RURAL ECONOMY AND CONNECTIVITY COMMITTEE

TRANSPORT (SCOTLAND) BILL

SUBMISSION FROM FIRSTGROUP PLC UK BUS DIVISION

FirstGroup plc through its UK Bus Division operates through three subsidiary businesses in Scotland via five limited companies;

First Glasgow comprising First Glasgow (No.1) Limited and First Glasgow (No.2) Limited. Combined these operate from five depot locations across the greater Glasgow area and employ over 2,100 people to operate and maintain over 800 vehicles which in 2017/8 provided 96 million customer journeys.

First Scotland East comprising First Scotland East Limited and First Midland Bluebird Limited. This business operates from four depots across the central belt and to the rural areas to the west of Stirling. Over 650 people are employed to run around 270 vehicles which in 2017/8 provided 15 million customer journeys.

First Aberdeen Limited operates services throughout the City of Aberdeen and runs from a modern depot in the heart of the City. Around 450 people are employed and use 175 vehicles to last year provide 16 million customer journeys.

In the most recent independent survey, overall customer satisfaction for First Aberdeen stood at 87%, 89% for First Glasgow and 91% for First Scotland East.[1]

1 Low Emissions Zones

It is widely acknowledged that the quickest and most cost-effective solution to the air quality problems of many large urban centres is to put the prioritisation of public transport and other sustainable modes at the centre of the mobility strategy. Measures to encourage modal switch from private to public transport including buses can be transformative. Bus priority measures can deliver 75% fewer emissions per bus passenger km than for car passengers.[2] The use of people by buses also reduce congestion. A fully loaded double decker bus can take up to 75 cars off the road and as recently reported, a Euro 6 car emits 10 times the NOx than a Euro VI bus or truck.[3]

Assisting bus operators to purchase new vehicles, or retrofit existing vehicles, while providing priority measures to maximise the benefit of this investment to the people who use them has a positive impact on several policy objectives beyond air quality.

Local Authorities need to take positive steps beyond mild encouragement in order to achieve modal shift from personal transport to more sustainable modes. If this is achieved, congestion

[1] Transport Focus, Bus Passenger Survey Autumn 2017 Report
[2] Professor Peter White, University of Westminster 2015
[3] International Council on Clean Transport, NOx emissions from heavy duty and light duty diesel vehicles in the EU report 2017

and transport emissions associated with car use will reduce. The people who use bus services and the bus operators will also then benefit from a potentially virtuous cycle of falling costs (as bus speeds increase beyond the current very low average, less resource is needed for a given frequency. The average speed for the First Glasgow (No.1) operation currently sits at 9.06mph) which when combined with the increased speed, increases the demand for services allowing even greater bus service frequency leading to even further growth in patronage. Improving bus accessibility by just 20% from this scenario this would result in a 7.2% reduction in social deprivation, a 5.6% increase in people with increased income, a 5.4% increase in employment, a 2.4% increase in adult skills and a 1.4% increase in students attending post 16 education[4].

An LEZ should not be an isolated proposal, but should be seen as part of a more comprehensive set of measures to effectively tackle car use whilst actively supporting more sustainable public transport, active travel measures and better placemaking.

Specific comments regarding the Bill:

Whilst the proposal allows grace periods of up to 4 years, with extended lead in periods for residents within zones – this latter extension does not consider buses/depots specifically and appears to exclude them given that it applies to individuals only. This may cause problems for bus operators complying with requirements when a depot is included in the zone – even if the services it operates are largely outside it.

First notes that vehicles that do not comply with the standards will be issued with a penalty charge and this will refer to the vehicle V5 – so there is an obligation on DVSA to ensure that this is updated in a timely manner and on request by the relevant authorities if vehicles are retrofitted.

First is pleased that before a zone can be introduced, local bus operators must be consulted as must local businesses. We note that whilst time limited vehicle exemptions can be granted, these can be for no more than one year. There is a need to be mindful of the capacity of the various parties to manufacture and/or retrofit vehicles in the bus and coach sector in terms of achieving realistic compliance targets to meet a Euro VI minimum specification.

First considers that national rules for key aspects of an LEZ are imperative, to ensure consistency of standard across the potential LEZ and AQMA areas in Scotland. Some vehicles in a typical duty cycle could enter two or even three of the proposed LEZ areas daily and it would be extremely confusing and costly to have differing standards and approaches in each one.

First does not support the ability of a local authority to be able to suspend the operation of an LEZ for an event, however, historic or preserved vehicles no longer licenced for hire and reward should be considered as part of the general exemption given the very low annual mileage and therefore emissions associated with this vehicle type.

[4] Professor David Begg analysis of University of Leeds, ITS 2016 Report

First welcomes the intention set out in the Bill to ring fence any money received though penalty charges and given the significant role supporting travel by bus can play in reducing emissions, anticipates that measures to encourage this mode can at least be part funded through these means.

The financial memorandum sets out a series of theoretical scenarios considering costs for bus operators – this is considered to be flawed, as even with a small central zone it is highly likely that almost all bus routes in an urban area will be covered by the scheme as they will almost always serve the central area. First considers that the capital costs of retrofitting to be £16-22k per bus including ancillary equipment dependent on bus type so the grant funding would not cover the total cost. Additional running costs and project costs are likely to be in the same order of magnitude over a typical 5-year period.

Scrappage schemes for older vehicles are difficult to evaluate but the higher value (£30k per vehicle) is not unreasonable to reflect net book values today for the later Euro 3 vehicles and to encourage replacement of 10 -12 year old vehicles which would have another 4 or 5 years of efficient service life left, by new vehicles at an earlier date than would normally be the case.

Reference to the Scottish Green Bus Fund does not recognise that this was to provide an incentive towards lowering carbon emissions which are not necessarily the same objective as reducing emissions.

2 Bus Services

First UK Bus remains totally committed to delivering a modern, safe, value for money, reliable and environmentally friendly network of bus services for the areas of Scotland it serves. Passenger satisfaction in First's operations averages just under 90%[5] and First has invested over £95m over the last five years in 434 new vehicles and new depot facilities.

Despite this investment there are external factors that are decreasing patronage to a greater degree than any gains in service quality have achieved. Recent independent research has shown that 75% of the factors behind the reductions in bus patronage are not within the bus operators' control[6]

- Congestion has increased average bus journey times by 10% over the last decade.[7]
- Car ownership and use continues to rise and has reduced bus journeys by almost 15 million in the past 4 years.[8]
- Bus operating costs have increased 15% in the last five years.[9]
- Longer journey times have turned almost 6 million people off bus journeys in the past four years.[10]

[5] Transport Focus, 2017 survey results
[6] KPMG, Trends in Scottish Bus Patronage, 2017
[7] Greener Journeys, The Impact of Congestion on Bus Passengers, 2016
[8] KPMG, Trends in Scottish Bus Patronage, 2017
[9] Scottish Transport Statistics No.35, 2016 edition, table 2.7
[10] KPMG, Trends in Scottish Bus Patronage, 2017

Practical measures to enable better bus operation are required to grow bus use. The Bill provides a toolkit of regulatory options for authorities to consider, such as partnerships, municipal operation and franchising. First strongly believe that only introducing regulatory change will not directly facilitate patronage growth.

Specific comments regarding the Bill:

First notes that it is proposed that an authority can run its own service when it considers there is a need for a subsidised service – without having to tender for that service.

First has significant worries that this would not be at all clear and could effectively distort the operation of the market with very worrying competition law implications for any authority embarking on this course of action.

Any mechanism which allows for the authority to specify and then tender for a service to either an existing or new own-account operation, must be set up in an extremely transparent manner to avoid the risk of this potential distortion.

First believes that an own-account operation should only be permitted where no tender bids are received for the subsidised service. If a bid is awarded to an own-account operation, this must be under the same quality and safety requirement thresholds as a commercial operator and must only be awarded for the same period as originally envisaged before a competitive tendering exercise is again carried out.

Existing or indeed new own-account operations, such as Lothian Buses, must continue to operate at arms-length to a local authority as per the Transport Act 1985 and only be allowed to “blind bid” for tenders and contracts with a local authority in the same manner as any other commercial operator.

The proposed Bus Service Improvement Partnerships (BSIPs) are similar to the existing SQPs but the alteration to allow the authority to provide measures rather than facilities (so standards apply throughout entire area of the BSIP) may lead to proposals that seek to put higher standards on operators whilst doing little to facilitate efficient operation. However, we note that a BSIP can only be implemented if sufficient operators agree to the Plan and Schemes – similar to English Enhanced Partnership and subject to detail in regulations.

First is concerned specifically that BSIPs can specify the pricing of multi operator tickets. First does not believe that this is appropriate and considers that this will act as a market distortion and may force operators out of the market. These tickets will by default set the prices at which operators’ own period products are sold, which will then dictate the prices of simple single and return tickets and directly affect the ability of operators to run commercial services. First notes that the provisions will allow the authority to restrict level of service provision – subject to regulations which have not yet been drafted – this too will impose a market distortion on operators and potentially limit the supply demanded by customers.

First is further concerned that a BSIP can be “varied” to extend to cover the entirety of an adjacent local authority area. A small test scheme could be developed in an area of few commercial bus services but subsequently then extended to cover an adjacent much larger area. Although there are consultation safeguards within the draft legislation this is an area which will require great care to ensure against unintended adverse consequences which could undermine large areas of commercial bus operation.

It is welcoming to note that every local operator must be afforded the chance to help develop the Plan and Scheme(s), followed by a consultation with 28 days for objections. The success or otherwise of this proposal depends again upon regulations which will define the required number or proportion of objections that would prevent the plan or scheme from being implemented. First notes that where the authority has specified the maximum service frequency, the scheme must be modified by the authority to accommodate service provision by a new market entrant.

First is concerned that Franchising is intended to be “easier” – but somewhat reassured that any proposal will require an audit and approval by an independent panel appointed by the Traffic Commissioner. First is disappointed that it will no longer be necessary to demonstrate that Franchising (previously Quality Contract) was necessary in order to implement the authority’s policies. The threat of market closure and effective asset confiscation is a significant deterrent to bus operation and should not be taken lightly.

First is pleased to note that the Local Authority “assessment” is required, inter alia, to cover how policies will be implemented, compare the franchise to at least one alternative, describe effect on adjacent areas, set out financial implications for the authority and how they will review effectiveness. Operator views must be sought. Ministers must issue guidance on this assessment process. First is further pleased to note that such proposals must be audited, in accordance with any ministerial guidance.

The process whereby the Traffic Commissioner must convene a panel to assess the proposal, the assessment and audit together with the consultation response summary and any proposed modifications within 6 months will help reduce the potential uncertainty that operators will face when a Franchising proposal is brought forward. However, allowing 12 months after this process before any implementation increases uncertainty for operators and their employees.

Whilst First is pleased that varying a franchise scheme will require an application to the same panel, and will require the authority to justify the action and explain the effect, it is considered that too low a threshold may be established by the requirement that a new assessment will be required only if the authority considers this necessary.

The financial memorandum does not consider the high cost to operators of loss of business in the event of a Franchise being implemented. This will have serious impact on direct and indirect employees of the business(es) concerned. Even the risk of a Franchise can lead to reduced or stopped investment in a local business and considerable threat to its ongoing viability. The cost to a local authority of pursuing a Franchise proposal, as illustrated by the

Transport for Greater Manchester example, should not be considered lightly, and the cost of operating a Franchised network will inevitably be greater than that of a deregulated one, with less operational experience and efficiency being available and contract compliance costs for both contracting authority and franchisee.

In respect of the requirement for operators to provide data for deregistered or reduced services, First notes that the requirements are the same to those required in England under the Bus Services Act. An appropriate threshold should be established to cover marginal reductions in service and rules established to ensure that where a deregistration or reduction is accompanied by a new replacement registration or enhancement of a parallel service, it is the aggregate effect which triggers this data requirement.

First notes that a mandate is established for operators to provide data on routes times and fares in a specified format, and that Transport Scotland will be seeking consistency with England. This is welcome and much of this information is provided already by most operators on a voluntary basis. First urges the Scottish Government to pursue a policy whereby all operator data are stored in a central database and that access to that is controlled on the basis of which bodies are entitled to them, and this may involve development of Traveline – as suggested in the proposals.

Any requirement for data supply must be on a fair transparent and non-discriminatory basis. Suggestions in the financial memorandum that different rules may apply to SMEs do not meet this criterion and may work against operators that have already invested in systems and staff training to fulfil these requirements.

3 Ticketing arrangements and schemes

Whilst First agrees in principle with a national technological standard to overcome perceived interoperability shortcomings, in practice this is likely to be a very rare occurrence.

Public transport trips by bus are usually local and usage in multiple areas is extremely uncommon – so there is a need to ensure that any such requirement is proportionate and does not impose undue additional financial burdens on operators or on ticketing agreements.

First notes that the Scottish Government is seeking that all statutory ticketing schemes will be smart and future proof – but believes that the bus industry has already delivered much that obviates the need for future development. For instance, we have already got 100% coverage of ITSO smart readers, mobile ticket products and EMV (contactless payment) across our fleet in Scotland and we also participate in multi operator ticketing throughout our areas of operation. Already, only 26% of First customers in Aberdeen pay with cash whilst Glasgow is similar at 29%.[11] The remainder pay for their travel using digital means including

[11] Figures for a typical week in September 2018.

mobile app ticketing, contactless card payment or through using ITSO compliant smart cards, with a small number paying for their travel at offices or through ticket agents.

First are concerned that a consultation response of only 148 is being established as a mandate for change – with potentially significant cost implications for operators which will inevitably flow through to customers.

First is pleased that in advance of ministers being able to specify a national standard for smart ticketing, there is a requirement beforehand to establish the National Smart Ticketing Advisory Board with which they must consult.

First notes that it is proposed that any new statutory scheme can prescribe payment means, to whom payment is made, evidence of travel entitlement, information about the scheme, publicising the scheme and other ticketing, ticket appearance. Care must be taken to ensure that such schemes are demand led and are complementary to rather than undermine operators' own ticketing offers, adding value to those who need to make more complex journeys without the costs of providing them far exceeding the value obtained by those using them.

We are concerned that ministers may require a local authority to implement a scheme or schemes where they deem it to be required, or to vary an existing scheme (in each case having first consulted the Smart Ticketing Advisory Board) – the impact on operators compelled to work to the rules of the scheme needs to be taken into account and must not impose unnecessary costs on operators or preclude the use of sales channels that the public find attractive.

There is a need to ensure that any national standard is not unduly prescriptive thereby restricting the type of channel ticketing can be delivered by, especially since this standard will become mandatory for all new statutory ticketing schemes. Adoption of ITSO 2.1.4 as suggested in the financial memorandum is not a problematic proposal, but the Bill should not be too prescriptive as the standards and delivery methods of schemes are likely to change as technology develops and customer demand changes.

As with the bus open data proposals, any standards and policies must apply across all operators in a fair, transparent and non-discriminatory manner to ensure that operators that have already invested in systems and staff training are not unduly penalised by others being given some form of subsidy to comply.

4 Pavement parking and double parking

Whilst this proposal is not specifically aimed at improving bus punctuality, there is an opportunity that revenue raised from fines could potentially be put to such use. In implementing the new legislation care will be needed to ensure that there is no unintended adverse consequence on bus layover provision, or where access to a bus stop is prohibited by the presence of vehicles parked therein or occupation by another bus.

5 Road Works

First is pleased to note that this introduces stricter controls on notifying start and end dates and proper reinstatement.

The ability for the SRWC to investigate and penalise those undertakers who are falling short in terms of quality of works should generate improvements in this industry and ensure that works are carried out to a higher standard, in terms of quality of work and the timescales of the work.

The Bill lacks detail on the timescales by which the SRWR must be updated to state that any works have commended or completed. This remains a critical point for First as we all too often find out about road works for the first time when encountering them.

Roadworks have a major impact on public transport. The Traffic Commissioner's annual report states that "Roadworks and congestion continue to bedevil the reliability and punctuality of bus services… It is essential that buses run to time and route and that any obstacles to such are kept to a minimum or actively mitigated."[12]

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[12] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730781/201718_TC_annual_report_FINAL_270718.pdf