

Consultation on Bus Subsidy Reform

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Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR
Telephone 0300 330 3000
Website www.dft.gov.uk
General email enquiries FAX9643@dft.gsi.gov.uk

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Contents

1. Foreword.....	4
2. Introduction	6
Background	6
The Government's Objectives	6
3. Background – Public sector support for bus services	8
Bus Service Operators Grant (BSOG).....	8
Local Authority Spending.....	8
London Spending	9
Round 1 of Better Bus Areas (BBAs)	9
4. The proposals	10
Introduction.....	10
Devolution of funding for tendered services	10
Devolution of BSOG in London	14
Better Bus Areas	15
Eligibility issues	21
Impact on disabled passengers	23
5. Consultation Questions.....	25
6. Consultation Response.....	27
Closing Date.....	27
Consultation Principles.....	27
Impact Assessment	27
Freedom of Information	28
Next Steps	28
Annex A Consultation Principles.....	29
Annex B Timeline for devolution of BSOG	30

1. Foreword



Buses play an important role in our local transport networks with many people relying on their services to get to school, seek employment, travel to work and visit other services such as hospitals. Outside London, 63% of all public transport trips are made on a local bus - there were 2.3 billion bus journeys in 2010. Given their role in providing employers and businesses access to labour markets, buses are important for a well-functioning and growing economy.

Despite their widespread use, overall bus usage has been in a slow, long-term decline – Government wants to reverse this decline and get more people onto buses. The more people we can encourage out of their cars and onto buses, the greater the positive impact on congestion in our towns and cities. The increasing presence of green, low carbon emission buses on our roads means also that buses are becoming an even lower carbon mode of transport.

Bus Service Operators Grant (BSOG) was first introduced in 1964, when it was known as Fuel Duty Rebate. BSOG enables commercial bus operators to run a wider network of services than would otherwise be the case. In 2011/12, BSOG payments totalled £440m. However, as BSOG is paid on the basis of fuel consumed, it is poorly targeted on the Government's objective to reduce carbon emissions from transport.

In March 2012, Government published *Green Light for Better Buses* in which it set out a series of reforms to improve local bus subsidy arrangements and regulations in England outside London. The proposals have been carefully formulated to attract more people onto buses, to ensure better value for the taxpayer and to give local transport authorities more influence over their bus networks.

You will see in this consultation paper that we are now seeking your views on how the proposals set out in *Green Light for Better Buses* are to be implemented - your views are vital to the development of our proposals. I am grateful for the input received so far from the industry and local Government and look forward to receiving your views on this consultation.



Norman Baker MP

Parliamentary Under Secretary of State for Transport

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2. Introduction

Background

- 2.1. In March 2012, Government published *Green Light for Better Buses* in which it set out a series of reforms to improve local bus subsidy arrangements and regulations in England outside London. The proposals have been carefully formulated to attract more people onto buses, to ensure better value for the taxpayer and to give local transport authorities more influence over their bus networks.
- 2.2. This consultation paper seeks views on how the subsidy proposals set out in *Green Light for Better Buses* are to be implemented.
- 2.3. The Government has several overarching aims for transport, including supporting economic growth – both enabling growth and helping to spread prosperity - and creating a greener transport system by reducing the environmental impacts of travel.
- 2.4. Buses are Britain's most-used form of public transport, with over 4 billion journeys a year, or nearly two thirds of all public transport journeys. Public expenditure on buses in 2010/11 was around £2.4 billion.
- 2.5. Bus Service Operators Grant (BSOG) is the main form of bus subsidy funded by the Department for Transport (DfT). The rationale for supporting buses is that it results in lower congestion and the social benefit of increased accessibility and reduced social exclusion.

The Government's Objectives

- 2.6. The Department has been considering a wide range of potential options for reforming the support available to the bus industry.

2.7. The proposed approach to the reform of BSOG set out in *Green Light for Better Buses* includes specific changes in the short term. In addition, the Department announced its intention to look again at certain aspects of the regime in the medium term, whilst setting out its intention to break, in due course, from the current system of paying subsidy based on fuel usage.

2.8. The main policy objectives of the proposed changes to bus subsidy are:

- i. to improve bus services for passengers;
- ii. to improve the overall value for money of bus subsidy;
- iii. to encourage bus patronage growth in order to reduce congestion and pollution levels;
- iv. to minimise regulatory burdens and administrative costs; and
- v. to incentivise bus operators to deliver improvements in their fuel efficiency and to invest in more fuel efficient – and quieter and cleaner - buses.

2.9. The reforms set out in *Green Light for Better Buses* include:

- i. devolution of BSOG to local authorities where the funding relates to services they support – i.e. tendered services – to allow decisions to be taken locally on how it should be spent;
- ii. creation of a new local government fund – Better Bus Areas – to encourage local transport authorities and bus companies to work closely together to improve services and boost passenger numbers;
- iii. devolution to Transport for London (TfL) or the Greater London Authority of BSOG paid to London bus operators who operate services on contract to TfL; and
- iv. tightening the existing rules defining which bus services can claim BSOG, so that the funding is put to the best possible use.

2.10. The Government is now consulting on how these reforms should be implemented.

3. Background – Public sector support for bus services

Bus Service Operators Grant (BSOG)

- 3.1. A key form of support for bus services outside London is BSOG. The existence of BSOG means bus operator costs are lower than they would otherwise be. As a result, in a competitive market, bus operators will charge a lower fare and/or operate a larger network than they otherwise would do.
- 3.2. Bus operators are able to claim BSOG for both 'commercial' – deregulated services independent of local authorities – and 'supported' (tendered) services - those bus services which a local authority decides to procure directly (usually in areas of low demand where bus operators feel there is not a commercial case for operating).
- 3.3. Commercial services represent the bulk of bus mileage – around 77% in England outside London in 2010/11 – with supported services representing the remainder. For supported services, bus operators bid for the right to operate such routes taking into account any potential BSOG they expect to receive from the DfT. We estimate that during 2012/13, the amount of BSOG allocated to commercial and supported services outside London will be around £240m. As supported services represent around 20% of bus mileage, this would imply around £50m of the BSOG budget is for supported services.

Local Authority Spending

- 3.4. As explained above, local authorities have the powers to procure socially necessary bus services where commercial services are not viable, for example services in some rural areas or late night services with low patronage. Around 20 per cent of bus services are tendered in this way by local

authorities. It is estimated that local authorities in England spent around £370m on these types of service in 2010/11.

London Spending

3.5. In London, the bus market is franchised. This means Transport for London (TfL) decides what fares to charge and what the size of the network of bus services should be. They then invite operators to bid for the right to run services on particular routes. Once the contract to operate such routes is won by an operator, they can claim BSOG from DfT. So, individual operators would take into account in their bids the amount of BSOG they would be able to claim for these services. We estimate the amount of BSOG paid currently to support services in London to be around a quarter of the overall BSOG budget.

Round 1 of Better Bus Areas (BBAs)

3.6. The Better Bus Areas fund launched in March 2012 was aimed at local authorities working in partnership with local bus operators. The aim of the fund is to increase bus patronage and support the Department's aims of creating growth and cutting carbon. 24 local transport authorities have been awarded just under £70m.

4. The proposals

Introduction

- 4.1. The reforms which the Government proposes to make to the BSOG system are:
 - i. devolving BSOG for tendered services outside London to local authorities;
 - ii. devolving BSOG in London;
 - iii. establishing Better Bus Areas; and
 - iv. changes to the existing rules that govern which services are eligible for BSOG.
- 4.2. These reforms will affect bus services currently eligible for BSOG with the exception of some categories of community transport.

Devolution of funding for tendered services

Background and scope of the change

- 4.3. In future we intend to devolve to individual councils the part of the subsidy currently paid to operators providing bus services outside London under contracts with local authorities, including de-minimis contracts.
- 4.4. The councils in question - county councils, unitary authorities or (in metropolitan areas) the passenger transport executives - will receive an amount in grant each year broadly equivalent to the level of BSOG which would otherwise have been paid to operators for running tendered services within each council's boundaries.

Calculating the funding

- 4.5. We intend the amount of funding which is devolved to each local council to reflect broadly the amount of BSOG which is

currently paid to bus operators for running tendered services within that council's geographical boundaries. Although we are still considering the best way to calculate exactly how much to devolve, our current thinking is that the best way would be to base this on the amounts paid out to operators in each local authority area in the most recent 12 month period for which data is available.

- 4.6. We do not believe that in general it is either practical or necessary to recalculate each year the amount to be devolved to each council. This would require operators to continue submitting to the Government the same level of detail on each of their services which they provide in order to claim BSOG at the moment. We believe that this would be too bureaucratic. So, once we have identified the initial amount to be devolved to each council we propose that this figure should remain fixed for future years. However, we believe that there may be a case for devolving further amounts to individual authorities where a bus service which was previously run on a commercial basis becomes a tendered service.
- 4.7. *Question 1 - Do you agree with how we propose to calculate the amounts to be devolved? If not, what alternative arrangements would you suggest should be used?*
- 4.8. *Question 2 – Do you think that an additional amount should be devolved where a commercial service is replaced by a tendered one?*

Transitional arrangements

- 4.9. We believe that subsidy for tendered services should be devolved to local authorities as soon as practical. That said, we also recognise that temporary short-term arrangements covering existing contracts between local authorities and operators to run tendered services may be needed to smooth the transition from the old to the new regime, if we are not to place some operators at a disadvantage. So we have considered whether it would be better:
- i. for all relevant funding to be devolved to local authorities on a single date (see section 4.19 below) and for it to be left to individual local authorities and operators to decide how far

existing contracts between them would need to be reviewed as a result; or

- ii. for funding only to be devolved to local authorities as existing contracts between them and individual operators expire.
- 4.10. On balance we believe that all the relevant funding should be devolved to local authorities at a single point - we would expect this to be in October 2013.

4.11. *Question 3 - Do you agree that it would be better for all the relevant funding to be devolved on a single date? Or, are transitional arrangements needed and, if so, what is the best way of doing this?*

BSOG incentives

4.12. As well as receiving BSOG based on the fuel they use, operators can currently qualify for extra incentive payments where they:

- use low carbon emission buses on their services; or
- install automatic vehicle location apparatus on their buses; or
- equip their buses with smart ticketing equipment.

4.13. We have considered whether when incentive payments are made to operators which relate to tendered services (i) this extra funding should also be devolved to local authorities, or (ii) it should still be paid to operators as at present. On the one hand, continuing to pay the incentive funding to operators could be complicated and bureaucratic to arrange where the main BSOG funding for these bus services is being devolved. On the other, devolving the funding risks undermining the effectiveness of the incentives and upsetting those operators who had bought or installed the relevant vehicles or apparatus.

4.14. We announced in *Green Light for Better Buses* that the Government had decided that each of the incentives should remain in place until a further review of BSOG was carried out in 2014. Given this, we do not propose to devolve incentive payments to local authorities at this stage, but will consider this again as part of the wider review of the incentives in 2014.

- 4.15. *Question 4 - Do you agree that funding for incentives should not be devolved to local authorities until the further review of BSOG in 2014?*

Quality Contracts

- 4.16. At the time of writing no local authority has introduced a Quality Contract Scheme within their local area. However, we believe that it is important that Local Transport Authorities understand the financial implications of deciding to pursue a Quality Contract Scheme.
- 4.17. It is our intention that BSOG for bus services in any area where a Quality Contract Scheme is made – and where all services are tendered - will be devolved following the principles set out above.
- 4.18. *Question 5 - Do you agree that local transport authorities in areas with a Quality Contract Scheme should automatically receive the equivalent to BSOG funding?*

Timing

- 4.19. Subject to the outcome of this consultation, and Parliament approving the changes we would need to make to the existing regulations governing BSOG, we would expect BSOG funding to be devolved to local councils in October 2013. A timeline for devolution is attached at Annex B.

Using the devolved funding

- 4.20. We believe that devolving subsidy payments for tendered services would allow local authorities to look across their areas and decide what the highest priorities are for filling gaps in the network of buses run commercially by the bus companies, whether these are services outside peak hours or services to areas which are poorly served by public transport at the moment.
- 4.21. Devolving subsidy in this way and therefore de-linking BSOG from fuel consumption should also provide operators and local authorities with longer running incentives to conserve their fuel consumption and invest in cleaner (low carbon) technologies

that are likely to deliver long run improvements in noise and carbon emissions.

4.22. It is the Government's intention that the money paid direct to local authorities should not be ringfenced, consistent with the Government's policy of maximising the funding flexibility available to local government. The Government will therefore ringfence the funding for a transitional period. This will be reviewed at the next Spending Review.

4.23. This ringfencing could take various forms. However, we envisage that it would require local transport authorities to spend the devolved funding on measures directly related to bus or community transport services. This might include in particular purchasing socially necessary bus services or expanding the number of community transport services. Or, possibly, installing relevant infrastructure or measures such as bus stops, smart ticketing or improving passenger information.

4.24. *Question 6 - Do you believe that there is a need to ringfence funding for an interim period? If so, what form do you think this ringfencing should take, and, in particular, how much flexibility should local authorities be given as to how to spend the devolved grant?*

Devolution of BSOG in London

4.25. Within London, bus operators have a contract with TfL and claim BSOG separately. This means that effort is duplicated by both operators, who have to work out their claims, and central government which has to assess them.

4.26. The Government now intends to move quickly to devolve BSOG for all services currently provided under contract to TfL, ensuring that bus support is channelled through local government in London.

4.27. Our intention is to commence regulations and devolve funding on 1st October 2013. Once the legislation is in place, bus operators who work under contract to TfL would no longer be allowed to claim BSOG. If in the light of the consultation that is currently being carried out by the Department for Communities and Local Government the Government concludes that the

London element of BSOG should be funded through locally retained business rates, the funding would be included in the Business Rate Retention Scheme with effect from 1st April 2014.

- 4.28. We will now invite TfL to work alongside DfT so that the change-over to the new arrangements can be made from this date. We do not intend to provide a transitional period for this change after the regulations are made.

Better Bus Areas

Summary

- 4.29. The Government intends to designate a limited number of geographical areas as new Better Bus Areas via a competitive process.
- 4.30. The Department will provide a grant for the leading local transport authority in each of the new Better Bus Areas. The BBA grant will be composed of two parts:
- i. devolved BSOG grant – the amount of this grant will reflect the BSOG which was previously paid with respect to commercial bus services or parts of services operating within the BBA, and will start in spring 2014;
 - ii. a “top-up” grant, proportional to the size of the devolved BSOG, we will pay this in summer 2013 to kickstart the new projects.
- 4.31. With the exception of Section 19 buses run by community transport groups, no bus services or parts of services which operate in the area defined within the BBA grant letter will be eligible for any BSOG once the grant has been devolved.

Aim

- 4.32. Our aim is to deliver growth in bus patronage in order to support economic growth. We want to improve the cost-effectiveness of BSOG by devolving bus subsidy to selected local transport authorities. Those authorities will be required to demonstrate

that their plans for BSOG will deliver more benefit to the economy than the current arrangements.

- 4.33. We want to drive up the number of people choosing to use the bus instead of the car. This is particularly important in very congested areas, where freeing up road space makes a real difference to economic growth and is more likely to deliver a reduction in carbon emissions and an improvement in air quality.
- 4.34. BSOG has proved reasonably effective at holding down costs and supporting services. But where a single bus operator does not have any effective competition, there is less pressure to pass bus subsidy on to passengers in the form of reduced fares or additional services.
- 4.35. Moreover, in its current form, BSOG cannot help address problems with the networks. Heavy congestion, traffic infringements and other problems with the bus network create problems for punctuality and reliability that cannot be tackled by bus operators on their own. Moreover single operator tickets and lack of information prevent passengers from using the networks as flexibly and cost-effectively as they would like.
- 4.36. Where the local transport authority works effectively with bus operators, these problems can be identified and addressed in partnership.
- 4.37. We are looking for proposals from local transport authorities working in conjunction with bus operators that demonstrate that they can support economic growth by increasing bus passenger numbers so creating modal shift, freeing up road space in congested areas, leading to improved connectivity and a reduction in carbon emissions.

Approach

- 4.38. We have invited Sheffield to act as a trailblazer, developing proposals for a Better Bus Area over the period of this consultation. We will take a decision on Sheffield's designation as a BBA in the light of those proposals, operators' views in the area and consultees' views about the more general approach we intend to pursue.

- 4.39. We then intend to invite local transport authorities outside London to apply to become a Better Bus Area. In metropolitan areas, the passenger transport executives will be invited to apply. Applications may come from one or more local transport authorities working together. We will expect bidding authorities to work in close partnership with relevant bus operators, and to involve other local stakeholders.
- 4.40. Authorities that have previously received BBA funding will not automatically be eligible for devolved BSOG. Existing BBA or Local Sustainable Transport Fund Authorities may bid for further BBA funding. However, their proposals should be distinct from and additional to previous bids for funding.
- 4.41. Local authorities that intend to bid to become a BBA will be expected to show how they will address local problems that limit bus provision. Examples might include using road and traffic management powers and projects to improve punctuality and congestion, developing smart and multi-operator tickets to improve flexibility for passengers and reviewing commercial service coverage in partnership with bus operators. The overall objective should be to increase bus patronage in a way which offers good value for money in accordance with the Department's Webtag appraisal guidance and does not push up carbon emissions.
- 4.42. Guidance for bidding authorities will be issued later in the year providing more details on appropriate projects for BBAs.

Eligibility for BSOG in BBAs

- 4.43. We intend to make regulations so that BSOG eligibility will cease for bus services operating within the BBA area, with the sole exception of Section 19 community transport services that are not run by local authorities.

Treatment of BSOG incentives in BBAs

- 4.44. Eligibility for incentive payments relating to use of low carbon emission buses, installation of automatic vehicle location apparatus and smart ticketing equipment will be treated in the

same way for BBA and non-BBA areas. See sections 4.12 to 4.15 above.

Dead mileage and cross-boundary services

4.45. BSOG will not be claimable on existing or new services within the geographical area designated, whether it is live or dead mileage. Where a commercial service runs across the boundary, a BSOG claim may be made for the part of the service that is outside the BBA boundary.

4.46. *Question 7 - Should BSOG for both live and dead mileage be devolved?*

4.47. *Question 8 – Should BSOG for part services within a BBA be devolved?*

Calculating the local authority BBA grant

4.48. It is our intention to calculate the amount of BSOG grant to be devolved to a local authority in a BBA using the following formula (based on existing records for eligible bus services in that area):

- (a) distance - 'live' and 'dead' kms - run by existing services in that area, divided by (b) fuel efficiency for those services - measured by kilometres per litre of fuel multiplied by the BSOG rate.

We would also make available a top-up grant, increasing the total grant in BBAs above the current level.

4.49. The local authority grant will not be amended to reflect subsequent changes in service patterns or external costs such as fuel prices or inflation.

4.50. *Question 9 – Is the proposed method of calculating the BSOG in a BBA suitable?*

Scope

4.51. Better Bus Areas will be designated by their geographical boundary. This may include specific roads but would not be

linked to bus routes, as these may change. The shape of the area is best decided by local transport authorities in tandem with local bus operators.

- 4.52. It is for the local transport authority to work closely with local bus operators to develop plans that meet the objectives within their area. As the council's proposals will be subsidised by central Government, it is essential that the fund represents good value for money.

Partnership

- 4.53. The current system of BSOG decreases bus operating costs so, to secure the support of bus operators, local authorities will need to demonstrate that their action will generate growth in bus patronage overall and meet our policy objectives.
- 4.54. The key to identifying proposals that will deliver good value for money is the close cooperation we expect to see between local authorities and relevant bus operators. We will expect local authority plans to take good account of the impact on both large and small operators within the area. Local authority proposals for bus priority and traffic management will be particularly important here.
- 4.55. We do not intend to give one or more bus operators in a proposed BBA an automatic right to veto the creation of a Better Bus Area. However, DfT will consider the views, both positive or negative, of all relevant bus operators, and assess the strength of the partnership approach, before the BBA decisions are taken.
- 4.56. We set out in Green Light for Better Buses our view that close partnership working between local authorities and operators, which is fundamental to becoming a BBA, is a model that can improve local bus markets. That is why the Government wishes to promote its Better Bus Area positively policy and support it with additional funding. Local transport authorities also have the choice to introduce a Quality Contract Scheme, and the Government believes that it is a matter for local rather than national decision whether a Quality Contract Scheme is the best way to improve local bus services.

4.57. For the avoidance of doubt, therefore, we propose that authorities who have introduced a Quality Contract Scheme in their area would not be eligible to become part of a BBA and so would not receive the additional funding that goes with it.

4.58. A local transport authority with plans for a QCS would not be automatically ineligible to bid for Better Bus Area status. However, strong partnership between the authority and bus operators will be an essential criterion when assessing bids for Better Bus Area status and this criterion would not be relaxed for authorities with plans for a QCS. Any authority both developing a QCS and seeking BBA status would need to demonstrate the same standard of partnership working and support from local bus operators for the BBA bid as any other bidding authority. They would also need to spell out how their plans would be taken forward both with and without a QCS in place

4.59. As paragraph 4.17 above explains, an authority with a Quality Contract Scheme would receive the BSOG paid to operators in that area.

4.60. *Question 10 - Do you agree that the approach proposed to partnership within a BBA strikes the right balance between local transport authorities and bus operators?*

4.61. *Question 11 - Do you agree that any authority both developing a QCS and seeking BBA status should need to demonstrate the same standard of partnership working and support from local bus operators for the BBA bid as any other bidding authority?*

Transitional Arrangements

4.62. Fundamental change to BSOG is needed to improve value for money and ensure that subsidy is targeted to the areas where it is needed most. However, the Government is keen to limit turbulence in the bus market caused by changes.

4.63. To do this we intend to phase in the proposed changes within a successful BBA. We will allow bus operators to continue claiming BSOG in BBAs for a transitional period of about 5-6 months. During this period the local transport authority would only receive the top up fund.

4.64. *Question 12 - Is this transitional period for phasing out BSOG sufficient?*

The long term future of BBAs

4.65. Our intention is that bus subsidy should generally continue to be devolved in BBAs in the long term. To this end we will review the BBA policy as part of the next Spending Review to ensure that it is working as expected and to consider its possible expansion to further areas.

Eligibility issues

4.66. The role of BSOG is to help support local bus services. However, in recent years some of this funding has been paid out for a wider range of services - which we believe was not necessarily what BSOG was intended to cover. So, in order to make sure that this support is targeted better, we intend to tighten the rules to make sure that the definition of eligible services better reflects current priorities. We propose to amend the existing regulations governing BSOG to make clear that the following categories of service will not be eligible to receive the grant in future:

- i. services where more than half of the seats on the vehicle can be reserved by members of the general public in advance of travel (however, flexible dial-a-ride services run on a commercial basis would continue to be eligible);
- ii. services which are intended to operate for less than six consecutive weeks, or which are intended primarily for visitors to sporting or recreational events, such as flower shows or football specials;
- iii. services operated primarily for the purposes of tourism or because of the historical interest of the vehicle;
- iv. services substituting a bus for a rail service which has been temporarily discontinued, reduced or modified;

- v. services for which the fare includes a special amenity element, i.e. it is significantly high in relation to the general level of fares for comparable journeys;
- vi. free services provided by supermarkets and other retail premises, particularly those situated outside of town centres, to enable passengers to get to and from their shops;
- vii. services whose primary function is to transport travellers between airports, rail stations or sea terminals and their dedicated car parks.

4.67. The services outlined above are intended broadly to be consistent with those which are excluded from the scope of concessionary fares, as set out in the Travel Concessions (Eligible Services) (Amendment) Order 2009.

4.68. This tightening of eligibility would not apply to more general park and ride type services, where operators can demonstrate that, as well as meeting the conditions set down in the existing regulations:

- i. more than 50% of the vehicles using the parks are parked for less than 24 hours; or
- ii. members of the public who are not parking can enter the car park and purchase tickets for the bus service in question; and
- iii. where the signage clearly conveys that any travellers can use the bus service whether they park in the car park or not.

4.69. In these cases the services would continue to be eligible for BSOG.

4.70. *Question 13 - Do you agree that each of the services listed in section 4.66 should not be eligible for BSOG in future? If you do not agree, please explain why.*

4.71. *Question 14 - Are there any other categories of service which are eligible for BSOG at present which you believe should not be eligible in future, and if so which are they?*

- 4.72. *Question 15 - Alternatively, are there any categories of service which are not eligible at present but which you think should be in future?*
- 4.73. Some authorities – e.g. Leeds – have introduced free town and city centre bus services where they pay an operator to run a local bus service which is then available for passengers to travel without paying any fare. We have paid BSOG for these services in the past. However, the wording of the Bus Service Operators Grant (England) Regulations 2002 suggests that BSOG can only be paid where passengers are charged separate fares. Despite this, the requirement for separate fares was never intended to exclude free bus services.
- 4.74. As we would expect these services to be tendered ones, we propose to take the quantity and scale of such services into account in calculating the amount to be paid to individual local authorities as part of devolving BSOG for tendered services to them.

Impact on disabled passengers

- 4.75. These proposals are intended to grow the bus market, which benefits able-bodied and disabled passengers alike. Improving the bus market in this way will help the bus operators as well as passengers, providing them with the confidence to invest in the newer accessible buses which will be required by law for all local and scheduled services under the Public Service Vehicle Accessibility Regulations from 2015.
- 4.76. During the current round of Better Bus Area applications we saw that local authorities are taking the opportunity to make provision for passengers with diverse needs. Successful projects include a range of measures which are helpful to disabled passengers, from improved access to bus stops to real time information. Our expectation is that this approach will continue in the new Better Bus Areas.
- 4.77. We recognise that many disabled passengers are disproportionately reliant on community transport, and have therefore considered the needs of community transport organisations separately to ensure that they are not negatively affected.

Treatment of Community Transport

4.78. Community bus services are an important part of the bus market and currently receive around £4m support through BSOG. Payment goes directly to 800 English community transport organisations. Arrangements for these services will be as follows:

4.79. **Bus services permitted by section 22 of the 1985 Transport Act.** This permit allows the operator to offer timetabled bus services to the general public and will be treated in exactly the same way as those operating under a PSV licence. BSOG eligibility will cease wherever these services are operated under tender or within a Better Bus Area.

4.80. **Bus services permitted by section 19 of the 1985 Transport Act.** This permit allows the operator to offer services to members of an organisation or defined community, and is used extensively by many charities. In future, where these services are provided in-house by a local council, BSOG will be devolved to that authority. Other services provided under a Section 19 permit will continue to be eligible to claim BSOG; this includes services that operate under local authority tender or with a grant from the local authority. The same arrangements will apply regardless of whether a service is being operated: (i) within London, (ii) within a Better Bus Area, or (iii) outside of both London and BBAs.

4.81. *Question 16 – Should buses operating under a Section 19 permit in BBAs and London continue to receive BSOG where they are not run in-house by the local authority?*

5. Consultation Questions

Question 1 - Do you agree with how we propose to calculate the amounts to be devolved? If not, what alternative arrangements would you suggest should be used?

Question 2 – Do you think that an additional amount should be devolved where a commercial service is replaced by a tendered one?

Question 3 - Do you agree that it would be better for all the relevant funding to be devolved on a single date? Or, are transitional arrangements needed and, if so, what is the best way of doing this?

Question 4 - Do you agree that funding for incentives should not be devolved to local authorities until the further review of BSOG in 2014?

Question 5 - Do you agree that local transport authorities in areas with a Quality Contract Scheme should automatically receive the equivalent to BSOG funding?

Question 6 - Do you believe that there is a need to ringfence funding for an interim period? If so, what form do you think this ringfencing should take, and, in particular, how much flexibility should local authorities be given as to how to spend the devolved grant?

Question 7 - Should BSOG for both live and dead mileage be devolved?

Question 8 – Should BSOG for part services within a BBA be devolved?

Question 9 – Is the proposed method of calculating the BSOG in a BBA suitable?

Question 10 - Do you agree that the approach proposed to partnership within a BBA strikes the right balance between local transport authorities and bus operators?

Question 11 – Do you agree that any authority both developing a QCS and seeking BBA status should need to demonstrate the same standard

of partnership working and support from local bus operators for the BBA bid as any other bidding authority?

Question 12 - Is this transitional period for phasing out BSOG sufficient?

Question 13 - Do you agree that each of the services listed in section 4.66 should not be eligible for BSOG in future? If you do not agree, please explain why.

Question 14 - Are there any other categories of service which are eligible for BSOG at present which you believe should not be eligible in future, and if so which are they?

Question 15 - Alternatively, are there any categories of service which are not eligible at present but which you think should be in future?

Question 16 – Should buses operating under a Section 19 permit in BBAs and London continue to receive BSOG where they are not run in-house by the local authority?

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6. Consultation Response

Please send responses, using the consultation response template on the Department's website, via email to buses@dft.gsi.gov.uk. Written responses can also be sent to :

Richard Yates,
Buses and Taxis Division,
Department for Transport,
Zone 2/14,
Great Minster House,
33 Horseferry Road,
London SW1P 4DR.

When responding, please state whether you are an individual or representing the views of an organisation. If responding on behalf of an organisation, please clarify who the organisation represents, and where applicable, how the views of members were assembled.

This document has been published on the DfT website (www.dft.gov.uk) and can be made available in appropriate accessible formats on request.

Closing Date

The consultation runs from 13 September until 12 November. So, you should ensure that if you respond to the consultation your response is received by the Department by 12 November.

Consultation Principles

The consultation is being conducted in line with the Government's policy on consultation. The principles are listed at Annex A.

Impact Assessment

The Impact Assessment can be found on the Department for Transport's website at <http://www.dft.gov.uk/consultations/ia>. We welcome

responses to the consultation on the analysis of costs and benefits, giving supporting evidence wherever possible.

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain why you regard the information as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot assure that confidentiality will be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Next Steps

Following receipt of responses, the Government will produce a summary report alongside setting out next steps.

Annex A Consultation principles

The consultation is being conducted in line with the Government's key consultation principles which are listed below. Further information is available on the Better Regulation Executive website at <https://update.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

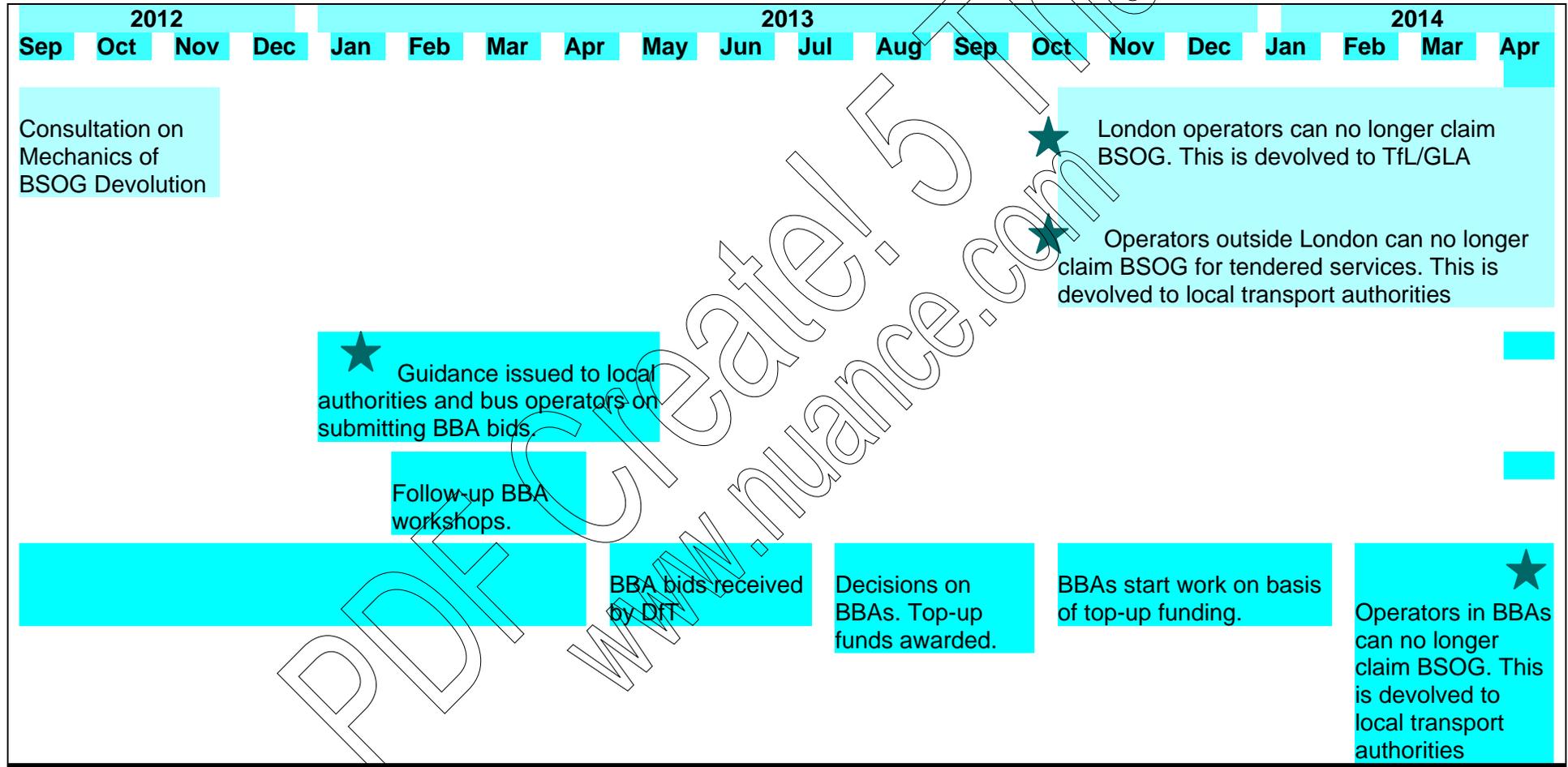
If you have any comments about the consultation process please contact:

Consultation Co-ordinator
Department for Transport
Zone 1/14 Great Minster House
London SW1P 4DR
Email consultation@dft.gsi.gov.uk

Consultation Principles

- departments will follow a range of timescales rather than defaulting to a 12-week period, particularly where extensive engagement has occurred before;
- departments will need to give more thought to how they engage with and consult with those who are affected;
- consultation should be 'digital by default', but other forms should be used where these are needed to reach the groups affected by a policy; and
- the principles of the Compact between government and the voluntary and community sector will continue to be respected.

Annex B Timeline for devolution of BSOG



Stars show dates of key changes