Public Transport (Wales) Bill
Draft Regulatory Impact Assessment

18 July 2019
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RIA introduction

1. The legislation proposed in the Public Transport (Wales) Bill covers a number of areas relating to bus services provision. These include enabling legislative provisions which provide local authorities with more tools to help them deliver bus services in Wales. These provisions relate to enhanced partnership working, franchising and local authority run bus services. They are intended to improve the legislative framework around bus services, providing local authorities with the flexibility to better respond to local public transport needs.

2. The legislation also includes proposals for improving the provision and management of data relating to bus services and increasing the age of eligibility for the mandatory concessionary fares scheme.

3. To reflect the difference in these distinct legislative proposals, the RIA is set out in three different parts followed by a summary of the cumulative impacts:
   - Part 1 – framework (enabling) legislation – enhanced quality partnerships, franchising and local authority bus services;
   - Part 2 – information provision and management; and
   - Part 3 – mandatory concessionary fares.

4. Each part will look at the options and costs and benefits for each distinctive area.

5. The RIA presents a best estimate of the costs and benefits of the Bill based upon the available evidence. The analysis has been informed with support from a transport consultancy and by engagement with key stakeholders including bus operators and local authorities. It has been necessary to make assumptions in order to complete the calculations. Any assumptions made are explained in the narrative.

Current situation

6. The transport network underpins our daily lives, connecting people and communities to jobs, health services, educational opportunities and leisure activities. A modern public transport system should be accessible, affordable and integrated, providing choice and opportunity as a viable alternative to the private motor car.

7. The Welsh Government’s ambition is to provide a joined up public transport network that is safe, reliable, punctual, environmentally sustainable, accessible and responds to meet the needs of the travelling public. Bus services need to meet the specific needs of each locality and by stimulating patronage connect more people to reduce reliance on private cars.

8. There are a range of issues facing local bus services in Wales. Services are in decline and, for many years, passenger numbers have fallen steadily on most
routes in Wales. Falling passenger numbers mean that there is a greater pressure on fare paying passengers, operators and the public purse to sustain the network.

9. There are varying standards in services and vehicles across Wales. There is a lack of coordination between bus operators with routes, ticketing, rail and active travel networks. High quality and up-to-date information is not consistently available across the different services. Further, the delivery of local bus services and infrastructure is the responsibility of several stakeholders, including bus operators, local authorities and Welsh Government. There is a need for stakeholders to work together more consistently to achieve more integrated and sustainable local bus services for communities in Wales.

10. Due to the complexity of bus service delivery and the diversity of factors which influence how people travel, legislation alone will not halt or reverse long term trends in bus usage. Any solution is likely to require a coordinated effort and investment from several stakeholders to help shape and influence the provision of bus services to ensure that they meet the needs of individuals and communities. In some areas, this can be achieved through contracts between local authorities and operators, and in others through effective partnership arrangements. By improving the legislative framework, we can provide a range of additional tools for local authorities to consider using when deciding how best to secure and sustain bus service provision in their area.

Patronage

11. Local bus services account for 3 out of 4 journeys made by public transport. In 2017/18, 99 million ‘in service’ vehicle kilometres were travelled, of which 77% were on routes run on a commercial basis. The remaining 23% were operated on routes contracted or otherwise subsidised by local authorities to meet social needs.

12. The following graph shows the trends in bus patronage in Wales from 2008/09 to 2017/18.

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13. The graph shows that, since 2008-09, the number of journeys in Wales fell by an average of 3.3 million per year, and by the end of 2017-18 stood at 99.9 million passenger journeys per year.

14. Discussions with the bus industry suggests that the reduction in demand is due to a combination of factors. These include factors such as:
   - rising income levels;
   - increasing car ownership;
   - a rise in on-line shopping;
   - reduced bus speeds due to traffic congestion;
   - quality of bus services;
   - higher bus fares;
   - limited investment in bus services; and
   - cuts in the number of local authority supported bus services.

15. The graph also shows the number of trips made by mandatory concessionary fare pass holders. Though there was fall in concessionary travel at an average of 1.1 million trips per year since 2008-09, this is less pronounced than the decline in non-concessionary journeys.

**Funding**

16. In 2017/18 the Welsh Government provided £116m of funding for public buses. There is also funding for bus infrastructure through the Local Transport Fund allocations to local authorities. The Welsh Government also provides support of
around £100m a year for school transport and there are around 700,000 non emergency patient transport journeys per annum\(^3\).

17. The £116m of public bus support includes grants for the TrawsCymru bus service, securing socially necessary bus services which otherwise would not be delivered, supporting bus companies to achieve the Welsh voluntary Bus Quality Standard, contributing to the costs of the concessionary fares scheme (including a proportion of the reimbursement costs and administrative costs to local authorities) and other costs.

18. Bus operators in Wales can claim reimbursement for the revenue foregone from carrying passengers under the mandatory concessionary fares scheme and other discretionary discounted fares initiatives (i.e. My Travel Pass). Bus companies can also claim a contribution towards their in-service operating costs, which accounts for around two-thirds of the £25m Bus Services Support Grant (BSSG). The remainder of BSSG is used to procure regionally significant bus services that otherwise would not be provided. Where the commercial sector does not operate a route or decides to withdraw an existing service, the local authority can determine whether there is a social need to subsidise that service using powers provided by Section 63 of the Transport Act 1985. In addition to the £8m from BSSG, Welsh local authorities receive around £15m of their Revenue Support Grant\(^4\) to support socially necessary bus services.

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\(^3\) [https://www.ambulance.wales.nhs.uk/en/58](https://www.ambulance.wales.nhs.uk/en/58)

\(^4\) Welsh Government receives the majority of its funds from the UK Government as part of its block grant along with revenue from Welsh taxes. The Welsh Government then allocates some of this money to local authorities through the Revenue Support Grant and other grants as a contribution to providing their services, e.g. schooling, social care and waste management. Although the overall quantum of funding is based on the formula from the UK Treasury Green Book, the spend is not hypothecated specific functions.
19. The following table provides a breakdown of costs in annual public sector funding for public buses (£m):

<table>
<thead>
<tr>
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<td>57</td>
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<tr>
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<td>2</td>
<td>2</td>
<td>2</td>
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<td>2</td>
</tr>
<tr>
<td>Young Persons Discounted Bus Travel**</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>5</td>
<td>10</td>
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<td>89</td>
<td>87</td>
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<tr>
<td>Local Authority Support</td>
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<td></td>
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</tr>
<tr>
<td>Additional concessionary monies</td>
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<td>10</td>
<td>10</td>
<td>10</td>
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<td>19</td>
<td>16</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td><strong>Subtotal Local Authority</strong></td>
<td>31</td>
<td>31</td>
<td>31</td>
<td>29</td>
<td>26</td>
<td>26</td>
<td>25</td>
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<tr>
<td><strong>Total Public Sector</strong></td>
<td>125</td>
<td>125</td>
<td>120</td>
<td>116</td>
<td>121</td>
<td>124</td>
<td>113</td>
</tr>
</tbody>
</table>

* Before 2013-14 Bus Services Support Grant was Regional Transport Services Grant
** Young Persons Support scheme started in 2015-16.
Part 1 – framework legislation

Part 1 – Background

20. This section looks at the different tools available to local authorities when planning and delivering bus services in their area.

21. Transport for Wales has been commissioned to undertake a thorough review of the bus industry in Wales and develop options for how services could be delivered in future to ensure that urban and rural communities across Wales benefit from a modern and integrated public transport service. Alongside Transport for Wales’ review work, we have also been reviewing the legislative provisions local authorities currently have available to them and whether these provisions are sufficient for improving services for passengers, increasing patronage, and reducing congestion and pollution.

22. Existing legislative provisions in relation to bus services include partnership working arrangements and local authorities contracting for services in certain circumstances. Current legislation also puts in place some restrictions on local authorities in terms of running services directly. The details of the relevant legislative provisions are outlined below.

23. Sections 114 to 123 of the Transport Act 2000 enable local authorities to establish Quality Partnership Schemes (QPSs). The expectation is that local authorities try and agree voluntary partnership arrangements with bus operators in the first instance. However, if that approach is unsuccessful, the provisions allow local authorities to implement QPSs. QPSs set the service standards that bus companies must meet along a prescribed route or area and, in return, local authorities must provide enhanced facilities to support bus services, such as bus priority measures, high-quality waiting areas at bus stops and better information for passengers. Under QPSs, operators that do not meet the required standards can be excluded from using the facilities provided. Partnership schemes are required to operate for a minimum of five years.

24. Section 63(1) of the Transport Act 1985 places a duty on local authorities to secure the provision of public passenger transport services which would not otherwise be provided (i.e. socially necessary services). Section 63(5) enables a local authority to enter into an agreement to pay a subsidy for such a service, if the service would not be provided, or would not be provided to a certain standard, without that subsidy.

25. Subject to the Welsh Ministers commencing the relevant legislative provisions contained in sections 124 to 134B of the Transport Act 2000, local authorities in Wales could enter into Quality Contract Schemes (QCSs). QCSs are a form of franchising which would enable local authorities to dictate what bus services are to be provided in an area and to let contracts for the provision of those services via competitive tendering. It is considered that the test that must be satisfied in order to move to a system of quality contracts is too onerous, rendering those provisions unworkable in practical terms.
26. Currently, the Transport Act 1985 prohibits local authorities from running their own bus services, except for where:

- a local authority was already operating a bus company when the prohibition came into force;
- a local authority only runs a small operation and has applied to the Welsh Ministers for an exemption from the general restriction; and
- a bus operator has failed to run a service as contracted under a QCS and a local authority has had to step in.

27. The Welsh Government needs to ensure that local authorities have effective tools available to them, so they can look to address inefficiencies in bus service provision in their areas. Different challenges in meeting differing local circumstances will require different tools, and not a one size fits all approach.

28. It is felt that the current legislative provisions do not allow enough flexibility for local authorities to respond to the needs of their communities. To address this, we are seeking to introduce provisions to improve the legislative framework for the provision of bus services. In developing the proposals, we considered a number of options:

- Option 1 – business as usual and rely on existing legislative provisions;
- Option 2 – develop enhanced partnership arrangements to strengthen partnership working between local authorities and bus operators;
- Option 3 – introduce new franchising powers;
- Option 4 – allow local authorities to operate bus services themselves; and
- Option 5 – legislate for options 2 – 4 which would facilitate local authorities to implement a combination of these options across Wales.

29. The preferred option is option 5, which provides the most flexibility for local authorities.

**Part 1 – Options**

**Option 1 – business as usual**

30. Under this option, the status quo would continue. The legislative framework and subsequent tools available for local authorities to use in planning and delivering bus services in their area would remain unchanged. Local authorities would be expected to try and address inefficiencies in current bus services provision using the existing tools and provisions available to them – namely partnership working, the ability to contract some services where socially necessary and (subject to the relevant commencement Order) QCSs.
Partnership working

31. Whilst the use of voluntary partnership arrangements has the potential to improve service standards, reduce congestion and bring about environmental benefits, there are limitations with this approach. The success of voluntary partnership arrangements is dependent on the on-going strength of the relationships between local authorities and bus operators, with continued funding commitments from all stakeholders. The success of reaching an agreement would also be dependent on the objectives of local authorities and operators being aligned, so that there is a common goal. Where new operators enter the area and are not party to the arrangement there is a risk that the partnership could be disrupted. Another limiting factor could be the need to meet competition tests to the satisfaction of the Competition and Markets Authority and nervousness around the potential for legal action and financial penalties.

32. The use of QPSs has the potential to improve service standards, reduce congestion and bring about environmental benefits. However, again there are limitations and challenges with this approach. Whilst it is not statutory requirement for QPSs to be agreed with the bus operators, the success of QPSs are still to some extent dependent on local authorities and bus operators being able to work together to develop or agree a scheme. The condition that a local authority would need to invest in improved infrastructure provides an incentive for operators to engage with local authorities. However, in discussion with local authorities it would appear that the requirement for local authorities to provide facilities as part of a statutory scheme has been a significant limiting factor, particularly given the current financial climate, alongside wider organisational capacity (resources and/or skills), financial restrictions or structural realignment of strategic objectives. The current annual funding cycle isn’t compatible with the requirement for a minimum scheme period of five years.

33. There are also limitations with the service standards that can be required under by QPSs. Under current provisions, the standards that can be specified are restricted to vehicle standards, timetabling and maximum fares. There is no power, for example, to specify routes or common fares below the maximum.

34. Where operated effectively, voluntary partnership arrangements and QPSs do have the potential to bring about some improvements in bus service provision. However, this is limited due to the reasons outlined above. Partnership agreements could allow local authorities to have some influence and control over services, but would not provide certainty.

Franchising

35. As outlined in the background above, subject to the commencement of the relevant provisions in Wales, local authorities could enter in QCSs. Whilst QCSs would provide for a form of franchising, the feedback on QCSs has been that the process is overly complex and resource intensive. The existing legislation places an onerous set of statutory criteria on the local authority and requires the approval of the Welsh Ministers who must be satisfied that the scheme would be in the public interest. No QCSs have been delivered across the UK. England has sought to address these perceived shortcomings through the Bus Services Act
2017 and Scotland has proposed legislative provision in the Transport (Scotland) Bill.

**Local authority run bus services**

36. As outlined in the background above, local authorities are currently prohibited, by the changes made by the Transport Act 1985, from running their own bus services, save for special circumstances. The exceptions to the general prohibition on local authorities running bus services, do not provide for situations where the local authority is required to contract a socially necessary service, but receives few or no tenders from commercial operators for local bus services in their area.

37. We therefore, consider that there are a number of limitations with the existing provisions and that they do not provide the flexibility for local authorities to respond to the different challenges in delivering bus services that meets their communities’ needs.

**Option 2 – develop enhanced partnership arrangements**

38. As outlined under option 1, it is felt that the current provisions in relation to partnership working are limited and may not enable local authorities to achieve their objectives. It is recognised however, that much could still be achieved within the QPS provisions, especially if a local authority is planning investment in infrastructure improvements. We therefore intend to retain those provisions. However, we also wish to provide local authorities and operators with the opportunity to work more collaboratively to develop enhanced partnership arrangements for the delivery of services.

39. We are therefore proposing to introduce Enhanced Quality Partnerships (EQPs). EQPs would provide local authorities with a further potential model for the delivery of bus services in their area. EQPs would require stronger partnership working between local authorities and bus operators.

40. EQPs would be based on a collaborative review of the local bus services network, undertaken by the local authorities and those operators whose bus services run in the area. The review would require the local authority and operators to analyse the network with a view to establishing whether it is delivering and meeting local needs.

41. Based on this review, the local authority would develop a clear vision for the improvements in service delivery that are desired, which will be set out in an EQP plan. The plan would be accompanied by one or more schemes which would detail the actions that are to be taken, by both the operators and the local authorities, to achieve those improvements. The schemes would include any commitments made by the local authority, such as facilities or measures that the local authority will take, as well as any standards with which the bus operators are expected to comply.

42. There would be no compulsory requirement for local authorities to invest in infrastructure, which is considered to be a limiting factor for QPSs. However,
local authorities could include infrastructure investment or implementation of other measures as a commitment, if they considered that to be appropriate.

43. Under an EQP, the range of service standards (route requirements and operational requirements) that could be placed on operators as part of the plan would be much broader than is possible under the QPS provisions.

44. In order to ensure that an EQP is developed collaboratively, the EQP plan and schemes would need to be formally agreed by both the local authority and the majority of bus operators providing services in the area to which the plan and schemes will apply. This way, neither side can impose the requirements unilaterally. As such, once developed, a proposed plan and supporting schemes would be subject to an objection period and formal consultation.

45. Given the broad range of standards that could be imposed on an operator under EQPs, it would be essential for operators to be given the opportunity to put forward any objections. The proposals can only then proceed to a consultation if there is sufficient support from bus operators.

46. Following consultation, the final version of the EQP plan and scheme would need to be formally ‘made’ by the local authority.

47. Compliance with an EQP would be enforced through the bus registration system, and operators who fail to comply with the requirements of an EQP could have their registration refused or revoked.

Option 3 – introduce new franchising powers

48. Under this option, local authorities would be able to develop a franchising scheme under which they could award the exclusive right to run a bus route or routes to the most competitive bidder.

49. Whilst there is already provision for partnership working and proposals for enhanced partnership working through EQPs, it is recognised that this consensual approach to service delivery has limits, and that partnership working cannot be used to impose the delivery of identified bus routes.

50. As outlined in the introduction and option 1, there is already legislation that could be made available in Wales that would allow for a form of franchising, through QCSs. However, the feedback has been that it is not workable. The intention, therefore, is to make provision for an alternative, workable system of franchising for Wales, which address the limitations with the QCS provisions.

51. Access to workable franchising arrangements that would allow the delivery of all bus services (subsidised and contractual) in a defined area to come under the direct contractual control of a local authority would provide the local authority with more flexibility in addressing challenges with bus service provision in the areas.

52. Any new franchising proposals would have to take account of the following core principles:
a) they must be passenger focussed, (i.e. they must be concerned with how franchising will improve services for passengers);

they must respond to local transport needs and take into consideration the wider bus network, particularly where services cross local authority boundaries, including the boundaries of English local authorities;

b) those taking the decision to franchise should be responsible and accountable for ensuring that the franchising proposal is affordable and achievable, represents value for money, and that it will be financially sustainable in the long-term; and

c) the decision taken to franchise must be transparent with sufficient public scrutiny of any franchising plans so that operators, passengers, passenger representatives and other affected people are able to discuss and influence the proposals with the local authority.

53. Franchising would be available to each of the 22 local authorities in Wales, or to local authorities acting jointly. If local authorities worked jointly to make a franchising scheme they would be expected to put in place appropriate governance arrangements between themselves (i.e. legal, financial and staffing).

54. Local authorities would be required to have regard to the impact of their proposal to franchise upon neighbouring authorities and this would be a formal requirement of the assessment process.

55. Local authorities would also be required to consider how small and medium-sized bus operators could be involved in the process of tendering for franchising contracts so that they are able to effectively compete to run services under a franchised system.

56. Having the ability to adopt a flexible approach to franchising could be beneficial. For example, a local authority could opt to only franchise a specific area within its overall area, or could adopt a phased approach to franchising. A phased approach to the introduction of franchising and letting contracts could offer a local authority an effective way of taking account of small and medium-sized operators. For example, procuring delivery of part of the franchise area each year may facilitate small and medium-sized operators to compete successfully in smaller and more frequent procurement exercises than if the whole franchise area was procured at one time.

57. Depending on the scale, a franchising scheme has the potential to bring about significant change for bus operators and for their staff. Therefore, to ensure protection for staff, it is proposed that local authorities would be required to treat relevant transfers as transfers to which the Transfer of Undertakings Protection of Employment (TUPE) Regulations 2006 apply.

58. The process for setting up a franchise would require a local authority to undertake an assessment of the proposed franchising scheme through the development of a business case. In order to proceed with its franchising proposal, the authority would then be required to obtain an independent audit of
the assessment, and thereafter undertake a public consultation on the proposal. Only when all of these steps have been taken would an authority be in a position to “make the scheme”. The local authority could then procure franchise contracts in accordance with the scheme.

59. The changes that the Welsh Government is proposing, seek to bring about a rebalancing of the decision-making process in order that franchising becomes more practically achievable, where it is the right solution for delivering quality passenger services.

Option 4 – make provisions to allow local authorities to operate bus services

60. Under this option, local authorities would be able to, either solely or working jointly, provide local bus services in their area or collective areas.

61. Currently, the law does not allow local authorities to run their own bus services, except in a few special circumstances.

62. In some local authority areas, certain routes are deemed to be socially necessary. Where these services are not available commercially, local authorities can tender for commercial operators to run these services and provide a subsidy.

63. Sometimes local authorities receive no tenders and are currently unable, legally, to fill the gaps by running services themselves. At other times, competition is so poor that tenders are not competitively priced meaning that local authorities end up paying more to support socially necessary routes. Rural communities often face these challenges.

64. Therefore, local authorities need to have the tools to address the challenge. Under this option, one of the tools available to local authorities would be the ability to run their own bus services if that approach best meets the needs of people in their area.

65. It is proposed that local authorities should be able to run services directly or via an arms-length company. The method of delivery of services would be a matter for the local authority.

66. Local authorities would be able to enter the market and operate services to make a profit in the same way as any other commercial operator. If local authorities wish to compete in the open market, they would have to do so via an arms-length company to ensure that they do not receive an unfair economic advantage over other operators.

67. This option would provide local authorities with an additional tool to deal with an unmet public transport requirement. Local authorities would be enabled to directly, and more cost effectively, address the public transport needs in their local area, rather than through a series of section 63 contracts with local authority subsidies.
Option 5 – combination of options 2 – 4

68. The performance of local bus services and markets varies considerably across Wales, particularly between rural and urban areas. As a result, the challenges with which local authorities are faced when considering bus services provision in their area also vary considerably.

69. Therefore, there is not a “one size fits all” approach to bus service delivery in Wales. We believe it is essential that local authorities have the right tools available to them to ensure appropriate provision of bus services within their area. As such, our preferred option is to provide a suite of tools for local authorities to be able to consider using and therefore to take forward legislation for each of the options 2 to 4 identified above.

70. Whilst the introduction of enhanced partnership working arrangements would provide a useful tool for local authorities to consider in addressing inefficiencies in bus service provision in their area, it would not provide the solution in all circumstances and would not necessarily provide the local authority with the level of influence needed to secure services. Similarly, the introduction of provisions that would allow for franchising or allow local authorities to run services directly, would provide useful options for local authorities, but would not be appropriate in all circumstances.

71. Our intention is that local authorities should determine the most appropriate model for delivering bus services in their area. This is likely to depend on the nature of the bus market in the area, the priorities for the authority, such as increasing bus patronage, reducing congestion, securing environmental benefits, and their approach to the management of risk.

72. Ideally, local authorities would to try and achieve the changes and improvements needed in their area through voluntary partnership working with bus operators. However, by bringing forward provisions for enhanced partnership working arrangements, legislation to introduce new franchising powers as well as powers for local authorities to run their own bus services, we would be putting in place a full range of tools to enable local authorities to respond flexibly to local community needs.

Part 1 – Costs and benefits

Introduction

73. The proposals relating to EQPs, franchising and local authority bus services are enabling provisions that put in place a range of legislative tools for local authorities to consider using when planning and delivering bus services. As such, the financial implications of the Bill could vary considerably and would depend on the circumstances of the authorities and proposals being taken forward. It is difficult to assess the impact of the potential combinations in which these tools could possibly be used. Therefore, the assessment below provides an estimated range for potential financial costs and benefits.
74. The UK Government prepared Impact Assessments in 2016 for the Bus Services Bill, which included similar enabling legislation\(^5\). The Scottish Government has also prepared a Business and Regulatory Impact Assessment (BRIA) for the Transport (Scotland) Bill, which also included similar enabling legislation\(^6\). Where relevant, the English and Scottish data has been used to estimate some of the Welsh potential impacts, with adjustments made for specific Welsh context.

75. The English and Scottish impact assessments do not include costs or benefits of any bus infrastructure investment (for example, new bus stops, new interchanges, new expressways).

76. Should a local authority decide to bring forward proposals for using one of the legislative provisions, for example, contracting a franchise or putting an enhanced partnership agreement in place, its decision to proceed would be informed by detailed assessments of the implications, which would include a full financial assessment and cost benefit analysis. The local authority would also need to assess whether investment in bus infrastructure would be desirable to complement the introduction of the proposals and secure greater benefits.

77. The English impact assessment contains detailed calculations, which, where appropriate, have been adapted for the specific nature of bus services in Wales. Where this has happened a † symbol is shown. Annex 1 explains the approaches to deriving Welsh data from the English RIA and concludes with the data sources that relate to each of the † symbols.

78. When considering local authority and operator set up costs, all the costs incurred in setting the scheme up have been included. For operating costs and benefits for all parties (Welsh Government, local authorities, operators and bus users) only additional costs and benefits have been considered.

79. When estimating set-up and operational costs, where relevant, estimates have been cross-checked by equating the costs to an approximate equivalent Full Time Equivalent (FTE) staff number.

80. Lower and upper ranges have been provided for many of the costs and benefits. The upper range is more likely to occur in those authorities where annual bus mileage is greatest. The lower range is more likely to occur in those local authorities where annual bus mileage is low or where the proposal is only adopted in a small part of the authority, such as in one particular bus corridor.

81. If none of the tools are adopted by any local authority, then there will be no implementation costs or benefits to that local authority, bus operators and bus users. However, consideration of the tools by local authorities would incur costs,
for example in preparing a business case, even if the decision was then not to proceed.

82. The upper end of the range of the costs and benefits assumes adoption by all local authorities. This has been calculated based on the average costs identified for one local authority scaled up appropriately for all 22 local authorities. However, it is important to note that the adoption of the same single tool by all local authorities is very unlikely given the differing geographic and demographic characteristics across different parts of Wales.

83. For the reasons explained in paragraph 80, given the variation in the local authorities of Wales for the purposes of bus networks the typologies of ‘Major Urban’, ‘Town’ and ‘Rural’ were applied to the 22 Welsh local authorities. The perceptual allocation among the three typologies is shown in the following table with three Major Urban authorities, nine Town authorities and 10 Rural authorities, along with approximate rounded percentages of Welsh population and bus patronage.

<table>
<thead>
<tr>
<th>Population</th>
<th>Patronage</th>
<th>Population</th>
<th>Patronage</th>
<th>Population</th>
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<tbody>
<tr>
<td>Cardiff</td>
<td>11.6%</td>
<td>18.9%</td>
<td>Blaenau Gwent</td>
<td>2.2%</td>
<td>1.8%</td>
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<tr>
<td>Newport</td>
<td>4.8%</td>
<td>5.9%</td>
<td>Bridgend</td>
<td>4.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Swansea</td>
<td>7.9%</td>
<td>10.8%</td>
<td>Caerphilly</td>
<td>5.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>1.9%</td>
<td>2.3%</td>
<td>Denbighshire</td>
<td>3.0%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Neath Port Talbot</td>
<td>4.5%</td>
<td>4.4%</td>
<td>Flintshire</td>
<td>5.0%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Rhondda Cynon Taf</td>
<td>7.7%</td>
<td>6.8%</td>
<td>Gwynedd</td>
<td>4.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>The Vale of Glamorgan</td>
<td>4.2%</td>
<td>3.3%</td>
<td>Isle of Anglesey</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Torfaen</td>
<td>3.0%</td>
<td>2.8%</td>
<td>Monmouthshire</td>
<td>3.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Wrexham</td>
<td>4.3%</td>
<td>4.1%</td>
<td>Pembrokeshire</td>
<td>4.0%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Powys</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

84. The analysis has assumed that to calculate the total cost of adoption across Wales the Major Urban area costs and benefits are at the upper end of the

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ranges given, the Rural areas are at the bottom end of the ranges shown, with
the Town areas at the mid-point of the ranges.

85. It is assumed the earliest the primary legislation would receive Royal Assent
would be in April 2021, subject to the will of the Assembly. Following Royal
Assent, the current working assumption is that the subordinate legislation to
implement the Bill would not come into force before April 2022. A further
assumption has been made that it may take up to three years (i.e. 2025/26
onwards) before local authorities and operators start to actively utilise the tools in
Part 1. Given the time it will take until some of the tools are adopted a
Regulatory Impact Assessment over the 15 years from 2021/22 to 2035/36 is
deemed most appropriate to allow enough time to evaluate the costs and
benefits from implementing the various options.

86. In line with HM Treasury Green Book guidance, future costs and benefits have
been discounted using the Treasury’s central discount rate of 3.5%.

87. Making a prediction of exactly what may happen to bus patronage in the next
15+ years is complicated as there are many factors to consider. Some of the
factors that influence travel behaviours and patterns include growth rates in
the economy and employment, commuting patterns, changes in shopping and
leisure habits, growth in home deliveries, rates of car ownership, car parking
provision and cost, demographic changes, journey time reliability and fuel prices.

Costs and benefits of option 1 – business as usual

Costs of option 1 – business as usual

88. There are no additional up-front costs to the Welsh Government, local
authorities, bus operators or users associated with this option.

89. However, given the year-on-year decline in bus patronage, it is fair to conclude
that without action passenger numbers will continue to decline which would have
cost implications. With no change in policies, the UK Department for Transport
estimates that Welsh bus patronage will fall by 10 percent between 2017/18 and
2035/36 (around 0.6% per annum).

90. Currently, 77 percent of the c.99 million kilometres of bus trips in Wales each
year are on services that operators provide commercially. The decline in bus
patronage is likely to lead to a reduction in the commercial viability of many
services. The potential cost implication of this decline is that more public sector
funding would potentially be needed to support the network and maintain socially

9 The Department for Transport’s NTEM (National Trip End Model) bus use projections are presented
in a software package called TEMPro (Department for Transport. TEMPro & NTEM data release
NTEM is not based on observations or fare data, but is derived from Census data and forecast
patterns of population and employment.
necessary services. It is difficult to predict how many bus services operators are likely to decide to stop providing, and of those services, how many local authorities would decide to subsidise, if any.

91. However, given the current financial climate and pressures, it is more likely to be the case that public funding to support services is not available. This would mean that the availability of bus services would decline. This could lead to increased reliance on the private car and subsequent negative impacts on congestion and the environment.

92. The decline in availability of services could also lead to an increase in social isolation, where people are left with few alternatives for getting around and therefore cease to take trips they previously would have done.

93. The figure overleaf demonstrates the potential downward spiral of bus services being reduced.

**Benefits of option 1 – business as usual**

94. There are no passenger benefits of the business as usual option. The only real benefit to local authorities and bus operators would be that they would not have to adapt to new models of working or develop business cases.

95. Maintaining the status quo is likely to result in the continued decline in patronage placing greater pressure on local authorities and bus operators to review networks with a risk of service withdrawals.
Costs and benefits of option 2 – develop enhanced partnership arrangements

96. As explained previously, it is difficult to provide an exact analysis of the impacts of legislation that puts in place a framework of tools for local authorities to consider using. The costs and benefits of the EQP legislation depend on how many local authorities decide to implement EQPs, and the scale of the EQP plans and schemes. This could range from no local authorities implementing EQPs to all 22 local authorities implementing EQPs. Similarly, the EQPs themselves could range from a few services along a specific corridor within a local authority area, to all bus services within a local authority area. Therefore, the assessment below provides a range of potential financial costs and benefits.

97. Should a local authority decide to bring forward proposals for an EQP, the decision to proceed would be informed by detailed assessments of the implications, which would include a full financial assessment and cost benefit analysis. This would be undertaken by the relevant local authorities.

Costs of option 2 – develop enhanced partnership arrangements

98. There would be a cost to the Welsh Government in developing guidance on EQPs. It is estimated that the cost of producing guidance would be between £30k and £50k. There would also potentially be cost or resource implications for stakeholders as part of the engagement and consultation, which have not been costed.

99. Local authorities would incur costs in setting up an EQP through gathering information, analysing the bus market, holding and attending meetings, negotiating with bus operators, seeking legal guidance and following the procedural steps for developing and making an EQP. This could include the use of consultants. The costs for a local authority are estimated to be between £50k and £120k in the first year of the scheme†.

100. Bus operators would also incur costs in attending meetings, seeking specialist legal advice, negotiating with local authorities and reaching an agreement for an EQP. The costs for bus operators are estimated to be between £100k and £200k (assuming on average two operators per local authority)11. It is assumed that EQPs will be more applicable where multiple operators are involved.

101. Scaling up the costs for developing EQPs in 22 local authority areas using the local authority typology assumptions in paragraphs 83 and 84, would suggest a maximum of £1.6m for local authorities and £3m for bus operators.

102. The costs outlined above do not include local authority investment in bus infrastructure. Infrastructure investment may provide an opportunity to bring forward an EQP proposal, but it is not a specific requirement of the EQP.

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† Bus companies already prepare and manage their accounts and will be routinely considering whether to make changes to their services and enter new markets. As an EQP will create some new dynamics, some additional analysis may be needed and then there will be the need to attend meetings and consultations, and negotiate their positions.
103. The management of an EQP will require ongoing resource requirements to
administer and monitor the plan, including stakeholder meetings and handling
issues such as complaint resolutions. Depending on the scale of the partnership,
this could be up to the equivalent of up to ½ FTE per year, with costs of between
£15k and £25k. A similar annual cost is assumed across the bus operators†.

104. In addition to the administration costs, bus operators could also incur
implementation costs, depending on the standards specified in the EQP
schemes. These could include costs for upgrading buses or changing services
and equipment. Nevertheless, as paragraph 44 explains, EQPs need to be
formally agreed by both the local authority and most bus operators. Therefore,
operators are only likely to sign up to an EQP if they expect to make higher
profits from projected patronage increases that in the long run will offset the
investment costs.

105. In terms of operating costs for the Welsh Government, if EQPs resulted in an
increase in patronage concessionary travel could rise, which would increase the
costs to the Welsh Government. At this stage it is not possible to quantify this
amount as changes in patronage will vary on a case by case basis.

106. The following table summarises the estimated costs for EQPs outlined above:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing guidance</td>
<td>£30k-£50k</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Set up costs if adopted by one local authority</td>
<td>N/A</td>
<td>£50k - £120k</td>
<td>£100 – £200k</td>
<td>N/A</td>
</tr>
<tr>
<td>Operational costs p.a. if adopted by one local authority</td>
<td>N/A</td>
<td>£15k - £25k</td>
<td>£15k – £25k **</td>
<td>N/A</td>
</tr>
<tr>
<td>Discounted total 2021/22 – 2035/36 *</td>
<td>£0.04m</td>
<td>£0m - £3.9m</td>
<td>£0m - £5.0m</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in
their area. If none do there will be no additional costs or benefits. The upper value assumes each of the
22 local authorities adopt, with the splits between Major Urban (high values), Towns (mid-range values)
and Rural (low range values) explained in paragraphs 83 and 84.

** The operational costs for operators are assumed to exclude any additional investment in buses.

Benefits of option 2 – develop enhanced partnership arrangements

107. The benefits of an effective EQP could include a more efficient bus network
for local authorities, improved operating viability for bus operators and improved
services for passengers along with potential for increased patronage. For
example, if an EQP was established that resulted in coordinated timetables,
common ticketing arrangements and improved services, then buses in that area
would become more attractive. This in turn is likely to increase bus patronage
resulting in financial benefits for the bus operators in the partnership.

108. As explained, in agreeing a partnership, operators are likely to agree to an
EQP if they believe the additional revenue generated will offset operating costs
and the set-up costs. As monitoring costs for all bus operators in a local authority may collectively be £25k it is assumed that collectively extra revenue of at least double the monitoring cost will be needed (i.e. £50k in this example), and if the EQP requires bus operators to increase expenditure on their buses even more upside. Therefore, if EQPs were introduced across Wales, the total benefits could be c.£0.8m per year.

109. The main beneficiaries of EQPs would be the users. The actual benefits for bus users would depend on what requirements are included in a partnership plan and schemes. It could include fare simplification, improved journey times, easier to understand bus routes and timetables and services at more convenient times. There could also be health and environmental benefits arising from modal shift. It is estimated that if adopted across Wales the user benefits would be c.£4.6m per year †.

110. Higher levels of patronage would mean that it is likely fewer people are taking the car, which can also have health benefits with people walking more. If EQPs were adopted across Wales, the benefits of this are estimated to be c.£200k a year†.

111. The following table summarises the estimated financial benefits or EQPs outlined above:

<table>
<thead>
<tr>
<th>Financial benefits p.a. if adopted by one local authority</th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>£30k-£50k+**</td>
<td>£0</td>
<td></td>
</tr>
<tr>
<td>Quantified wider economic benefits p.a. if adopted by one local authority</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>£100k-£420k</td>
</tr>
<tr>
<td>Discounted total 2021/22 – 2035/36</td>
<td>N/A</td>
<td>N/A</td>
<td>£0m - £5.9m</td>
<td>£0m - £33.6m</td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt, with the splits between Major Urban (high values), Towns (mid-range values) and Rural (low range values) explained in paragraphs 83 and 84.

** The operational benefits for operators are assumed to exclude additional patronage that may be secured from improving the bus fleet.

112. There are also some unquantified benefits of an EQP. For example, the development of an EQP could result in better partnerships and relationships between local authorities and bus operators. As operators are more involved in the development of EQPs, compared to current partnerships arrangements, it is considered that there is greater chance of long-term success of the partnerships. As a result, local authorities could have greater potential to achieve their aims in relation to integrated bus service provision in their area.
Summary table of costs and benefits of option 2 – develop enhanced partnership arrangements

113. The summary table below shows that the main net beneficiaries would be the bus users:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted total costs 2021/22 – 2035/36</td>
<td>£0.04m</td>
<td>£0m - £3.9m</td>
<td>£0m - £5.0m</td>
<td>N/A</td>
</tr>
<tr>
<td>Discounted total benefits 2021/22 – 2035/36</td>
<td>N/A</td>
<td>N/A</td>
<td>£0m - £5.9m</td>
<td>£0m - £33.6m</td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt, with the splits between Major Urban (high values), Towns (mid-range values) and Rural (low range values) explained in paragraphs 83 and 84.

114. As outlined, potential bus infrastructure investment costs have not been included in the quantified impacts as such investment is not a requirement of an EQP. However, in some circumstances it may be appropriate or desirable for a local authority to invest in bus infrastructure as part of an EQP. The following example provides an indication of what a local authority may provide:

> For a local authority with a busy market town with surrounding villages, it is possible that in addition to pro-bus policy measures an EQP may need phased upgrading of 25% of bus stops at a cost of c.£500k, and c.£2.4m on bus priority measures involving traffic management measures aimed to speed up bus journey times up at pinch-points.

> Investments such as these would bring additional benefits to those modelled, through travel time savings and the perceived ‘value’ to users from being able to wait at higher quality bus stops. Additionally, higher patronage will boost operators profits and enable them to consider opening new bus routes or improving bus frequencies.

Costs and benefits of option 3 – introduce new franchising powers

115. As explained previously, it is difficult to provide an exact analysis of the impacts of legislation that puts in place a framework of tools for local authorities to consider using. The costs and benefits of franchising depend on how many local authorities decide to franchise services and on what scale. This could vary from no local authorities franchising to all 22 local authorities franchising. The franchises themselves could range from services along a specific corridor within a local authority area, to all bus services within a local authority area.

116. Therefore, the assessment below provides a range of potential financial costs and benefits.

117. Should a local authority decide to bring forward proposals for a franchise, its decision to proceed would be informed by detailed assessments of the
implications, which would include a full financial assessment and cost benefit analysis including of any bus infrastructure investments that may be required.

Costs of option 3 – introduce new franchising powers

118. There would be a cost to the Welsh Government in developing and issuing guidance for local authorities on franchising. It is estimated that the cost of producing guidance would be between £60k and £100k. There would also potentially be cost or resource implications for stakeholders as part of the engagement and consultation, which have not been costed.

119. The costs to local authorities of setting up an individual franchise could be considerable, but would depend on the content, scale and scope of the franchise. When introducing franchising for the first time, local authorities would incur costs for undertaking the assessment and developing a business case, auditing the assessment, consulting on proposals, developing contracts, running the tendering process, overseeing the franchise and costs for addressing any legal issues or challenges that may arise.

120. Depending how much of its area a local authority decides to franchise, if any, the local authority could decide to let the whole franchise at a single point, or stagger the letting of franchise contracts in groups of routes.

121. The costs to a local authority in setting up a bus franchise is estimated to be between £500k and £1m, which would equate to a cost of £14.8m if all 22 local authorities decided to introduce franchising using the methodology in paragraphs 83 and 84. The actual costs for setting up a franchise may be even less than £500k in those authorities where a significant proportion of bus services are already tendered and contracted through s.63 contracts, for example, some of the rural local authorities in Wales. The cost will further depend on the scale of the franchise being designed (i.e. the number of bus routes in the franchise and with that the complexity of reorganising bus routes), along with responses to early market soundings, the degree of competition and other factors.

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12 The £1m of costs is made up of:

- Legal advice for guidance on procurement and assisting with reviewing bids from operators - up to £175k
- Commercial advice for external transport consultancy expertise in preparing an independent audit, and subsequently advising on the procurement and assisting with reviewing bids from operators - up to £225k
- Additional local authority official time needed to cover data gathering, synthesis of data, internal council-decision making, stakeholder engagement and market sounding, final decisions to create a franchise or not, issuing tender documentation, evaluating tenders, negotiating with preferred bidder, awarding franchise and managing implications of franchise being awarded.

A further rationale for £1m as the upper range is that to set up a franchise in Bristol is quoted as costing £1m - £2m. Although Bristol’s population is c.680k, it has very high patronage with 42.3m journeys taken (42 percent of all of Wales) (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774575/bus0109.ods). Therefore, it is estimated that the lower £1m cost for establishing a franchise in Bristol would be the upper range for establishing a franchise in a Welsh local authority.
122. The focus of the franchising is on service delivery. So, whilst it would be expected that a franchising local authority would provide a level of infrastructure commensurate with the service levels required it is not a prerequisite; therefore, infrastructure improvements have not been included in the costs for franchising.

123. Once franchise contracts are introduced they would be retendered at specific times. We would expect contracts to run for a minimum of five years to achieve a degree of network stability and optimum contract price. For this RIA it is assumed they would be re-tendered every seven years and the tendering costs of the new franchise contracts are likely to be less than for the initial contract award as the focus would be on route evaluation and updating contracts, rather than setting service standards, etc. It is estimated that the costs would be around 50 percent of the set-up cost. The seven years of operation of the initial franchise would also have given the local authority much more insight into the operation of the network.

124. The local authorities would incur ongoing costs for franchising. They would need to monitor performance of the operators over the duration of the contracts and deal with complaints etc. Local authorities may already perform these functions for their subsidised services. However, there is likely to be additional requirements, particularly if the form of contract moves from a net cost to gross cost contract. In a gross cost contract the authority retains the revenue and therefore carries the financial risk, and in a net cost contract the operator/s retain the revenue and financial risks. The requirements will vary depending on the scope of the franchise and the proportion of s63 contracts already being managed by the local authority. It is estimated that the administrative costs per local authority could be between £25k and £225k per year for additional resources required to monitor performance, manage contracts and reconcile accounts.

125. Operators would incur costs in tendering for a franchise as well as running costs for any franchises won. When an operator is unsuccessful in bidding for a franchise they would no longer be able to run services in that section of the market, which would impact on their revenue or potentially lead to an operator ceasing to trade. They would also lose the opportunity to recover the costs of bidding. However, much in the same way as losing a s63 subsidised bus tender, they could still run buses in other areas without franchises and bid for other franchising and subsidised s63 contracts.

126. The costs to operators in bidding for a franchise are estimated to be between £160k and £1m for one local authority. Using the methodology in paragraphs

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13 It is assumed the franchise for seven years. With annual revenue for the bus industry of £172.4m and operating costs of £162m, that equates to a 6% operating margin, an average receipt of £7.8m per local authority and an average profit of £0.47m per year (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774590/bus0401.ods) & (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774593/bus0406.ods).

Bus companies will already be preparing their management accounts and will be routinely considering whether to make changes to their services and enter new markets. However, it will take time to
83 and 84 this may equate to about £7.4m if franchising was adopted across Wales, but this would vary depending on the number of bidders, the types of franchise and other location specific factors.

127. For the purposes of calculations, it has been assumed that a stipulation of the franchise contract could include that buses are expected to align to a specific brand. For c.£20k it is possible to refurbish seating, flooring, repaint and install wi-fi and 4G mobile in a single-deck bus\textsuperscript{14}. However, given that some buses will already have wi-fi and 4G, so refurbishment costs will be less. Therefore, an overall average cost of £15k per bus is assumed. With approximately 2,150 buses in Wales the cost of all buses having a refurbish would be c.£32m\textsuperscript{15}. For the purposes of calculations, it has been assumed the three largest urban areas (the ‘Major Urban’ areas) have on average 225 buses, the Towns have on average 90 buses and the Rural areas on average 65 buses.

128. Like costs for local authorities, it is suggested that the costs for bidding for the second franchise may be half the cost of the first round as there will be more evidence. Bus refurbishment costs are estimated to be 75% of the cost of the first round of franchising as some second-round franchises will be won by incumbents.

129. The costs to operators of running a franchise would depend on the specifications of the franchise and could be significantly higher if the services and vehicle requirements are high. For example, costs would vary depending on the contract model chosen and approach to risk management. There are also models that incentivise patronage growth by operators. These would need to be considered as part of the franchise contract specification to determine the most appropriate procurement model for local circumstances.

130. For the purposes of modelling for the RIA the net saving for operators may be £90k per local authority area, with some costs rising and some costs falling:

- **Increasing costs.** There would be additional administrative costs to operators associated with monitoring contractual performance and working with the local authority, which are estimated to be around £75k a year, i.e. £1.7m if all 22 local authorities introduce franchises; and

- **Decreasing costs.** There could be cost savings for overall operator costs if the franchise reduces the occurrence of:

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\textsuperscript{14} £25k cost for refurbishing a double decker bus. Accessed at: http://www.route-one.net/articles/Vehicles/Refurb_is__better_than_new

i. over-bussing, where two operators compete on the same route; and

ii. excess capacity, when an incumbent operator is concerned about the risk of competition on profitable routes and timetables too many buses on that route to discourage competition;

so less buses will be needed which could be £165k on average per local authority, i.e. £3.7m if all local authorities adopted franchising.

131. The following summarises some of the evidence on over-bussing and excess capacity which is drawn from the Competition Commission’s 2011 research into the competitiveness of the bus industry in Great Britain. The Competition Commission’s 2011 report\textsuperscript{16} makes a number of relevant points, notably:

“\textit{We found that 46\% of routes, accounting for 63\% of services in the reference area, do not face effective head-to-head competition. Only 3\% of routes, accounting for 1\% of weekly services, are likely to face effective head-to-head competition. For the remaining routes, a lack of flow-level information prevented us drawing firm conclusions on the extent to which they faced head-to-head competition. Nevertheless, the extent of overlap faced by these routes suggested that, at least in a substantial number of cases, a large pro-proportion of passengers on these routes were unlikely to have a choice of operator}” (page 9); and

\textit{“the process of head-to-head competition, driven by an incentive to increase frequency, could in some circumstances lead to the creation of excess capacity (i.e. more buses being run on the route than can attract sufficient revenue to cover costs). This may reduce the profitability of operators and result in their becoming loss-making. An operator will have an incentive to add services, and it will do so as long as the effect is to add more revenue than the increase in costs. Excess capacity can arise as the competing operators would each add extra services because individually these extra services can be timed so as to take revenue from the rival operator’s services (by running shortly ahead of them) and scheduled to maintain or improve the individual operator’s network advantages” (page 8-8).} 

132. In terms of revenue costs for the Welsh Government, if franchising resulted in an increase in patronage, there could be a number of implications. Concessionary and youth travel could rise, which would increase the costs to the Welsh Government of supporting the concessionary travel scheme and Youth Discounted Bus travel scheme, which provide operators with the revenue foregone for the carriage of eligible persons. However, the implications of this have not been modelled, as it will depend on what happens on routes and areas that do not have franchises.

\textsuperscript{16} Competition Commission. Local bus services market investigation: A report on the supply of local bus services in the UK (excluding Northern Ireland and London). December 2011.
133. The following table summarises the estimated costs for franchising identified above:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing guidance &amp; contracts</td>
<td>£60k - £100k</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Set up costs if one authority franchises</td>
<td>N/A</td>
<td>£500k - £1m</td>
<td>£160k - £1m Plus £1m - £3.4m for bus refurb</td>
<td>N/A</td>
</tr>
<tr>
<td>Operational / running costs p.a. if one authority franchises</td>
<td>N/A</td>
<td>£25k – £225k</td>
<td>(-£90k)</td>
<td>N/A</td>
</tr>
<tr>
<td>Refranchise costs 7 years after franchise</td>
<td>N/A</td>
<td>£250k - £500k</td>
<td>£80k - £500k Plus £0.8m - £2.6m for bus refurb</td>
<td>N/A</td>
</tr>
<tr>
<td>Discounted total 2021/22 – 2035/36 *</td>
<td>£0.07m</td>
<td>£0m - £31.2m</td>
<td>£0m - £33.6m</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt, with the splits between Major Urban (high values), Towns (mid-range values) and Rural (low range values) explained in paragraphs 83 and 84.

134. A recognised risk of moving to a franchised system is the long-term impact this could potentially have on the bus industry if operators who are unsuccessful in tendering for franchised contracts move their business away from a franchised area or cease operation as the business is no longer commercially viable. This could influence the outcome of the future retendering of franchising contracts, or the delivery of bus services if a franchise scheme is subsequently revoked. There is a possibility that by that time the change may be irreversible unless new entrants emerge. Therefore, the impact of franchising on the local bus industry would depend on the prevailing market conditions at the time of the subsequent franchise and how the implementation of first franchise has been carried out. Thus, if a local authority decides to pursue franchising, they would need to evaluate the pros and cons of dividing up routes with different tenders or any other measures appropriate to minimise the competitive impact on the operator market and ensure that future tenders remain competitive.

Benefits of option 3 – introduce new franchising powers

135. The main beneficiaries of franchising would be the users, as franchising would potentially result in a better planned and stable overall bus network with services running in a joined-up way with full integration of all bus services and other modes of transport, for example rail. As well as an improvement in the quality of services, it would be expected that the franchising standards will require a more consistent level of vehicle quality as priced above. Additionally, as part of a franchise (even if there are a number of bus operators in the franchise) ticketing arrangements will be simplified.
136. The local authority and franchise operator would also be able to work together towards increased patronage. Minimising fare abstraction would support a more comprehensive network in a franchise area.

137. Whilst the deregulated market allows operators to adapt their services to market pressures, the power to plan and operate a single integrated network, with franchising in place, should lead to greater ability for users to both understand the network and to use it as a true unified network with a greater ease of bus transfer to widen the range of accessible destinations. The removal of over-bussing and excess capacity on busy corridors should allow a more rational use of bus resource; bus frequencies could be aligned to actual demand rather than in response to the need to protect market share. Examples from elsewhere of integrated, single operator, networks show evidence of patronage numbers well above those generally recorded in Wales and the rest of the UK (outside London). The following examples provide some evidence of this outcome.

138. Data for Nantes\(^\text{17}\) in France and Bremen\(^\text{18}\) in Germany, which both have a single contracted operator arrangement, show much higher public transport use than in cities in the UK (including places such as Cardiff and Swansea). It is also worth noting that in England, where bus ridership information is collected annually for local authority areas, the only cities that have seen an increase in bus patronage in recent years have a single dominant bus company (Brighton, Bristol and Reading)\(^\text{19}\). One explanation for this could be that having a dominant company provides an opportunity for better network optimisation. It could be inferred from this that a franchise, which would provide a unified and optimised network, could contribute to an increase in bus patronage. However, it is also important to note that having a single dominant company is just one of the factors that could contribute to the rise in patronage.

139. The data for Bristol, Brighton and Reading along with Nantes and Bremen is shown in the following graph. The average growth rate over the years shown in the graph is about 2.5 percent per annum.

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140. Using the methodology explained in paragraphs 83 and 84, benefits to users are estimated to be about £16.5m if franchising was adopted across Wales†. Benefits to users would arise from simpler interoperable bus fares, service changes, better integration with other bus routes and public transport modes and a reduction in over-bussing and excess capacity keeping all traffic flowing faster. Health and wellness benefits from additional passengers walking are also projected to be c.£2m†. Total benefits would depend on the scale of the franchise and the success of the franchise in each local authority. Apart from bus users with higher patronage rates, net carbon emissions should be lower and there should be less congestion (due to transfer of some journeys from car to bus), and an associated improved air quality in a local authority area.

141. Drawing on international experience, depending on the structure of the franchise contracts, incentivised contracts (e.g. net cost, or bonus arrangements in gross cost contracts) can give opportunities for operators to share the benefits of higher patronage, and introduce other incentives for operators to increase ridership and thus profits. It is envisaged that contractual arrangements would allow for annual reviews of performance and amending routes and frequencies within defined parameters, which would provide franchise operators with opportunities to develop network improvements to attract more passengers.

142. Currently, many local authority areas have a mix of commercial and socially-necessary subsidised routes. Operators run services on a profit basis on their commercial routes and receive subsidies from local authorities towards running the socially-necessary routes. Under franchising, the theory is that even by duplicating the current service provision across a local authority the franchisee winner would operate all the services at a lower total cost than the current combined commercial and supported bus networks. Using the methodology in Annex 1, the Welsh local authority benefits would be in the range from £4m to £18m for the savings operators could pass to local authorities as a result of all authorities introducing franchises†.
143. However, UK Department for Transport data shows operating margins in the English bus sector outside London are c.14%, whilst in Wales they are c.6%\(^{20}\). This, combined with the largely non-urban nature of Wales means few financial savings are expected by local authorities, unless the franchisee is really confident patronage will increase by such an extent it can afford to pass some of its’ anticipated future profits to the local authority. Nevertheless, by the time the second round of franchising happens in the local authority there will be evidence of the patronage improvements the franchise may have generated, which should mean the local authority may be able to benefit financially. A value of £4.3m is ascribed if all local authorities franchised and then re-franchised, i.e. the lower value that would be ascribed from the English RIA.

144. For this reason, it is assumed that extra revenue to operators in the first round will be uncertain (estimated at c.£200k per local authority area per year, ranging from £50k to £500k in Major Urban areas), and that this benefit will be retained by the franchisee.

145. There would also be benefits to bus franchise operators from the certainty and stability that franchising provides which will enable an operator to better develop training and career progression for their employees.

146. Whilst, for the reasons explained, there may be little financial upside to the local authority in running a franchise, at least on a net cost basis during the first round of franchising there would be benefits for local authorities in having greater control over the bus network and services to be provided. Local authorities would be able to develop a network of services that takes account of local needs, is integrated with other forms of transport (for example, rail and school transport), and provides for an improved and more consistent quality of services and vehicles. This element of control over bus service provision would also allow for better alignment with delivering on key priorities – such as increasing bus patronage, decreasing car usage and carbon emissions, improving accessibility to key services and social inclusion, etc.

\(^{20}\) In 2017/18 the Department for Transport reports Welsh bus income of £172.4m and operating costs of £162m, equating to an operating margin of c.6%. The figures for English revenue outside London are £3,398.1m with operating costs of £2,982.5m, equating to an operating margin of c.14%.

147. The following table summarises the estimated financial benefits or franchising outlined above:

<table>
<thead>
<tr>
<th>Financial benefits p.a. if adopted by one local authority</th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>£0 first round</td>
<td>£50k - £500k second round</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantified wider economic benefits p.a. if adopted by one local authority</th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>£550k - £1.4m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Discounted total 2021/22 – 2035/36 *</th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>£0m - £10.0m</td>
<td>£0m - £29.9m</td>
<td>£0m - £135.3m</td>
<td></td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt, with the splits between Major Urban (high values), Towns (mid-range values) and Rural (low range values) explained in paragraphs 83 and 84.

Overall

148. The summarised table is that the main net beneficiaries will be the bus users.

<table>
<thead>
<tr>
<th>Discounted total costs 2021/22 – 2035/36 *</th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>£0.07m</td>
<td>£0m - £31.2m</td>
<td>£0m - £33.6m</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Discounted total benefits 2021/22 – 2035/36 *</th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>£0m - £10.0m</td>
<td>£0m - £29.9m</td>
<td>£0m - £135.3m</td>
<td></td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt, with the splits between Major Urban (high values), Towns (mid-range values) and Rural (low range values) explained in paragraphs 83 and 84.

149. Based on the assumptions made, the main beneficiaries will be the bus users. The discounted total costs for operators include those operators who do not win a tender, the successful franchisee should be better off financially, even after covering the cost for the bus refurbishments.

150. Local authorities will have to arrange the tendering processes, and it expected it will take until the second round of franchising before they will financially benefit. Depending on the configuration of the franchise, there may be a need for a local authority to invest in some bus infrastructure, beyond supporting pro-bus policies that could equally be selected for any franchise as on an EQP. As with EQPs, there is no upper or lower limit on investment although, in general, it is expected that the establishment of a new franchise would tend to be associated with a more interventionist approach and a higher level of investment.

151. The following example provides an indication of the level of bus infrastructure investment that may be delivered as part of a franchise:
For a local authority with a busy market town with surrounding villages, it is possible that in addition to pro-bus policy measures a franchise may need phased upgrading of 25% of bus stops at a cost of c.£500k, and c.£2.4m on bus priority measures involving traffic management measures aimed to speed up bus journey times up at pinch-points. This is similar to the measures for an EQP, although the location of bus stops and bus priority measures is likely to be different as a franchise develops new routes. Having control of bus routes, the local authority may also be able to divert buses onto particular routes to avoid extra congestion on some roads, and then introduce bus priority measures on other roads.

As well as these costs, if routes are significantly changed with more interchanges there may be a need to invest in some larger covered interchange hubs. This may cost an additional £700k, along with improved travel information systems at an extra £75k.

Investments such as these would bring additional benefits to those modelled, through travel time savings and the perceived ‘value’ to users from being able to wait at higher quality bus stops, change buses more effortlessly and be better informed on exact bus positions with easy-to-read display boards.

Costs and benefits of option 4 – make provisions to allow local authorities to operate bus services

152. As stated previously, it is difficult to provide an exact analysis of the impacts of legislation that puts in place a framework of tools for local authorities to consider using.

153. The costs and benefits of the legislation enabling local authorities to run bus services directly depends on how many local authorities decide to run services and the scale of the operations to be set up. This could range from no local authorities running bus services to all 22 local authorities running bus services. The services themselves could range from one service along a specific corridor to all bus services within a local authority area.

154. Should a local authority decide to bring forward proposals for running their own bus services, whether directly in-house or via an arms-length company, its decision to proceed would be informed by detailed assessments of the implications, which would include a full financial assessment and cost benefit analysis. This would be undertaken by the relevant local authorities.

Costs of option 4 – local authority run bus services

155. There would be set up costs for the Welsh Government in preparing guidance for local authorities and other stakeholders on the legislative provisions relating to local authority bus services. It is estimated that the cost of producing guidance would be in the range of £50k to £80k. There would also potentially be cost or resource implications for stakeholders as part of the engagement and consultation, which have not been costed.

156. There would be set up costs for local authorities as they would need to develop a business case followed by acquiring depots and vehicles.
157. It may cost local authorities £100k to develop a business case to set up their own bus services, so £2.2m at an all Wales level\textsuperscript{21}.

158. The Transport (Scotland) Bill financial memorandum\textsuperscript{22} refers to a report by the managing director of Nottingham City Transport Ltd, which looked at the estimated cost of setting up a hypothetical municipal bus operation. Text from the memorandum explains that:

“The Cost of Municipal Bus Operation study assumes the bus company is situated in a town with a population of 140,000-150,000 (similar in size to Dundee) and that the company is required to purchase and build all infrastructure (including depots) and all vehicles. It assumes a fleet size of 112 vehicles, mainly double-deckers, running a typical urban 24 hour, seven days a week all-year service with a 10-minute peak time service frequency. The hypothetical costs are broken down as shown in the table below. These costs are based on a relatively sizeable operation, likely to go well beyond that required to meet an unmet transport requirement. Nevertheless, they do give indicative unit costs which could be scaled down depending on the extent of the operations.”

<table>
<thead>
<tr>
<th>Costs - Capital Set-Up (one-off)</th>
<th>Amount (£million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>1.2</td>
</tr>
<tr>
<td>Buildings (e.g. depot)</td>
<td>4</td>
</tr>
<tr>
<td>Related infrastructure &amp; equipment</td>
<td>1</td>
</tr>
<tr>
<td>Vehicles</td>
<td>28.5</td>
</tr>
<tr>
<td>System support</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total capital cost</strong></td>
<td><strong>37.7</strong></td>
</tr>
</tbody>
</table>

| Costs - Operational (annually recurring) | 17.5 |

159. Translating these costs to a per vehicle basis works out at a depot (land and buildings) cost of c.£45k, an average double-decker bus costs of £255k and other depot on-costs (related infrastructure, equipment and system support) of £35k.

160. Under all options it is assumed the local authority would need to purchase a depot. This cost would vary greatly depending on the size of the operation to be set up. Assuming on average a local authority may run 15 buses (e.g. in rural areas that may receive poor tender prices), based on the Nottingham example the cost of a depot and related infrastructure and equipment would be c.£1.2m\textsuperscript{23}. Therefore, if all 22 local authorities decided to run their own services the depots

\textsuperscript{21} The £100k is broken down into a £75k study of preparing the business case, then internal discussions within the Council to discuss the risks and benefits of setting up a bus company, and working out how a local authority bus company could compete against a new entrant. £25k for the internal discussions is allocated.

\textsuperscript{22} Accessed at: \url{https://www.parliament.scot/S5_Bills/Transport%20(Scotland)%20Bill/SPBill33FMS052018.pdf}

\textsuperscript{23} Average purchase cost of depot per bus £45k + average depot on-costs per bus £35k (related infrastructure and equipment such as specialised tools to repair buses) = £80k per bus, or c.£1.2m for 15 buses.
could cost around £28.6m, or less if the authorities already owned land and facilities.

161. The report then quotes annual running costs for double-decker buses at £155k per vehicle. Operating costs for single-decker buses tend to be in the £100k to £150k range, although based on UK Department for Transport 2017/18 cost estimate for all Welsh buses at £162.0m\(^24\) and TAS Partnership’s estimate of 2,150 buses in Wales\(^25\) this would equate to an average operating cost of £75k per year. TAS Partnership’s estimate may include some buses that are used infrequently. For the purposes of modelling an average operating cost per bus of £125k is assumed.

162. With the assumption of 15 local authority buses per authority, at an average operating cost of £125k this would equate to an annual operating cost of £1.9m, which scaled up for all 22 local authorities in Wales would equate to a gross cost of £41.3m.

163. If a local authority decided its best option for providing bus services in the area was to run services directly, it could purchase or lease buses and employ drivers to operate the routes. For modelling it is assumed the buses are leased. If the local authority is to compete against other operators, it would be legally required to set up an arms-length company to ensure that there would be no competitive advantage to the local authority.

164. There would be a potential cost implication for bus and coach operators as a result of loss of business from losing a tender if a local authority decides to run operations itself. If the existing operator was making a 6 percent operating margin, and every local authority was to introduce its own fleet of 15 vehicles this would translate to lost profits of £2.5m\(^26\). However, there would be nothing to stop these operators setting up other routes or bidding for different tenders.

165. Currently, because availability of funding is often only known for the current year, local authorities normally only enter into three-year contracts to run subsidised bus services. The frequent retendering leads to uncertainty amongst bus operators making it difficult, in some cases, to recruit and retain staff. With local authorities taking services in-house or delivering them through an arms-length company, it is possible that it may be easier for a local authority to attract and retain staff and this could offset any inefficiencies local authority bus operators may have compared to commercial operators.

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\(^24\) Table BUS0401a accessed at: [https://www.gov.uk/government/organisations/department-for-transport/series/bus-statistics](https://www.gov.uk/government/organisations/department-for-transport/series/bus-statistics)


\(^26\) If operating costs are c.£1.875m per local authority, a 6% operating margin would equate to £113k.
167. The following table summarises the estimated costs for local authority running bus services directly outlined above, with the set-up costs for local authorities including the costs of depots and the business cases:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Producing guidance</strong></td>
<td>£50k - £80k</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Set up costs if adopted by one local authority</strong></td>
<td>N/A</td>
<td>£1.3m</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Operational costs p.a. if adopted by one local authority</strong></td>
<td>£0</td>
<td>£1.9m**</td>
<td>£0.1m**</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Discounted total 2021/22 – 2035/36</strong></td>
<td>£0.06m</td>
<td>£0m - £324.9m</td>
<td>£0m - £18.2m</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt the tool and the costs/benefits for each are at the upper end of the ranges.

** Assumption is that by avoiding paying a 6% margin, the operating costs are lower provided the operating authority can achieve the same operating efficiencies, with savings used initially to pay off the costs of building the depots. The local authorities’ operational costs will be offset by receipts they should receive.

**Benefits of option 4 – local authority run bus services**

168. Given that one of the circumstances in which local authorities are likely to consider running services directly is if the tender prices are not competitive or no bids are received for running a service, there is potential for a net benefit to the local authority. Where there are few operators submitting tenders, local authorities could be paying more for services than is competitive.

169. By saving the 6% industry standard operating margin (c.£110k) authorities were previously paying to bus operators, it is assumed that any savings would be used to cover the cost of the depots. It is also assumed that once the cost of the depot has been recouped, any further savings could be used to serve bus routes that previously did not receive any tenders, or run more frequent services. However, based on the assumptions made here, this would take more than 11 years to achieve based on 6% operating margins, assuming that a local authority can be as cost effective as a commercial bus operator. Therefore, it should be noted, the viability of local authority buses is likely to be heavily dependent on the set-up costs required, in particular the need to purchase land, and the ability to run bus services more competitively than other operators.

170. Thus, for the purposes of the 15-year appraisal period in this report, an assumption is made that there is no net benefit to users as the initial operation would be based on running the same services, unless the local authority finds a way to boost patronage or operate better quality buses.
170. The following table summarises the benefits:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial benefits</strong></td>
<td>N/A</td>
<td>£2.0m (bus revenue) **</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Quantified wider</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>economic benefits</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Discounted total</strong></td>
<td>N/A</td>
<td>£0m - £320.6m</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2021/22 – 2035/36 *</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt the tool and the costs/ benefits for each are at the upper end of the ranges.

**Overall**

171. The summarised table shows that over the 15-year evaluation period (covering the local authority set up costs and the first 11 years of operations) the upfront costs paid by the local authority would nearly be repaid. Therefore, it is only in the longer term that users are likely to benefit, unless the local authority run buses can attract more passengers than the subsidised bus operators.

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discounted total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>costs 2021/22 – 2035/36</strong></td>
<td>£0.06m</td>
<td>£0m - £324.9m</td>
<td>£0m - £18.2m</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Discounted total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>benefits 2021/22 – 2035/36</strong></td>
<td>N/A</td>
<td>£0m - £320.6m</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* For the totals a lower value of £0 is given as local authorities have a choice whether to adopt the tool in their area. If none do there will be no additional costs or benefits. The upper value assumes each of the 22 local authorities adopt the tool and the costs/ benefits for each are at the upper end of the ranges.

**Costs and benefits of option 5 – combination of options 2 – 4**

172. Under the preferred option 5, local authorities would have the powers to implement partnerships without the need for investment in infrastructure improvements through EQPs, or could opt to franchise their bus network or parts of the network, or could choose to run services directly.

173. Which tools would be needed would depend on the different contexts, for example, rural versus urban bus routes, large cities versus smaller towns. Some local authorities may have the capability and resources to consider using franchising as an option for addressing local transport needs, while other local authorities may prefer to seek to bring about improvements in services through enhanced partnership working. The intention is not for the Welsh Government to set out how local authorities should secure bus service provision in their area,
but to provide a range of tools that offers the flexibility for local authorities to influence services in the best way that suits their local needs, their capabilities and their resources.

174. Having this level of flexibility and influence would contribute towards local authorities’ priorities of providing and integrating public transport services, increasing patronage, reducing car use, reducing carbon emissions and improving air quality.

175. One of the key benefits of having these tools available to local authorities is the greater opportunity they present for achieving a unified network in an area. The following figure provides an example of a unified network, where instead of 10 bus routes in a city, there are 5 bus routes with an orbital route that offers passengers a wider range of destinations, and quicker travel times for some trips:

176. The range of costs and benefits for each individual option has been outlined above. As previously explained it is difficult to provide precise analysis of costs
as there is no way of predicting which (if any) of the tools local authorities would decide to use.

177. Similar to predicting what may happen to bus patronage for the business as usual scenario, it is also difficult to estimate what may happen to bus patronage under option 5, particularly as the utilisation of the tools is unknown. As such, four possible scenarios have been provided:

- scenario 1 – where total bus patronage continues to fall, but at a slower rate than under the business as usual option. For example, bus patronage may fall by half the TEMPro projected bus patronage decline (explained in paragraph 89 so by around 0.25m trips per year;

- scenario 2 – where the decline in total bus passengers is stopped, and bus passenger numbers stay constant;

- scenario 3 – where total passenger numbers increase by 1 percent per year, less than the rates of patronage increase elsewhere in successful towns in Europe allowing for the fact that different parts of Wales would have different rates of take up and levels of success with the new tools; and

- scenario 4 – where total patronage starts rising by 2.5 percent a year, which represents the average total of the five cities where growth is rising.

**Estimate of the costs and benefits if partial adoption by local authorities**

178. Ultimately it is a decision for each local authority which if any of the tools they choose to adopt, or part adopt.

179. For modelling purposes, it has been assumed that approximately a quarter of local authorities adopt EQPs across their area, a quarter franchises across their area, a quarter provide 15 local authority buses and a quarter do not make any changes to current systems. In reality a local authority may adopt an EQP or franchise in only part of its area, or may provide less than 15 buses themselves, which will all cost less.

180. As explained in paragraphs 83 and 84, analysis has been prepared where for the purposes of bus networks the typologies of 'Major Urban', 'Town' and 'Rural' were applied to the 22 Welsh local authorities. Although some of the typologies (3 Major Urban and 9 Town) cannot neatly be divided by four, as a simplification the total costs and benefits for each typology have been divided by 4. Based on this the results are shown below, with details shown in Annex 2.
Total costs and benefits if quarter of local authorities adopt EQPs, quarter adopt franchise, quarter select local authority buses and a quarter do not select a tool (£m)

<table>
<thead>
<tr>
<th></th>
<th>Rural</th>
<th>Town</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EQP Franchise</td>
<td>EQP Franchise</td>
<td>EQP Franchise</td>
<td>EQP Franchise</td>
</tr>
<tr>
<td>Local authorities Set-up</td>
<td>50 500</td>
<td>85 750</td>
<td>120 1,000</td>
<td>1,300</td>
</tr>
<tr>
<td>costs – first round (£k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operators</td>
<td>100 160</td>
<td>150 315</td>
<td>200 1,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Operators - Refurbished buses</td>
<td>N/A 975</td>
<td>N/A 1,350</td>
<td>N/A 3,375</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>N/A N/A</td>
<td>N/A N/A</td>
<td>N/A N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Set-up costs – second round</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(£k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs per year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(£k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>15 25</td>
<td>20 125</td>
<td>25 225</td>
<td>1,880</td>
</tr>
<tr>
<td>Operators</td>
<td>15 (-90)</td>
<td>20 (-90)</td>
<td>25 (-90)</td>
<td>115</td>
</tr>
<tr>
<td>Users</td>
<td>N/A N/A</td>
<td>N/A N/A</td>
<td>N/A N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Benefits per year (£k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(£k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>N/A N/A</td>
<td>N/A N/A</td>
<td>N/A N/A</td>
<td>1,990</td>
</tr>
<tr>
<td>Operators</td>
<td>30 50</td>
<td>40 250</td>
<td>50 500</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>100 545</td>
<td>260 975</td>
<td>420 1410</td>
<td>N/A</td>
</tr>
<tr>
<td>Discounted Net Present Value</td>
<td>6.4 30.1</td>
<td>15.7 57.0</td>
<td>8.6 23.3</td>
<td>118.5</td>
</tr>
<tr>
<td>over 2021/22 – 2035/36 (£m)</td>
<td>(-10.2) 4.6</td>
<td>(-9.2) 24.8</td>
<td>(-3.1) 37.5</td>
<td></td>
</tr>
<tr>
<td>Net Present Value ¼ adopt</td>
<td>1.6 7.5</td>
<td>3.9 14.2</td>
<td>2.1 5.8</td>
<td>29.6</td>
</tr>
<tr>
<td>EQPs, ¼ franchise, ¼ local</td>
<td>(-2.6) 1.3</td>
<td>(-2.3) 12.2</td>
<td>(-0.8) 2.4</td>
<td></td>
</tr>
<tr>
<td>authority buses and ¼ none</td>
<td>(£m)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Conclusion

181. Option 5 is the Welsh Government’s preferred option. To introduce legislation on enhanced partnership working, franchising and local authority bus services would ensure that local authorities had access to a comprehensive suite of tools and options to consider when addressing the challenges with bus service provision in their area.

182. As outlined previously, each local authority faces different challenges in securing bus services in their area. Some local authorities may consider that franchising would be the most appropriate solution for their area, while other authorities may prefer to bring about improvements through partnership working and others may decide that the only way of achieving the desired outcome would be to run services directly themselves.

183. By bringing forward all of provisions outlined in options 2-4, the Welsh Government would be providing local authorities with the best opportunity to secure the bus service provision that is needed in their areas. It would also provide local authorities with a greater influence to try and reverse the decline in bus patronage, along with the numerous other benefits (e.g. health benefits, greater social interaction, reduced congestion and reduced carbon emissions) that arise from increases in bus patronage.

184. What the analysis has shown is that the main beneficiaries of introducing the legislative changes to allow for enhanced partnership working, franchising and local authority run bus services are likely to be passengers. For modelling purposes, it has been assumed that Welsh Government bus support remains constant. However, if in the do-nothing scenario bus patronage was to fall by such an extent that an ever-larger number of services require subsidies then Option 5 has the potential to change negative trends and avoid this.

185. Thus, including all of the legislative proposals in the Bill would allow local authorities to use the approach they consider to be most suitable to meet their objectives for services in their area.
Part 2 – Information provision

Part 2 – Background

186. Clear high quality and up-to-date information is essential for the smooth running of bus services. Today people have far greater expectations about the kind of information that should be available to them, and users expect to be able to make informed choices based on easily available data.

187. Access to clear and accurate information about bus services is important for local authorities in supporting their local bus services. It is also important for software developers seeking to create services such as smartphone Apps and journey planning systems.

188. The Public Transport Users’ Committee undertook a review of the provision of public transport information and published a report in April 2012. The report found that “current public transport information across the Welsh public transport network, especially for bus users, is inconsistent, fragmented, largely historical/legacy based and not driven by input from users”. The report also highlighted that the “evidence demonstrated that the most effective delivery of public transport information occurs under a regulated and centralised environment”.

189. Currently, there is a duty on local authorities under section 139 of the Transport Act 2000 Act to share appropriate data with the public, for example through the internet and on bus stops. Section 139 places a duty on local authorities to determine what local bus information should be made available to the public and the way in which this information should be made available. There is a duty on an operator to provide the information, and if an operator fails to provide the information requested enforcement action can be taken by the Traffic Commissioner. The type of information that is to be made available is:

- information about the routes and timetabling of local services to, from and within a local authority’s area;
- information about fares for journeys on services; and
- such other information about facilities for disabled persons, travel concessions, connections with other passenger transport services or other matters of value to the public as a local authority considers appropriate in relation to its area.

190. Local authorities in Wales have limited powers to require the provision of information by bus operators in relation to local services. Section 143 of the Transport Act 2000 enables local authorities, in connection with the exercise of their functions relating to public transport, to require an operator to provide them with information about:

- the total number of journeys undertaken by passengers on the local services operated by the operator in the authority’s area (i.e. total passengers); and

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- the total distance covered by the vehicles used by the operator in operating those services (i.e. bus mileage).

191. Despite these provisions, the information being provided is inconsistent and variable in quality.

192. Another important factor in terms of information provision relates to information about deregistered services. In 2011, the Competition Commission’s Local Bus Services Market investigation\textsuperscript{28} recommended that local authorities should be enabled to obtain, and where appropriate disclose, information about the revenue and patronage of bus services that are being deregistered. The intention behind this recommendation was to enable local authorities to better manage tenders for supported services and to provide cost effective outcomes in tender prices. Consideration of information provision regarding bus services provides an opportunity to also consider how this recommendation would be best implemented in Wales.

**Part 2 – Options**

**Option 1 – business as usual**

193. Under this option the status quo would continue, both in terms of meeting customer needs when travelling and local authority needs when considering the provision of socially necessary services.

194. Local authorities would have to rely on current legislative requirements for the provision of information on bus services. The current issues with accessibility to reliable and up-to-date information would continue.

195. Currently operators make information available to passengers through their own websites, as well as Apps and journey planners, on a voluntary basis. However, this practice is not consistent from operator to operator and does not allow passengers to have access to comprehensive data to inform travel that requires use of more than one operator.

196. To provide a degree of mitigation, the Welsh Government currently grant funds Traveline Cymru to provide comprehensive public transport information via their website, App and call centre. However, this service is reliant on operators providing the necessary information.

197. Local authorities would continue to be unable to access information about withdrawn services that would assist them in decisions about whether to contract to provide a subsidised replacement service and help ensure competitive tenders are received should they decide to support a replacement service.

**Option 2 – introduce legislation on information provision**

**Open data**

198. This option would see the introduction of legislation on open data that would result in public access to more consistent and reliable data on bus services.

199. The purpose would be to create a comprehensive open data set for the bus services that are available in Wales, which is easily accessible to the public. The information would also be available to App designers who would be able to use it to provide comprehensive travel information across all modes. This would assist people to plan their journeys using public transport.

200. The intention is to provide a single set of data of registered services which could be used for a range of purposes, including provision of information (including real-time), compliance monitoring and App development.

201. The legislation would enable Welsh Ministers to make regulations regarding the provision of information about Welsh bus services from operators to local authorities and the traffic commissioner. The type of information to which the regulations would apply includes:

- routes and stopping place;
- timetables;
- fares and ticketing; and
- patronage.

Service information

202. This option would also see the introduction of legislation on the provision of service information following the deregistration of a service(s). This would implement the 2011 Competition Commission’s Local Bus Services Market investigation recommendation outlined in the background section above.

203. Information about the number of passengers using the de-registered service, the journeys made by those passengers and the fares paid by them as well as the revenue from operating the service would all help local authorities deal with the consequences of service withdrawals. Local authorities would be permitted to disclose the information to potential bidders should the local authority decide to subsidise a replacement service. This would help facilitate more effective competition in the market for supported bus services, and as a result help ensure better value for money for the local authority in letting the contract for the replacement service.

Part 2 – Costs and benefits

204. The costs and benefits have been evaluated over 15 years from 2021/22 to 2035/36. It is assumed the earliest the primary legislation would receive Royal Assent would be in April 2021, subject to the will of the Assembly. Following Royal Assent, the current working assumption is that the subordinate legislation to implement the Bill would not come into force before April 2022, and the open data and service information rules would be applied from April 2023, giving operators and local authorities time to plan for the changes.

Costs and benefits of option 1 – business as usual

Costs of option 1 – business as usual

205. There would be no additional costs associated with this option. Operators and local authorities would continue to provide information on bus services as they do now.
Benefits of option 1 – business as usual

206. This option is benefit neutral as the status quo would continue.

207. Without change it can be assumed that some operators would take steps to make better information available where it is seen there would be a commercial benefit, which would bring benefits to bus users. However, other operators may not, and the information provision would continue to be inconsistent and varying in quality across Wales.

Costs and benefits of option 2 – introduce legislation on information provision

Costs of option 2 – introduce legislation on information provision

208. There would be set up costs for the Welsh Government in producing guidance for local authorities and other stakeholders on the legislative provisions relating to open data and the provision of service information on de-registered services. It is estimated that the cost of producing guidance would be between £20k and £30k. There would also potentially be cost or resource implications for stakeholders as part of the engagement and consultation, which have not been costed.

209. There may also be additional costs to the Welsh Government as a result of opportunities created by a more comprehensive data set. At this stage it is not possible to ascertain the scale and scope and they have therefore not been costed.

210. Once the data is provided it is envisaged that there would be minimal impact on local authorities as they would be better informed when preparing tender specifications and subsequent evaluation. Any cost implications are likely to minimal as it would be limited to those withdrawn services for which a local authority is considering subsidising a replacement service.

211. There would be some additional costs to operators in extracting and collating the data required by the Bill.

212. The costs are estimated to be around £500k per year for all local authorities and operators, based on an estimate of additional resource required to undertake the work.

213. The following table summarises the estimated costs of the information provisions outlined above:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing guidance</td>
<td>£20k - £30k</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Operational costs p.a.</td>
<td>N/A</td>
<td>£0.5m</td>
<td>£0.5m</td>
<td>N/A</td>
</tr>
<tr>
<td>Discounted total 2021/22 – 2035/36</td>
<td>£0.02m</td>
<td>£4.5m</td>
<td>£4.5m</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Benefits of option 2 – introduce legislation of information provision

214. The main beneficiaries from the provision of open data set would be the bus users as they would have access to consistent, high quality and up-to-date information. The perceptual value of this is evaluated by economists to be worth between 2-3 pence per bus journey. As there are just below 100 million bus journeys in Wales a year, this would equate to a benefit of between £2m and £3m a year.
215. The improvements in the accessibility of reliable information about bus services would make bus travel a more attractive option and increase passenger confidence in the services, which would likely lead to an increase in patronage.

216. There would also be benefits to operators through increased patronage and use of services. The Impact Assessments for the English Bus Services Bill estimated the benefits to operators to be between £800k and £8m per year\(^5\). In 2017/18 4.4 billion bus journeys were undertaken in England. The 99.9m bus journeys undertaken in Wales in 2017/18 equates to 2.3% of English bus trips\(^2\). Therefore, if the impact in Wales is equivalent to the estimated impact in England, this may equate to between £20k and £115k for operators in Wales.

217. The availability of data on withdrawn services, should a local authority decide to tender to replace the service, should result in lower tender bids from operators. The provision of information will enable the procuring local authority to make a more informed decision when awarding a contract. This may potentially reduce the risk of inflated tender prices. However, this will also depend on the number of bidders.

218. Total spend on subsidised services in Wales is £23m per year (comprising £8m BSSG and £15m RSG). BSSG is a fixed amount therefore there would be no cash savings. However, any efficiencies would facilitate support for additional bus services. In respect of RSG, this is unhypothecated and therefore any efficiencies could be utilised to support additional bus services or other council priorities. Based on an estimate of an average saving of between 1-3 percent across Wales, the benefits would be between £150k and £450k per annum.

219. The following table summarises the estimated financial benefits of information provision outlined above:

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial benefits p.a.</td>
<td>N/A</td>
<td>£150k and £450k</td>
<td>£20k - £115k</td>
<td>N/A</td>
</tr>
<tr>
<td>Quantified wider</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>£2m  - £3m</td>
</tr>
<tr>
<td>economic benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>p.a.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounted total</td>
<td>N/A</td>
<td>£2.7m</td>
<td>£0.6m</td>
<td>£22.5m</td>
</tr>
<tr>
<td>2021/22 – 2035/36</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

220. The improvement in information provision to users and the subsequent increase in accessibility of services and passenger confidence in services would be likely to lead to an increase in patronage. This increase in patronage would bring associated benefits, including reduction in car use and the subsequent reduction in congestion and carbon emissions, thereby contributing to wider priorities for the local authority. However, these other benefits have not been monetised.

Summary of costs and benefits of option 2 – introduce legislation on information provision

221. As can be seen in the following table the main beneficiaries are the bus users.

<table>
<thead>
<tr>
<th></th>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted total costs</td>
<td>£0.02m</td>
<td>£4.5m</td>
<td>£4.5m</td>
<td>N/A</td>
</tr>
<tr>
<td>2021/22 – 2035/36</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounted total</td>
<td>N/A</td>
<td>£2.7m</td>
<td>£0.6m</td>
<td>£22.5m</td>
</tr>
<tr>
<td>benefits 2021/22 –</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035/36</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Conclusion

222. The preferred option is option 2 (open data and service information), to bring forward legislation in relation to the provision of information about bus services.

223. This approach would ensure that bus users have access to consistent and reliable information about bus services in Wales.

224. This approach would also ensure that the Welsh Government complies with the Competition Commission’s recommendation in relation to deregistered services. This would mean that local authorities have access to information about passengers, fares and revenue on deregistered services to assist in their decisions around supported services and help them achieve greater value for money when tendering for those services.
Part 3 – Mandatory Concessionary Fares eligibility age

Part 3 – Background

225. The Welsh Government was the first Government in the UK to introduce universal free bus travel for older and disabled people, with the aim of radically improving access to key services and facilities. The law governing the mandatory concessionary fares scheme (Sections 145B to 150 Transport Act 2000) states (at section 146) that an elderly person who is entitled to a pass is someone who has attained the age of 60 years.

226. The scheme provides pass holders with the ability to travel free of charge at any time on any bus services in or partially in Wales.\(^{30}\)

227. The introduction of the scheme in 2002 resulted in a significant increase in the annual number of concessionary journeys undertaken and initially stemmed the decline in bus use in Wales. However, since 2008-09 the decline in bus use has continued. A little less than half of all bus journeys currently undertaken are made by concessionary pass holders.

228. The success of the scheme has resulted in a number of unforeseen consequences and inevitably this includes the costs of the scheme rising.

229. There is an inherent trade-off between journey time and geographical accessibility, which influences route choice. As a result, some routes may be influenced by attracting concessionary revenue rather than meeting the needs of the wider public and encouraging modal shift. This means more frequent stopping and less direct routes to main centres. The result of a network shaped in this manner is that it is less attractive to time-sensitive travellers such as commuters. This places increased financial pressure on fare paying passengers to financially underpin commercial routes given concessionary reimbursement is determined on a ‘no better no worse’ basis.

230. The reimbursement rate for the mandatory concessionary fares scheme is based on the price of an average adult single fare, adjusted to reflect factors such as trip generation and additional costs (the Modifying Factor). This has meant that bus operators are not incentivised to keep these fares low. As a result, bus travel is relatively expensive for ad-hoc users or those unable to financially commit to the purchase of cheaper period tickets.

231. The Future Trends Report 2017 highlighted that over the next 20 years, the percentage of over 65s in Wales is set to increase from around 20 percent to around 25 percent of the entire population. The population aged over 75 in Wales is also projected to increase from 9 percent of the population in 2014 to around 13 percent in 2030. It is also reported that overall life expectancies and ‘healthy’ life expectancies are increasing in Wales.\(^{31}\)

232. To evidence this, the Office for National Statistics (ONS) produces population projections for Wales until 2041, which are presented in the chart below:

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\(^{30}\) The scheme also currently offers eligible persons free travel on a limited number of rail services.

233. With an increasingly ageing and active population, the Welsh Government has been looking at options for managing the rising costs without affecting the eligibility of those persons currently entitled to a concessionary pass and in a way that ensures a fair and equitable scheme that achieves the policy intentions going forward. Whilst the Welsh Government is committed to retaining entitlement for free travel at any time, as it recognises its importance to, amongst other things, the independence of the pass holders, it also recognises that consideration must be given to making changes to the eligibility criteria for new applicants. The proposed change would ensure that the scheme remains sustainable in the context of anticipated future funding whilst recognising that the population age demographic is changing, but without affecting the eligibility of those persons currently entitled to a concessionary pass.

234. The following graph shows the historical relationship between bus journeys undertaken in Wales and concessionary fares usage:
235. The table below shows the number of journeys undertaken by each group of people to whom free bus travel passes are issued for 2016-2017:

<table>
<thead>
<tr>
<th>When journeys are undertaken</th>
<th>Classification</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People aged 60+</td>
<td>Disabled</td>
</tr>
<tr>
<td>00:01 – 6:59</td>
<td>197,382</td>
<td>73,469</td>
</tr>
<tr>
<td>07:00 – 9:30 (peak)</td>
<td>3,830,149</td>
<td>1,007,029</td>
</tr>
<tr>
<td>09:31 – 15:59</td>
<td>24,659,812</td>
<td>5,048,095</td>
</tr>
<tr>
<td>16:00 – 18:30 (peak)</td>
<td>3,582,641</td>
<td>1,145,047</td>
</tr>
<tr>
<td>18:31 – 00:00</td>
<td>1,232,453</td>
<td>449,615</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,502,437</strong></td>
<td><strong>7,723,255</strong></td>
</tr>
<tr>
<td><strong>Percent</strong></td>
<td><strong>74%</strong></td>
<td><strong>17%</strong></td>
</tr>
</tbody>
</table>

236. In 2016/2017, the journeys undertaken by older people accounted for 74 percent of all journeys using free bus travel passes with 22 percent of those journeys undertaken between 07:00 and 09:30 and 16:00 and 18:30 (peak travel times).

237. The Welsh Government consulted on the future of the mandatory concessionary fares scheme between October 2017 and January 2018. The consultation considered options for improving access to and use of free bus travel in Wales and included:

- the Welsh Government becoming the Travel Concession Authority;
- increasing the age of eligibility for older people to match the UK state retirement age;

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32 Data provided by ACT for the period 2015/2016 and 2016/2017
- the issue of companion passes for disabled people; and
- extending the scheme to include volunteers.

238. Following the consultation, the Welsh Government has been giving further consideration to increasing the age of entitlement for new older applicants. This does not affect eligibility for disabled persons, companions of disabled persons or war veterans. Two options have been considered in terms of the age of eligibility for the mandatory concessionary fares scheme:

- Option 1 – business as usual; and
- Option 2 – incrementally increasing the age of eligibility age to align with a person’s state pensionable age.

Part 3 – Options

Option 1 – business as usual

239. Under this option the scheme would be maintained in its current format. People would continue to be able to access a concessionary pass once they reach the age of 60 years and would be able to catch any bus at any time in Wales with no charge.

240. Based on the Office of National Statistics’ data for Wales, in 2017 there were around 186,700 Welsh people aged 60 – 64 and around 642,900 people aged 65+, so collectively approximately 829,600 aged 60+. By 2035 this will have risen to around 192,600 people aged 60 – 64 and around 846,400 people aged 65+, so collectively over 1m people aged 60+. This represents an increase of 25 per cent amongst the population aged 60+ between 2017 and 2035.

241. Without any changes to the eligibility age, the current trends of take-up and trip rates would be expected to continue. As more people become eligible for the pass, the number of journeys and associated costs would increase. Two scenarios are presented for future concessionary travel numbers:

- Scenario 1 – 2017/18 older concessionary travel rises in line with the Office of National Statistics’ population growth projections, and concessionary travel amongst the disabled, companions of disabled persons and veterans stays constant; and
- Scenario 2 – 2017/18 older concessionary travel is affected by two trends – the Office of National Statistics’ population growth projections, less TEMPro’s projected 0.6% decline for all passengers (concessionary or otherwise) as described in paragraph 89.

These two scenarios are shown in the graph below:
Option 2 – incrementally increase the eligibility age to align with a person’s state pensionable age

242. Under this option, the age of entitlement to a concessionary pass would be incrementally increased to align with a person’s state pensionable age. Any existing pass holders would not be affected.

243. The free concessionary bus travel scheme was introduced in April 2002. At that time, it enabled disabled people meeting certain eligibility criteria, together with women aged 60 years and over and men aged 65 years and over to travel, free of charge, on any local bus service in Wales. This meant that the eligibility for the concessionary pass was aligned with the state pensionable age for men and women. In April 2003, the age of entitlement for concessionary passengers was standardised for women and men at age 60 and over. The current age of eligibility for the mandatory concessionary fares scheme remains age 60 and over for both men and women.

244. Recently the state retirement age for men and women has equalised. By October 2020 the pension age for both men and women will have reached 66 years and by 2028 it will have risen to 67 years. It will not rise to 68 until 2039 – later than the analysis to 2035/36 undertaken here.

245. Therefore, it is reasonable to consider whether eligibility should now increase to re-align with the state pension age.

246. As in paragraph 85, the costs and benefits have been evaluated over 15 years from 2021/22 to 2035/36. It is assumed the earliest the primary legislation would receive Royal Assent would be in April 2021, subject to the will of the Assembly. Following Royal Assent, the current working assumption is the Bill would not come into force before April 2022.

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247. The incremental rise in the age of eligibility would mean that those people who were approaching 60 years old and expecting to receive a pass would not have to wait until they were 67 years old to get one.

**Part 3 – Costs and benefits**

**Costs and benefits of option 1 – business as usual**

**Costs of option 1 – business as usual**

248. There would be no additional up-front costs for this option. However, the forecast increases in the number of cards issued and the subsequent increase in passenger journeys would incur additional costs to the Welsh Government for reimbursement to operators and additional administrative costs to local authorities (who currently receive £3 per live pass per annum).

249. Cost increases would likely follow the increases in population shown in the chart below paragraph 241.

**Benefits of option 1 – business as usual**

250. Free bus travel makes a valuable contribution to improving the health and wellbeing of older people in Wales, enabling more people to remain active for longer, and so promotes independent living. Keeping physically active helps to maintain mental wellbeing, mobility and muscle strength in older people and reduces their risk of cardiovascular disease, falls and fractures. In this way, the scheme is also helping to reduce demand on health services. Under the business as usual option, these benefits would continue to be available to everyone over the age of 60 as previously.

251. Free bus travel also potentially helps to reduce congestion and therefore helps to lower carbon emissions and improve air quality. As such, with no change, these benefits would continue to be realised and, with demographic trends by an increasingly number of people aged 60+.

**Costs and benefits of option 2 – incrementally increase the eligibility age to align with a person’s state pensionable age**

**Costs of option 2 – increase eligibility age**

252. There would be set up costs associated with changing the eligibility age. Following enactment, the Welsh Government would need to ensure comprehensive awareness of the changes. It is envisaged that local authority guidance would be required and that a public awareness campaign would be carried out. Eligibility guidance is available to local authorities for the mandatory concessionary fares scheme. It is estimated that updating the guidance could cost around £5k.

253. It is expected that a full publicity campaign would be needed to ensure the message reaches all affected by the change. This would include press and media activity, material on buses and in local authority contact centres, updated websites with eligibility calculators and call handling to deal with enquiries. It is estimated that the public awareness campaign would cost between £150k and £200k. There would also potentially be cost or resource implications for stakeholders as part of the engagement and consultation, which have not been costed.
254. It is envisaged that the delay in issuing a pass to those affected by the change in eligibility is likely lead to a reduction in their propensity to travel by bus, due to price sensitivity. However, the extent of the reduction is unknown. For example, a person affected the changes may use other modes or decide not to travel at all due to the removal of the opportunity for free travel.

255. Concessionary fare reimbursement is currently around 66 percent of a full single fare. In 2017/18, with 45.8m concessionary journeys and Welsh Government support of £69m that equates to an average concessionary reimbursement of £1.51 per ticket. The Department for Transport reported that in 2017/18 the Welsh bus companies received £172.4m. As shown in the table on page 6, £113m of that comes directly or indirectly from the Welsh Government. The difference equates to an average fare paid by non-concessionary passengers of £1.10 per trip. The value is less than the concessionary fares paid as other passengers may buy return tickets, day travel tickets, weekly tickets or other tickets which end up costing less than the requisite number of single tickets that would alternatively be needed. There has also been a trend in cheaper prices being available to passengers who pay by a smartphone App.

256. For analysis and modelling purposes the following assumptions are made:

- the elderly concession age will gradually rise although this will not affect anyone who currently has a concessionary pass;

- as the elderly concession age increases, 50 percent of passengers who would have travelled for free on buses will pay to travel on the bus – the other 50 percent either will not travel or choose other travel modes. This means that, for example, in 2030 there will be around 1,007,300 people aged over 60 years and of these around 303,700 (30 percent) of these will be aged 60–66 years. Therefore, in 2030/31 half of these 30 percent will pay to travel by bus and the other half will not take the bus; and

- the assumptions are modelled for the same scenarios 1 and 2 that were modelled for no changes in legislation, namely patronage will either follow population trends amongst those still eligible for older persons concessionary passes or population trends less the TEMPro 0.6% per annum reduction.

257. The implications on patronage are shown in the following chart:

---


37 The calculation is: (£172.4m – £113m =Bus Services Support Grant, Discretionary Revenue Support Grant, TrawsCymru, Concessionary fares, Additional concessionary monies and Young Persons Discounted Bus Travel)) / (99.9 m – 45.8m concessionary passengers)

38 See paragraph 89
258. With the change in law, the following chart indicates the costs to the 50 percent of 60-66-year olds who previously would have been able to claim concessionary fares whom instead pay to travel by bus under the two scenarios. It also indicates the lower net bus operator income from the fewer older concessionary trips less the fares they receive from the 50% of people aged 60-66 who pay to travel by bus. However, as shown, until the changes are implemented in 2022/23 onwards the operators would receive more money as there are more concessionary fares because of the ageing population.
259. The table below summarises the implications for the change in law under Scenario 2 (the dotted lines in the chart above) where concessionary fare receipts follow older person population changes less the TEMPro 0.6% decline for all concessionaires (older people, disabled, companions of disabled and war veteran falls). As the costs to people who can no longer claim concessionary passes would change every year a snapshot of operating costs in 2028/29 is given, although the discounted total costs include each year-on-year change.

<table>
<thead>
<tr>
<th>Scenario 1b: Relative to 2017/18 implications for operator income from people no longer concessionary pass holders</th>
<th>Scenario 1b: Relative to 2017/18 implications for concessionary fares for operators</th>
<th>Scenario 2b: Relative to 2017/18 implications for operator income from people no longer concessionary pass holders</th>
<th>Scenario 2b: Relative to 2017/18 implications for concessionary fares for operators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow Scenario 1b</td>
<td>Net cash flow Scenario 2b</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Operator net cash impact compared to 2017/18 (£m) (+ more cash, - less cash) |
|---|---|---|---|
| £0 | £2 | £4 |
| £6 | £8 | £10 |
| £12 | £14 |

<table>
<thead>
<tr>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users (50% of 60-66-year olds take bus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing guidance and communicating change</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£155k - £205k</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Operational costs p.a. (2028/29)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022/23 costs of £1.5m and savings from then on</td>
<td>N/A</td>
<td>£4.4m</td>
<td>£3.6m</td>
</tr>
<tr>
<td>Discounted total 2021/22 – 2035/36</td>
<td>£1.6m</td>
<td>N/A</td>
<td>£42.2m</td>
</tr>
</tbody>
</table>

260. There is a projected cost impact to the Welsh Government of £1.5m in 2021/22, but from then onwards the change in law will reduce costs. These later savings are recorded as benefits, rather than costs. Likewise, operators will start off receiving more money (e.g. the extra £1.5m in 2021/22), but from then onwards there are net costs to operators shown in the table. In reality, operators would seek to mitigate any potential
decrease in revenue as a result of the change in eligibility age by adapting their services to changing demand.

261. Other costs of increasing the age of eligibility include a potential reduction in wellbeing benefits, such as social inclusion and being active, if the result of the change is that some of those aged between 60 and 66 year cannot otherwise afford to travel. However, given that people are living longer, retiring later and are remaining active later in life, there is some mitigation to the risk of social exclusion for persons between aged 60 and pensionable age. It is likely that the majority would continue to travel by some mode, although they will incur an increased financial cost of travel.

262. However, there would be a likely negative impact of this continuation of travel on congestion and air quality given that some of those journeys would result in increased car traffic.

Benefits of option 2 – increase eligibility age

263. The following table presents the benefits of Scenario 2, with a small benefit of £1.8m discounted for operators because of £1.5m of higher concessionary income in 2021/22 and £0.4m in 2022/23. Until the number of people aged 67+ overtakes the number of people currently aged 60+ the Welsh Government will also save money on the administrative cost of issuing concession cards, but this has not been costed.

<table>
<thead>
<tr>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial benefits p.a. (2028)</strong></td>
<td>£8.0m</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td><strong>Discounted total 2021/22 – 2035/36</strong></td>
<td>£73.8m</td>
<td>N/A</td>
<td>£1.8m</td>
</tr>
</tbody>
</table>

Overall

264. The following table shows the total costs and benefits with both scenarios. As can be seen the beneficiaries will be the Welsh Government that would save money, although as explained operators will seek to reduce impacts by adapting their routes and services.

<table>
<thead>
<tr>
<th>Welsh Government</th>
<th>Local authorities</th>
<th>Operators</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discounted total costs 2021/22 – 2035/36</strong></td>
<td>£1.6m</td>
<td>N/A</td>
<td>£42.2m</td>
</tr>
<tr>
<td><strong>Discounted total benefits 2021/22 – 2035/36</strong></td>
<td>£73.8m</td>
<td>N/A</td>
<td>£1.8m</td>
</tr>
</tbody>
</table>

Conclusion

265. Option 2, to incrementally increase the eligibility age for the Mandatory Concessionary Fares scheme to align with state pension age, is the preferred option.

266. This option would help to ensure the long-term sustainability of the scheme. Given pressures on resources, it is essential that they are targeted in a way that ensures
maximum benefit. Under the business as usual option, Government resources would continue to fund concessionary travel for those people of working age, which is inconsistent with the policy aims of the scheme of reducing social exclusion.
Annexes

Annex 1 – assumptions and methodology for calculation of costs and benefits

As outlined in the Part 1 Costs and Benefits section where relevant, the data and outputs in the English and Scottish impact assessments have been used to estimate some of the potential impacts in Wales, with adjustments made for the specific Welsh context.

As explained in paragraph 77 the English RIA contains detailed calculations, which have been adapted for the specific nature of bus services in Wales. However, the English RIA excludes the costs for the Department for Transport (DfT) for preparing guidance following the passing of the Act. This Welsh RIA includes an estimate of these costs.

The estimated costs of producing guidance are based on the time it is expected to take for Welsh Government officials to write, consult on and publish the guidance, including translation and design costs. The costs account for the complexity of the subject matter and the level of internal and external engagement that may be required in developing the guidance.

Nearly all values in the English RIA are presented at a local transport authority (LTA) area39. The English RIA sources the set-up and operating costs from evidence and research. Benefits estimates are provided from different sources, explained below:

- **User benefits.** Economists use an economic theory called Generalised Journey Time (GJT) savings to estimate user benefits. This approach attempts to allocate an actual time saving (if buses will reach destinations more quickly) or ascribe a ‘perceived’ time saving to measures. For example, the English RIA assumes one of the benefits of a franchise system is there is smart and integrated ticketing across the area as there is only one operator. A GJT of 0.45 minutes is ascribed, which is then multiplied by the DfT’s proxy values of leisure time and commuting time40. This approach is published in the DfT’s Transport Appraisal Guidance (WebTAG)41.

- **Non-user benefits.** In this Welsh RIA we have assimilated the English RIA’s Non-user benefits where presented (e.g. time savings to other users if more passengers on buses, carbon reductions, accident reductions, etc.) into the User Benefits. These again will be drawn from WebTAG guidance.

- **Operator benefits.** This additional revenue bus operators may receive, based on extra patronage multiplied by average ticket prices.

- **Government benefits.** This covers central government benefits and local government benefits. This will include any reductions in central government/ local government bus subsidies.

Where relevant, the estimated costs and benefits of the various tools for Wales have been translated from the English RIA using the following assumptions:

---

40 Idem. p.85.
There are 88 LTAs in England with an average population of approximately 650,000 people\textsuperscript{42}. There are 22 local authorities in Wales with an average population of approximately 143,000\textsuperscript{43}; and

In Wales the average number of bus trips per person is 32. In England, the average number of bus trips per person is 78, nearly two and half times larger\textsuperscript{44}. The following chart uses the same bus patronage numbers in paragraph 83 to determine per capita patronage. As can be seen ‘Major Urban’ has an average per capita patronage of 47 (60\% the English average per capita patronage), for ‘Towns’ it is 28 and for ‘Rural’ it is 26.

On this basis the approximate Welsh costs and benefits are broadly equivalent to two LTAs if every Welsh local authority was to adopt the specific tool being considered\textsuperscript{45}.

There are a number of costs that are not subject to economies of scale and are therefore applicable to each administrative area, such as producing guidance, developing business cases, obtaining legal advice and engaging with stakeholders. For example, the English LTA cost to set up an EQP is estimated to range from £50–£120k. In this instance, it is suggested that the cost range for any authority (whether an English LTA or a smaller Welsh

\textsuperscript{42} Source: ONS population estimates for 2017 accessed at: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates

\textsuperscript{43} Population figures for Welsh local authorities accessed at: https://statswales.gov.wales/Catalogue/Population-and-Migration/Population/Estimates/Local-Authority/populationestimates-by-localauthority-year

\textsuperscript{44} Department for Transport bus patronage accessed at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774572/bus_0103.ods

\textsuperscript{45} 5 LTA equivalents in Wales \times 32 average bus trips per capita in Wales \approx 2 LTAs

78 average bus trips per capita in England
local authority) to set up an EQP are likely to be similar, as consultation will still be needed and legal analysis that the Partnership does not breach competition law. Therefore, on occasion, where there are no or few economies of scale the English RIA LTA costs have not been scaled back for Welsh local authorities.

For benefits the English RIA often quotes a wide range of potential benefits at the LTA level. As the English RIA assumes most of the measures are adopted in the more urban areas bus patronage is likely to be higher than the English average of 78 trips per person\(^\text{46}\). Evidence of higher patronage in urban areas can similarly be seen in the Welsh graph above.

Therefore, instead of quoting and multiplying the lower and upper range by two, this Welsh RIA quotes a range from the lower end to the mid-point of the range used in the English RIA, and it is these values which are multiplied by two.

The rationale for this approach applies especially to the case of franchises where the English RIA makes some slightly different assumptions to those made in the Welsh situation. Notably, the English franchising case assumes amongst other points:

- The local authority introduces a gross cost contract, and takes the risk of ticket receipts being higher or lower than anticipated;
- The local authority therefore covers many of the costs of the franchise, e.g. marketing costs;
- The local authority stipulates that no bus in the franchise can be older than 12 years; and
- The franchise contract has slightly lower ticket prices\(^\text{47}\).

For the Welsh RIA none of these assumptions have been made, leaving it to the local authority to determine the most appropriate franchising structure. However, the Welsh RIA does include a cost of c.£15k for refurbishing all buses at the start of the franchise. Doing so will generate many of the user benefits from more modern buses. Further, the English RIA does not include many of the wider network benefits that would be anticipated as a result of franchising, as portrayed in the Figure in paragraph 175. For example, if the franchise enables people to travel from one suburb of a town/ city to another suburb without travelling into the town/ city centre the GJT savings will be considerable, as will having timetables that allow realistic waiting times for buses at key bus intersections.

**Particular inputs drawn from the English RIA**

As denoted by † symbols against in relevant paragraphs, the following table summarises the key English RIA inputs metrics that are utilised in this report.

<table>
<thead>
<tr>
<th>Paragraph 99</th>
<th>A one-off cost ranging from £50k to £120k for a local authority to set up an EQP is drawn from page 72 of the English RIA.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paragraph 103</td>
<td>The English RIA estimates the local authority EQP implementation costs over 10 years to range from £200k to £500k. Subtracting the first-year costs gives an annual steady state operating cost of £17k to £42k(^\text{48}).</td>
</tr>
</tbody>
</table>


\(^\text{47}\) Idem. p.71-72 and p.85-86.

\(^\text{48}\) Idem. p.69.
As support, the Scottish BRIA estimated the administrative cost to a local authority of operating and enforcing a Bus Service Improvement Partnership (their equivalent to a Welsh EQPs) to be about £23k per year\(^49\).

| Paragraph 109 | The English RIA estimates that the EQP user benefits are £1m-£8m per LTA per annum\(^50\). |
| Paragraph 110 | The English RIA estimates EQP health benefits to be £0.1m per LTA per annum\(^51\). |
| Paragraph 130 | The English RIA estimates franchising cost savings for one LTA from avoiding over-bussing could be up to £1m per year\(^52\). |
| Paragraph 140 | The English RIA estimates franchising user benefits to be between £5m to £24m per LTA per annum\(^53\). Many of these benefits arise from a reduction in average travel time (door-to-door).

As covered on previous page, the English RIA assumes that as part of the franchise any buses older than 12 years are sold or the lease expires to allow a new bus to be bought or leased. Approximately 30% of the English RIA user benefit can be ascribed to this. But, some of the ascribed GTJ saving of 1.52 minutes will be able to be obtained from the refurbishment explained on the previous page.

However, as explained the English RIA excludes the main benefits of a franchise – having a bus network where timings of buses are better aligned, avoiding over-bussing and excess capacity thereby allowing the reallocation of buses to run new interorbital routes, or routes that meet with bus routes that other operators used to run. This is the Unified Network that is exemplified in the Figure below paragraph 175.

The English RIA also estimates the health benefits for franchising as a result of greater walking to and from bus stops of up to £1m per year for areas which chose to implement franchising\(^54\). |
| Paragraph 142 | The English RIA gives a franchising benefit to the local transport authority of £2m - £16m\(^55\). |
| Paragraph 214 | The English RIA ascribes a 2-3p per journey user benefit to open data\(^56\). |
| Paragraph 216 | The English RIA estimated the benefits to operators to be between £800k and £5m per year\(^57\). |

\(^{51}\) Ibid.
\(^{52}\) Ibid. p.71.
\(^{54}\) Ibid.
\(^{55}\) Ibid. p.73.
\(^{56}\) Ibid. p.15.
Annex 2 – Calculation of cost and benefit estimates with hypothetical local authority adoption of tools

Enhanced Quality Partnerships

<table>
<thead>
<tr>
<th>Cost/ benefit per local authority</th>
<th>Values across typologies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single value</td>
</tr>
<tr>
<td>Set-up costs</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>N/A</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating costs p.a.</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>N/A</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
</tr>
<tr>
<td>Benefits p.a.</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>N/A</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Net present value</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2021/22–2035/36</strong></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Net present value if quarter adopt EQPs</strong></td>
<td>N/A</td>
</tr>
</tbody>
</table>

|                          |             |     |
|                          | £8.6m       | £15.7m | £6.4m |
|                          | £2.1m       | £3.9m  | £1.6m |
## Franchising

### Cost/ benefit per local authority

<table>
<thead>
<tr>
<th></th>
<th>Single value</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
<th>All 3 Urban</th>
<th>All 9 Town</th>
<th>All 10 Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£500k</td>
<td>£750k</td>
<td>£1,000k</td>
<td>£3,000k</td>
<td>£6,750k</td>
<td>£5,000k</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
<td>£160k</td>
<td>£315k</td>
<td>£1,000k</td>
<td>£3,000k</td>
<td>£2,820k</td>
<td>£1,600k</td>
</tr>
<tr>
<td>- Operators refurbished buses</td>
<td>N/A</td>
<td>£975k</td>
<td>£1,350k</td>
<td>£3,375k</td>
<td>£10,125k</td>
<td>£12,150k</td>
<td>£9,750k</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Values across typologies

<table>
<thead>
<tr>
<th></th>
<th>All 3 Urban</th>
<th>All 9 Town</th>
<th>All 10 Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>£23.3m</td>
<td>£57.0m</td>
<td>£30.1m</td>
</tr>
<tr>
<td>Town</td>
<td>£5.8m</td>
<td>£14.2m</td>
<td>£7.5m</td>
</tr>
<tr>
<td>Rural</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
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</table>

### Set-up costs (first round)

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>£250k</th>
<th>£380k</th>
<th>£500k</th>
<th>£1,500k</th>
<th>£3,380k</th>
<th>£2,500k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£25k</td>
<td>£125k</td>
<td>£225k</td>
<td>£680k</td>
<td>£1,130k</td>
<td>£250k</td>
</tr>
<tr>
<td>Operators</td>
<td>(-£90k)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>(-£270k)</td>
<td>(-£810k)</td>
<td>(-£900k)</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Operating costs p.a.

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>£25k</th>
<th>£125k</th>
<th>£225k</th>
<th>£680k</th>
<th>£1,130k</th>
<th>£250k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£50k</td>
<td>£250k</td>
<td>£500k</td>
<td>£1,500k</td>
<td>£2,250k</td>
<td>£500k</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
<td>£545k</td>
<td>£975k</td>
<td>£1,410k</td>
<td>£4,230k</td>
<td>£8,800k</td>
<td>£5,450k</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</table>

### Benefits p.a.

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>£25k</th>
<th>£125k</th>
<th>£225k</th>
<th>£680k</th>
<th>£1,130k</th>
<th>£250k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£50k</td>
<td>£250k</td>
<td>£500k</td>
<td>£1,500k</td>
<td>£2,250k</td>
<td>£500k</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
<td>£545k</td>
<td>£975k</td>
<td>£1,410k</td>
<td>£4,230k</td>
<td>£8,800k</td>
<td>£5,450k</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Set-up costs (second round)

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>£250k</th>
<th>£380k</th>
<th>£500k</th>
<th>£1,500k</th>
<th>£3,380k</th>
<th>£2,500k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£25k</td>
<td>£125k</td>
<td>£225k</td>
<td>£680k</td>
<td>£1,130k</td>
<td>£250k</td>
</tr>
<tr>
<td>Operators</td>
<td>(-£90k)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>(-£270k)</td>
<td>(-£810k)</td>
<td>(-£900k)</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</table>

### Operating costs p.a.

<table>
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<tr>
<th></th>
<th>N/A</th>
<th>£25k</th>
<th>£125k</th>
<th>£225k</th>
<th>£680k</th>
<th>£1,130k</th>
<th>£250k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£50k</td>
<td>£250k</td>
<td>£500k</td>
<td>£1,500k</td>
<td>£2,250k</td>
<td>£500k</td>
</tr>
<tr>
<td>Operators</td>
<td>(-£90k)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>(-£270k)</td>
<td>(-£810k)</td>
<td>(-£900k)</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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### Benefits p.a.

<table>
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<tr>
<th></th>
<th>N/A</th>
<th>£25k</th>
<th>£125k</th>
<th>£225k</th>
<th>£680k</th>
<th>£1,130k</th>
<th>£250k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities</td>
<td>N/A</td>
<td>£50k</td>
<td>£250k</td>
<td>£500k</td>
<td>£1,500k</td>
<td>£2,250k</td>
<td>£500k</td>
</tr>
<tr>
<td>Operators</td>
<td>(-£90k)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>(-£270k)</td>
<td>(-£810k)</td>
<td>(-£900k)</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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</table>

### Net present value 2021/22–2035/36

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>£23.3m</th>
<th>£57.0m</th>
<th>£30.1m</th>
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<tbody>
<tr>
<td>If quarter adopt EQPs</td>
<td>N/A</td>
<td>£5.8m</td>
<td>£14.2m</td>
<td>£7.5m</td>
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### Local authority buses*

<table>
<thead>
<tr>
<th>Cost/ benefit per local authority</th>
<th>Values across typologies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single value</td>
</tr>
<tr>
<td>Set-up costs</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>£1,300k</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating costs p.a.</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>£1,880k</td>
</tr>
<tr>
<td>Operators</td>
<td>£115k</td>
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<tr>
<td>Users</td>
<td>N/A</td>
</tr>
<tr>
<td>Benefits p.a.</td>
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</tr>
<tr>
<td>Local authorities</td>
<td>£1,990k</td>
</tr>
<tr>
<td>Operators</td>
<td>N/A</td>
</tr>
<tr>
<td>Users</td>
<td>N/A</td>
</tr>
<tr>
<td>Net present value 2021/22–2035/36</td>
<td>N/A</td>
</tr>
<tr>
<td>Net present value if quarter adopt EQPs</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Assumption a local authority runs 15 buses on particular routes in the authority’s area.