

Local Government Association (LGA)
Bus Services Bill
House of Commons, Report Stage
Monday 27 March 2017



Key messages

- **We support Amendment 1 tabled by Andy McDonald MP, Daniel Zeichner MP, Pat Glass MP and Richard Burden MP.** This would remove Clause 22 which seeks to prohibit county and district councils, combined and integrated authorities and passenger transport executives in England from setting up municipal bus companies to provide local services. Councils should continue to be allowed to form new municipal bus companies which are able to compete in the open market place or for council contracts. Municipal bus companies can often offer good value-for-money and in most cases have high passenger satisfaction ratings.
- **Amendment 14, tabled by Sir Henry Bellingham MP, Mike Wood MP, Theresa Villiers MP,** looks to ensure that a local transport authority cannot make a franchise scheme if the passenger benefits can be provided by a quality partnership scheme, an advanced quality partnership scheme or an enhanced partnership scheme. The provisions in the current bill already provide sufficient safeguards to ensure the outcomes are in the interests of passengers. Local authorities would not enter into a franchising scheme lightly and would always ensure that any proposed scheme provides best value for local people and bus users.
- **We oppose Amendment 24, tabled by Sir Henry Bellingham MP and Mike Wood MP,** which would ensure that the value for money test of a franchise scheme is a factor in the cost of compensation to bus operators who lose part or all of their business as a result of a franchise. We support the findings of the Transport Committee, which states “there is no case for compensation where a dominant operator loses market share to a challenger in a head to head competition or the funding for a supported bus service is cut by the local transport authority”.ⁱ
- **Amendment 27, tabled by Sir Henry Bellingham MP, Mike Wood MP and Theresa Villiers MP,** would provide greater certainty for bus operators and passengers by specifying that, if a franchising authority fails to make a case for a franchise scheme or decides not to progress its proposals, it should not be permitted to bring forward fresh proposals for five years. Councils should have local discretion to reflect the views of people in their area and decide whether a franchising or partnership scheme should be proposed and the timings of such proposals.
- **Amendment 28, tabled by Sir Henry Bellingham MP, Mike Wood MP and Theresa Villiers MP,** would ensure that fares structures could only be specified as part of an enhanced partnership scheme if the operators involved agree. An enhanced partnership scheme by its nature requires all parties to come to an agreement. We would suggest these conditions are addressed in secondary legislation, in consultation with local authorities.

Briefing

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Further information on key clauses

Amendment 1 tabled by Andy McDonald MP, Daniel Zeichner MP, Pat Glass MP and Richard Burden MP on new municipal bus companies

We support Amendment 1 removing Clause 22 which prohibits county and district councils in England, combined and integrated authorities in England and passenger transport executives in England from setting up new municipal bus companies to provide local services. We are concerned Clause 22 removes powers granted to councils under the Localism Act 2011 and associated General Power of Competence provisions. Councils should continue to be allowed to form new municipal bus companies which are able to compete in the open market place or for council contracts. Municipal bus companies can often offer good value-for-money and in most cases have high passenger satisfaction ratings.

Twelve local authorities in Britain still have municipally-owned bus operators. As they often do not have to pay dividends, they are able instead to reinvest profits to enhance the service. For example, in Reading, municipally-owned Reading Buses can invest an additional £3 million per year in the bus network (representing about 12-15 per cent of its annual turnover of about £25 million) because it does not pay any dividends. This makes a substantial difference to the quality of the town's bus network, and is one reason why it has high and growing levels of bus use. It has also been shortlisted and awarded industry-wide for achievements ranging from environmental emissions, dedication to accessibility and improvements to bus services.ⁱⁱ

In the Transport Committee's report on the Bus Services Bill, the Committee said the vast majority of evidence they received in relation to the prohibition on new municipal operators supported its removal from the Bill. A number of respondents to the inquiry pointed to the particularly good performance of existing municipal bus operators such as those in Reading, Nottingham and Edinburgh. The Committee also heard evidence that municipal bus operators tended to be more accountable to local communities and passengers than those run by the private sector. The Committee found the current prohibition on all new municipal operators in the Bill is a disproportionate response.ⁱⁱⁱ

Amendment 24, tabled by Sir Henry Bellingham MP and Mike Wood MP on competition

The Transport Committee states "We appreciate that franchising represents a significant disruption for established operators. However, franchising does not prevent operators from providing bus services at all; it simply requires operators to compete for the market rather than directly for passengers, or to obtain consent from the LTA to run a service not covered by a franchising scheme."

The committee states "There is no case for compensation where a dominant operator loses market share to a challenger in head to head competition or the funding for a supported bus services is cut by the LTA. On the same basis, we do not consider there to be a case for compensation if an operator is unable to win a contract under franchise from the LTA. Moreover, introducing a requirement for compensation would act as a significant disincentive for an LTA to franchise, even where this is in the best interests of the local community".

For this reason, we oppose the Amendment proposed by Sir Henry Bellingham MP and Mike Wood MP.

ⁱ Transport committee report: Page 21, Bus Services Bill

<https://www.publications.parliament.uk/pa/cm201617/cmselect/cmtrans/611/611.pdf>

ⁱⁱ <http://www.reading-buses.co.uk/reading-buses-awards/>

ⁱⁱⁱ Transport committee report: Page 18, Bus Services Bill

<https://www.publications.parliament.uk/pa/cm201617/cmselect/cmtrans/611/611.pdf>