

# BUS REGULATION

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Working with you to navigate the process

## ESTABLISHMENT OF FORMAL PARTNERSHIP OR FRANCHISING SCHEMES FOR BUSES ACROSS ALL LOCAL AUTHORITY AREAS OUTSIDE LONDON

The Government wants every local transport authority (LTA) and bus operator in England to be in a statutory Enhanced Partnership or a franchising scheme, using existing powers included in the Bus Services Act 2017. In order to be eligible for funding, the Government requires a commitment to develop an Enhanced Partnership or, for Mayoral Authorities that already have the power, a start to the statutory franchising process, by June 2021. This doesn't leave very much time.

That's where Addleshaw Goddard comes in.

We have been working with a number of authorities in relation to the powers available to them under the Bus Services Act 2017 and have experience around the key issues, both commercial and regulatory, in connection with working in a deregulated and/or a regulated bus environment.

ISSUES TO CONSIDER	
<b>FUNDING</b>	How will the service delivery option be paid for? For example, Enhanced Partnerships that require investment from bus operators are likely to also require investment from the LTA and local highways authority.
<b>BUS SERVICE IMPROVEMENT PLANS</b>	<p>Government has indicated that funding will be dependent upon LTAs' producing Bus Service Improvement Plans and incorporating these into the formal partnership or franchising scheme. Government expects that these improvement plans will:</p> <ul style="list-style-type: none"><li>● Set targets for journey times and reliability</li><li>● Identify where bus priority measures are needed improvements</li><li>● Set out pressures on the road network, air quality issues and carbon reduction targets which improved bus services could address</li><li>● Drive improvements for passengers</li></ul> <p>It is currently unclear to what extent Government will fund the implementation of the improvement plans or whether funding will be available if all areas are not covered.</p>
<b>INFRASTRUCTURE</b>	A significant amount of Government funding relates to bus infrastructure. An issue for LTAs is how they fund and facilitate a move to green technology through items such as depot enhancements without losing control over those enhancements, reducing competition and potentially limiting future plans.
<b>PUBLIC SECTOR CAPABILITY</b>	The current deregulated environment has meant that LTAs have required limited expertise in managing bus services. The introduction of Enhanced Partnerships or franchising schemes as well as monitoring the performance of Bus Service Improvement Plans will necessitate resources that most LTAs do not currently have.
<b>FUTURE TRANSPORT PLANS</b>	Does the services delivery option enable the LTA to implement future transport plans effectively (e.g. inter-relationship with other transport modes and last mile travel)? These strategic plans will need to align with the Bus Service Improvement Plans.
<b>TIMING</b>	Government expects Enhanced Partnerships to be "in place" or be following the statutory process to decide whether to implement a franchising scheme by April 2022. Only services operated or measures taken under an Enhanced Partnership or where a franchising scheme has been made will be eligible to receive the new funding streams. The current statutory requirements mean that an Enhanced Partnerships is likely to require a minimum of 6 months to implement and franchising schemes considerably longer.
<b>COST</b>	There is £25m available across all LTAs to support collaborative working and the production of Bus Services Improvement Plans. The Government is encouraging LTAs to collaborate in order to produce cost efficiencies. Using experienced advisors will also be key to keeping down costs.

## THE EXPERIENCE TO GUIDE YOU THROUGH THE PROCESS

We are already working with a number of Local Authorities on their assessment of options available to them under the Bus Services Act including:

- West Midlands Combined Authority
- Cambridge and Peterborough Combined Authority
- Merseytravel

But what does that work look like in practice?

### CASE STUDY: WORKING WITH MERSEYTRAVEL

#### THE PROJECT

The Addleshaw Goddard Bus Services Team are currently advising Merseytravel on its appraisal of how bus services are offered within the Liverpool City region through the development of a franchising assessment in accordance with HM Treasury and DfT guidance. This project has consisted of an in depth analysis of the options now available under the Bus Services Act and a drill down into the risks, benefits and savings of each option, being franchising, enhanced partnership and a reference case of the current voluntary partnership arrangement with Arriva and Stagecoach which we also helped to develop.

#### OUR ROLE

In developing the franchising assessment, we have worked with technical and financial consultants to support Merseytravel to further develop its vision for bus and set out a number of bus interventions that support the delivery of the bus vision. We have also undertaken an assessment of the ability of the three main options shortlisted at Strategic Outline Case stage (continuation of the bus alliance, development of an Enhanced Partnership, and development of a franchising scheme) to successfully deliver the bus interventions and wider bus vision. This has involved developing what each of the Enhanced Partnership and franchising scheme delivery options will comprise and a detailed assessment of the financial, commercial and management implications of the different options (including the use data obtained under the Bus Services Act) to support the selection of a preferred option for the Liverpool City Region Combined Authority.

As part of our analysis, we have assessed whether the improvements Merseytravel desires to bus services can be delivered under the different options and we are determining how the different options can act as enablers to the Liverpool City Region's Combined Authority integrated strategy.

From a Financial Case perspective, following the Bus Services Act and related Guidance, we have developed a long-term affordability analysis, including developing a financial model to determine the year-by-year cost (capital and revenue) and affordability of delivering the services, network, fleet and ticketing improvements desired by Merseytravel. For example, this has involved developing outputs for scenarios in which Merseytravel hold the revenue risk, and stress testing the sensitivity of Merseytravel's net income/expenditure under different operating cost/ farebox revenue scenarios.

We have also developed the commercial model for the shortlisted options, and assessed the contracting and procurement implications of undertaking any given option. In particular, this has involved a detailed assessment of the commercial arrangements surrounding fleet, depots, pensions and other key issues, as well as potential implications of different approaches for levels of competition in the bus market.

We are currently assessing the impact of covid-19 on the assessment.

#### ADDING VALUE

We have supported Merseytravel and the Combined Authority by giving briefings on the process and emerging options and producing presentation slides for a number of different audiences including the Metro Mayor. We have also provided advice on how best to mitigate challenge risk, supported the development of a clearly documented process, advised on how to protect legal privilege and reviewed public statements for consistency with the business case work and Merseytravel policy.

# CONTACTS

Please do not hesitate to contact us to discuss how we can help you:



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**PROBLEMS. POSSIBILITIES.  
COMPLEXITY. CLARITY.  
OBSTACLES. OPPORTUNITIES.  
THE DIFFERENCE IS IMAGINATION.**

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