bus by radically upgrading the interiors on certain routes, with leather upholstered seats and more leg room
- The main Isle of Wight bus operator, Southern Vectis, has seen 10% growth in patronage since simplifying and rebranding its network

## **Effective local transport strategies would help**

The Government should use planning policy and design guides to promote development that is based around buses and other public transport rather than cars. Local authorities must be encouraged to use parking management and bus priority. Local authorities as highway authorities tend not to think about buses when implementing traffic management or overseeing road networks or road works. This can mean journey times are increased, and buses become a less attractive option. The Traffic Management Act and 'bus audits' should be used to ensure buses are not disadvantaged.

## **Solutions: making the rural bus less fragile**

In summary, we believe that to remove rural buses from the endangered species list, Government needs to:

- Give local authorities powers to establish area networks
- Ensure stable and secure funding
- Encourage modal integration, including taxis
- Create a passenger watchdog
- Reform competition laws
- Promote effective local transport strategies
- Work with local authorities and bus operators to better market bus services

If these are followed, we believe the UK can join other European countries in having high quality rural bus and public transport networks that people choose to use in preference to cars and which ensure that people without cars are not left behind.

*Campaign for Better Transport is grateful for the research David Woracker undertook which fed into an early version of this report.*

---

**1 October 2007**

**Campaign for Better Transport**

12-18 Hoxton Street London N1 6NG

info@bettertransport.org.uk, www.bettertransport.org.uk

*Campaign for Better Transport Ltd is a company limited by guarantee, registered in England and Wales (1512347)*