

Local Government Association Briefing

Bus Services Bill,

House of Lords, Committee Stage

Wednesday 20 July



Key messages

- **We support Lord Kennedy of Southwark and Baroness Randerson in their intention to oppose Clause 21 of the Bus Services Bill.** Clause 21 prevents local authorities from forming a company for the purpose of providing a local bus service. This would remove powers granted to councils under the 2011 Localism Act and associated General Power of Competence Provisions. Councils should continue to be allowed to form companies which are able to compete either in the open market place or for council contracts if they are able to offer a better service and value-for-money for bus users.
- **We support Amendment 127A tabled by Baroness Randerson,** which calls for the Bus Services Operators Grant to be automatically devolved to local authorities which have franchising powers. This funding could be used to improve bus services for residents, and should automatically come to all local authorities, not just Mayoral Combined Authorities. It will be crucial these extra powers are accompanied by sustainable and long term funding to ensure that local authorities are able to exercise them effectively.

Further information on key clauses

We support the Lord Kennedy of Southwark and Baroness Randerson's intention to oppose the question that Clause 21 stand part of the Bill.

We support Lord Kennedy of Southwark and Baroness Randerson in their intention to remove Clause 21 from the Bus Services Bill. Clause 21 prevents local authorities from forming a company for the purpose of providing a local bus service. The Bill states that councils will no longer be able to form municipal bus companies. We are concerned that this removes powers granted to councils under the 2011 Localism Act and associated General Power of Competence Provisions. Councils should be continue to be allowed to form companies which are able to compete either in the open market place or for council contracts if they are able to offer a better service and value-for-money for bus users.

Currently, the Bill does not allow a council to form new municipal bus companies, but it does not end existing municipal bus company arrangements. This could result in the perverse situation of a municipal bus company running the buses in an area that it wasn't allowed to set up their own services for.

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Amendment 127A tabled by Baroness Randerson calls for the Bus Service Operators Grant to be terminated from the end of the financial year once the Bill has been passed, and for the funding to be directed to relevant authorities. We support the devolution of the Bus Service Operators Grant, as councils are better placed to target this public subsidy to where it will have the most impact. The devolution of bus subsidy enables flexible and tailored responses according to a

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local authority's needs and priorities. Most importantly, we are calling for central government to provide sustainable and long term funding of bus services to ensure councils have the necessary resources to accompany new franchising powers.

Supporting small and medium sized bus operators: By devolving the grant to local authorities, it would be possible to offer tenders to bus companies in cases where an unprofitable service might otherwise be withdrawn. This would include small and medium sized operators who are being priced out of the market by larger operators, due to their low return on sales profit margins. The grant could help stop these services from being withdrawn.

Environmental objectives: Another reason to devolve the grant to local authorities, is the Bus Service Operators Grant acts as a poor incentive to operators to improve their environmental objectives. Currently, the grant is linked to fuel consumption and a bus operator would receive more subsidy if it increased its fuel consumption, rather than lowered it. This provides a perverse incentive to improve the operator's environmental targets, particularly in relation to harmful vehicle emissions. It also reduces the commercial incentive for operators to invest in more expensive low carbon buses which deliver long term fuel and carbon savings.