

# **Full Franchising Assessment Coventry City Council Member Consultation Briefing**

**3rd February 2025**

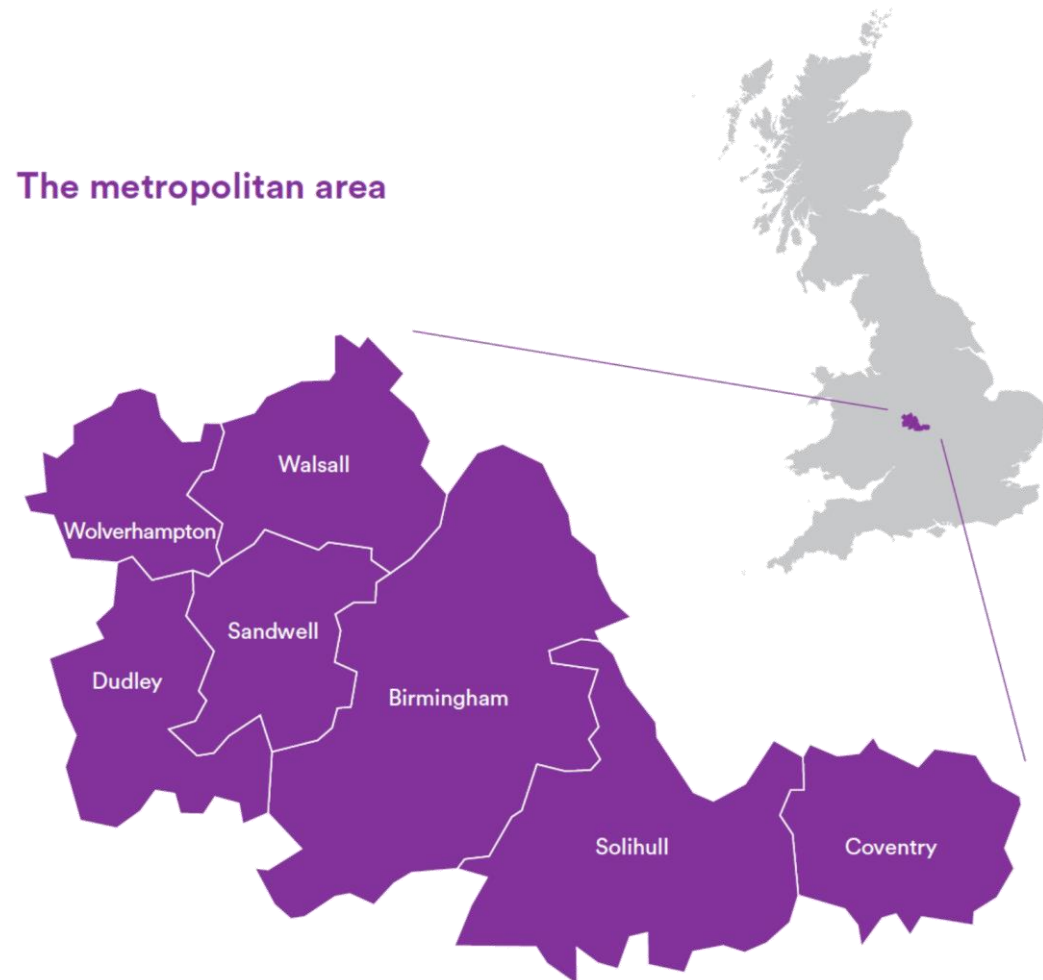
# Introductions

- Anne Shaw, Executive Director, TfWM
- Pete Bond, Director of Integrated Transport Services
- Steve Hayes, Head of Network Transformation
- James Hughes, Member Engagement Lead, WMCA
- Working closely with CCC team including John Seddon

Here today to have an open dialogue about Bus Reform and the stage of the process we are at.

# TfWM's role

- Transport arm of WMCA
- Cover the constituent areas as the Local Transport Authority (LTA)
- Duty as the LTA to plan for the future transport needs through a Local Transport Plan (LTP)
- Responsibilities for coordinating public transport services and assets; and concurrent powers over a Key Route Road Network (KRN)
- Integration, modes, systems, services and ticketing!



# Why are Buses Important?

29.4m bus journeys in  
2024 in Coventry  
(West Mids: 240m)

28% of households  
in Coventry do not  
have a car

Bus is crucial in  
connecting people to  
work, education,  
shops & leisure

Bus supports  
objectives to reduce  
congestion, emissions  
and ensure transport  
affordability

2024 study showed  
bus worth £4.4bn per  
year to the West  
Midlands economy





# Coventry Electric Bus City



**£136 million investment (£50m grant) in electric buses and associated infrastructure including;**

- c.300 electric buses – entire city of EV buses
- Power supply capacity upgrades to depots and infrastructure
- Wider investment and benefits for cross-boundary bus services into Warwickshire and beyond



# Capital Transformation

- CRSTS provides opportunities for buses to be supported through capital investment.
- Coventry Electric City is one of the largest investments in EV fleet across the UK
- Opportunities for better integration between modes including VLR





# Importance to Coventry

- We know that buses are essential to the economy of Coventry as the 9<sup>th</sup> largest city in England!
- Integration with rail, Park & Ride, Very Light Rail and accessible transport are key.



# The Current Bus Market



# The UK Bus Market



Since 1986 (outside London), all aspects of providing bus services (routes, timetables, fares, operating hours, vehicles etc) have been set by bus operators

There is no contractual relationship between the bus operators and the Local Authorities for most services.

The primary objective of bus companies is to make money for their shareholders

In Coventry, 90% of passengers are carried on buses operated by National Express, including cross-boundary

# Some exceptions...

TfWM provides subsidy for routes where there is a social need for a service not provided commercially (e.g times when there are few passengers)

About 10% of routes are subsidised in this way.



# Partnership

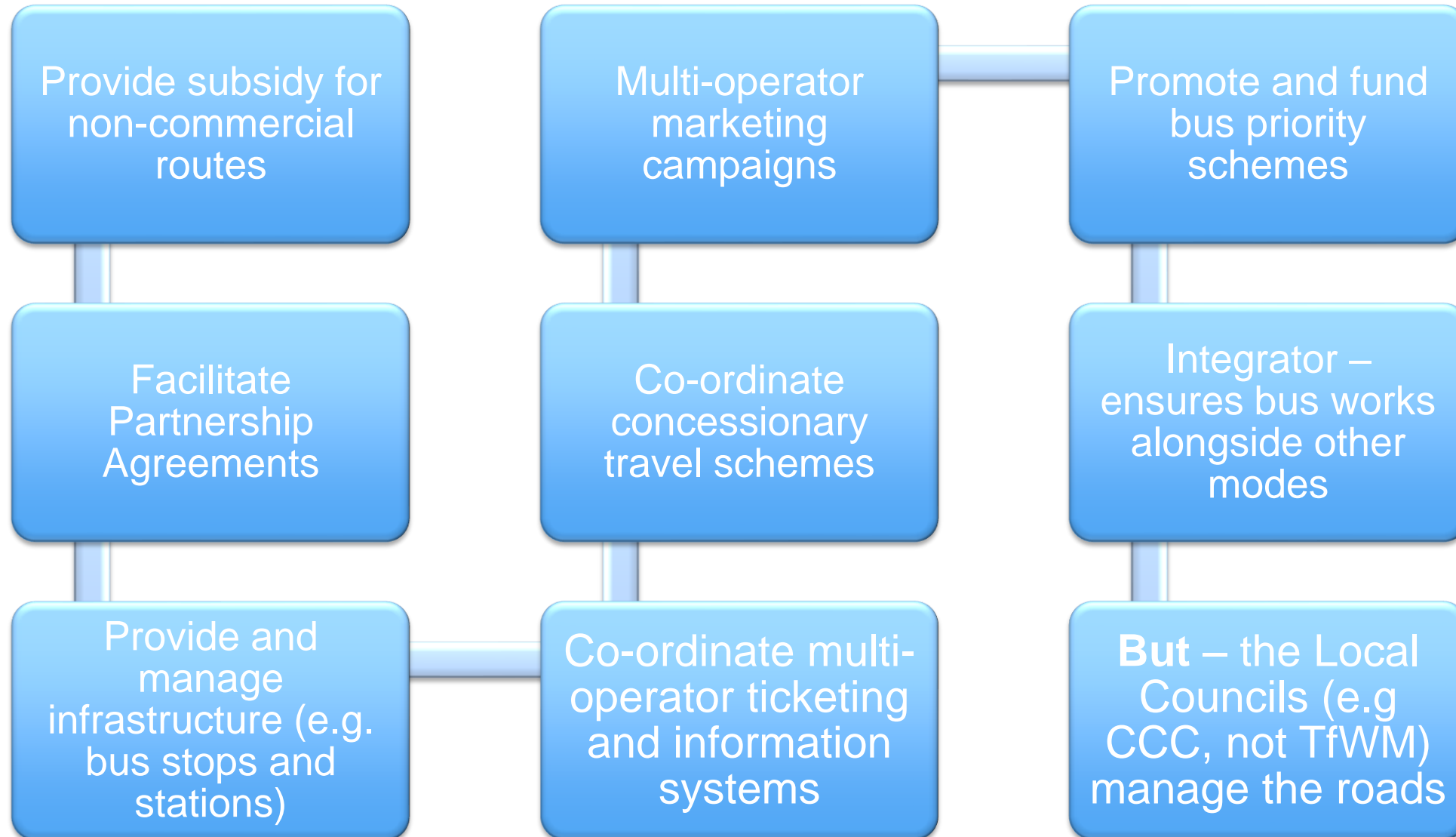


It's important for operators and Local Authorities to work closely together. Buses run on congested roads managed by the Local Authority, and provide a public good

Legislation encourages partnership; 2017 Bus Services Act enabled 'Enhanced Partnership', which places binding commitments on Authorities and operators, but Authorities can't compel operators to do anything without agreement

Lots of examples of strong partnership working in the West Midlands – e.g. delivery of 'Coventry's Electric!', the UK's first all-electric bus city.

# Buses: TfWM's Role





# So, who is Accountable?

I'm waiting in a dirty bus shelter  
for a National Express bus.

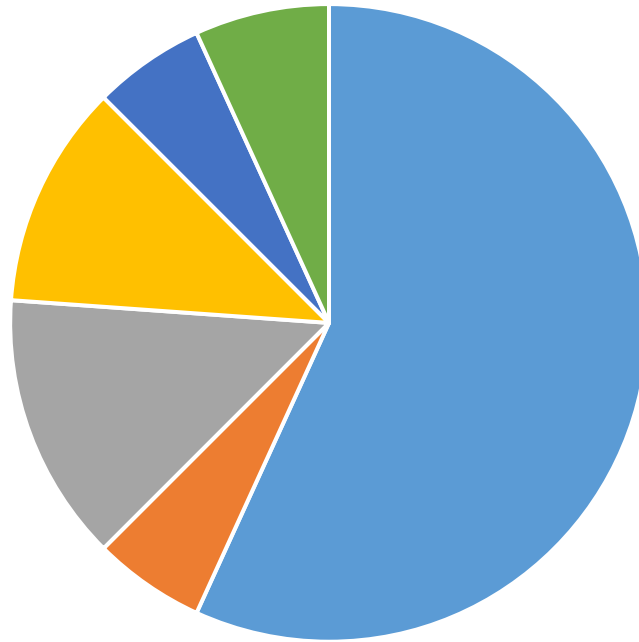
It turns up 10 minutes late  
because it was stuck at some  
broken traffic lights.

When it arrives, the driver is rude  
and won't accept the ticket which  
I bought on a Stagecoach bus  
earlier in the day when I asked  
for a multi-operator day-ticket.

Who do I complain  
to about this  
experience?!

# Funding

Just over half of operator income in West Midlands is commercial revenue (est. £250m p.a.), the rest is from grant / subsidy



- Fares Income
- Payment for concessions
- Subsidy for non-commercial routes
- Other commercial income
- Post-covid grant support
- Government Grant (BSOG)

# Franchising

- 2017 Act provides provision for Mayoral Combined Authorities to switch to a '**Franchising**' system, similar to London model
- It is not Local Authority (municipal) ownership /operation of buses!
- Under Franchising, the Authority specifies the bus network it wants, services standards, fares etc, and then awards contracts to the private sector to provide the services
- Legislation requires a detailed business case, followed by external Audit and Consultation to determine whether it is the best way for bus services to be organised in the area
- Manchester in process of implementing contracts. Liverpool and West Yorkshire also have taken formal decisions to proceed.
- TfWM completed the Business Case in July 2024, which was subject to external Audit (as required by legislation) during the Autumn 2024
- Audit report presented to CA Board in December, who agreed to move to public/stakeholder consultation 6<sup>th</sup> Jan to 30<sup>th</sup> March 2025

# Franchising in the West Mids

- TfWM design routes, specify hours of operation, services standards and award contracts following competitive procurement
- TfWM take revenue risk (i.e. keep/reinvest the fares)
- Operators retain operational staff (e.g. drivers, engineers)
- Consolidation of functions currently shared between TfWM and operators (e.g. customer services, marketing, network planning)
- TfWM continue to manage infrastructure (e.g. bus stops, Pool Meadow Bus Station, information provision)
- Cross-boundary services into Warwickshire can operate under 'permit', subject to meeting required quality standards
- City Council continue to manage highways



# Strategic Case

- The Strategic Case sets out what objectives we're trying to achieve irrespective of regulatory model. These objectives need to be SMART – based on WMCA's adopted Vision for Bus (2018) and Bus Service Improvement Plan (2021)
- Legislation requires it to set out a strong case for change, which must be evidence led.
- Focus on delivering improved services for passengers, affordability and value for money.
- There is also a legal requirement to consider the impact on neighbouring authorities.

# WM Case for Franchising

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The franchising case is based on;

The West Midlands bus market is increasingly not commercially viable and significant public subsidy is required to continue to offer our residents a comprehensive bus network, but currently with very limited control over the services, frequencies, fares or routes.

The lack of competition in any market can hold back customer satisfaction and drive-up cost. If we do not provide the required subsidy, the bus market will reduce to the extent that TfWM and LAs will not be able to achieve their vision or objectives across the board, as demonstrated by the TfWM assessment on the economic value of the bus.

The risk remains for significant and immediate negative social and economic impacts with more vulnerable residents who are more likely to rely on buses being disproportionately affected.

Franchising provides the opportunity to co-ordinate and integrate the bus and wider public transport network to significantly increase the customer experience.

# Commercial Case

The Commercial Case considers 'how' the proposed delivery model will be implemented effectively to best meet commercial objectives.

- How to ensure strong competition for contracts, including ownership and control of assets (buses and depots)
- How the involvement of small/medium operators can be facilitated
- How cross-boundary services are accommodated (permit scheme)
- Service continuity during any transitional period
- Preferred commercial model, including size and geographical scope, contract length and asset ownership
- Approach steered by responses to market engagement



# Management Case

- The Management Case sets out how TfWM would deliver and maintain bus services for each of the three options.
- This also includes how risks will be mitigated and managed.
- The management of the transition is set out including contingency plans that will ensure services will continue to operate.
- The following are also considered:
  - The Programme Management Structure – including additional specialised staff
  - Governance through transition and operation
  - Resource requirements, including staffing, systems, processes



# Financial Analysis

# Approach to Financial Analysis

There are 3 primary elements to consider in the approach to financial analysis:

## 1. Optimising for Fixed Budget

- Agreed level of budget for bus services is available in each year (typically currently starting at current bus budget, rising with inflation)
- Entire budget will be used under all options.
- Bus network will be optimised to an agreed level of budget. Therefore, all options should be affordable and comparable in cost terms.

## 2. Ranking of Regulatory Options

- The Assessment must demonstrate that the **rank order of and differences between options are robust** no matter what level of funding available or demand for bus services.
- Multiple funding and background demand scenarios will be used to robustly assess this.
- **The rank order of options would be consistent for all of the scenarios evaluated.**

## 3. Consistency of Service Standards

- The assessment assumes that **the quality of buses and other bus infrastructure is consistent** across all regulatory options.
- This is because we are **assessing the comparative advantages of the regulatory options.**
- The assessment however does not assume that service levels are frozen at the current level.

# Cost of Service Operation

- The contract costs are delivered within existing budgets without costing more than the current funding availability – this includes TfWM funding (£102.1m) and fares revenues.
- The greater the funding available the greater the size of the bus network and in turn the greater social and economic benefits delivered for the region.
- However, the size of the bus network can be scaled up or down to match the size of the budget available. TfWM will also control fares which is a further lever to either encourage demand or control costs.
- The modelling shows that franchising is the most efficient way of delivering bus services and as such, for the same budget, franchising provides the largest bus network for residents.
- WMCA ownership of bus fleet and depots is financially the most favourable option, increasing competition for contracts and reducing private sector borrowing. Capital cost for acquiring these offset by lower future contract costs

# Transition Cost Assumptions

- These are essentially costs in transitioning from the current delivery to Franchising, which would not be incurred if Franchising were not implemented, assumed to be incurred over 3 financial years – 2025 to 2028
- The costs can be categorised as follows:
  - Transition Management and Operation
  - Branding/Marketing
  - Advisory/Consultancy
  - IT and other equipment
- Total transitional costs for year 1 (25/26) are £6.7m, year 2 (26/27) are £9.3m and in year 3 (27/28) £6.5m giving total transitional costs of **£22.5m** – assumed to be funded through borrowing, and paid back through future fare revenues, subject to other funding sources becoming available.



# Modelling Outputs

# Modelling outputs

- Results clearly show that *Franchising is the most financially efficient way to secure bus services, enabling more network for each pound of public expenditure*, largely a result of reduced profit margins due to competition for contracts, which can be reinvested in the network
- Economic model indicates over £800m benefits over 25-year appraisal period compared to deregulated market, arising from having more network
- Various sensitivity and scenario tests also support this

**BUT – Franchising alone does not reverse long-term decline.** This will require additional long-term investment and/or use of policy levers, which the greater control franchising provides may encourage. This would contribute further to positive business case, not accounted for in the modelling.

# Delivery Timelines

# Timeline

- Feb 2020(!): Outline Assessment commenced.
- April 2023: Consultants appointed to support Full Franchising Assessment
- January 2024: Interim Assessment reported to Mayor and Met Leaders
- May 2024: Mayoral Election – bus policy is a key area
- July 2024: Franchising Assessment concluded for CA Board consideration, with approval to commence Audit
- October 2024: External Audit concluded (as required by legislation – 3 months)
- December 2024: CA Board approval to commence consultation
- Jan - March 2025: Statutory Consultation
- If final go-ahead given in May 2025, first contracts could start from late 2027.



# May 2025 Decision

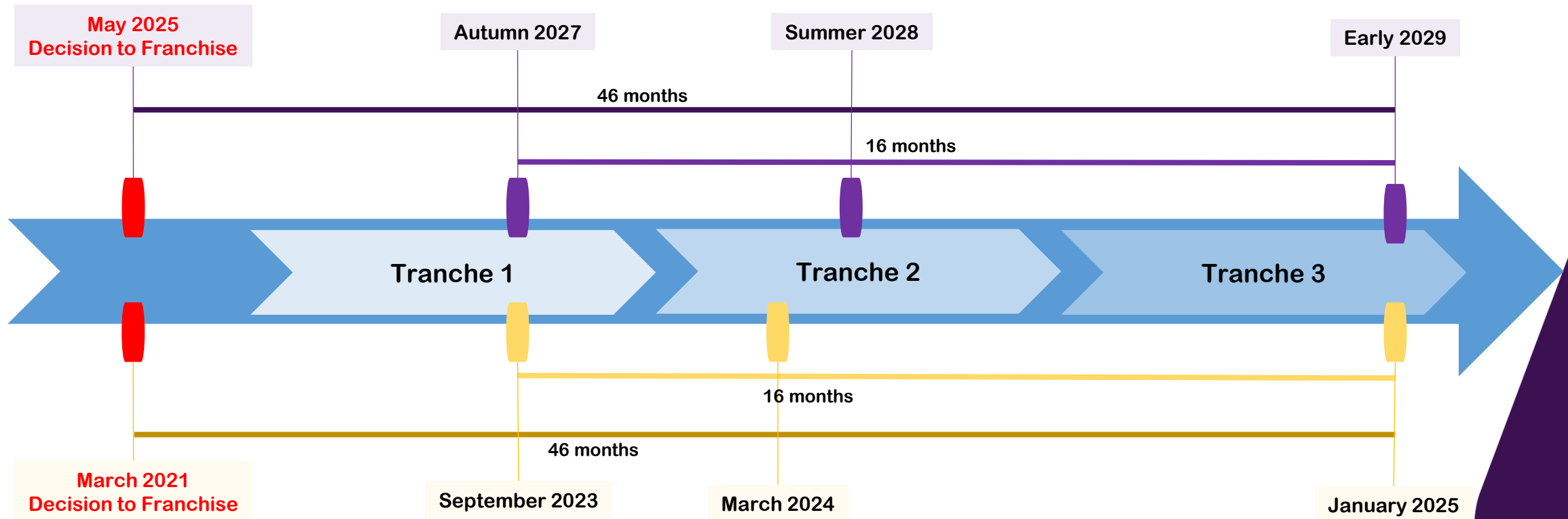
- In May 2025 the Board will decide if they wish to recommend to the Mayor that he franchises the buses in the West Midlands, including Coventry.
- The Mayor will then give his decision based on the 2017 Bus Services Act which, if agreed, will result in the biggest change to how bus services are provided in forty years.
- This is about the process of regulation, changes to the network will not come immediately and will need to be worked through with stakeholders including Coventry City Council, residents and businesses.



# Mobilisation Requirements

- Time required to recruit staff, prepare the market, design contracts and performance mechanisms, procure and implement management systems - requires resource which would be 'at risk' until there is a final 'go' decision (programmed 12 months before procurement starts)
- Procurement (9 months)
- Mobilisation period once contracts awarded (9 months)
- Ideally a gap between contracts starting and next round being awarded to enable refinement / lessons learned
- Difficult to do this more quickly given scale of change and necessity to manage risk

## West Midlands – Draft Proposal



## Greater Manchester

### Comparisons:

TfGM fleet size of 1784 (all tranches) vs WM fleet size of c.2000

TfGM pre-covid 177m passengers vs WM pre-covid 260m passengers

# Public Consultation

# Public Consultation

**12 weeks: 6th Jan – 30th March**

## **Objectives:**

1. Conduct a legally compliant consultation, compliant with industry best practice standards.
2. Increase residents' understanding of bus franchising, providing multiple sources of information in different formats that support respondents in shaping their opinion.
3. **Receive 2000 responses** to our consultation from a representative demographic across the West Midlands.
4. Work with residents from marginalised demographics as peer-to-peer researchers.  
**Receive 500 responses to the consultation through the community research network.**

# Audience

Alongside residents and businesses across the West Midlands, we will consult with statutory consultees as set out in the consultation guidance, and additional non statutory consultees identified.

Statutory consultees	Non-statutory consultees
<ul style="list-style-type: none"> <li>• <b>Current bus operators</b> running services in the relevant area and <b>representatives of their employees, such as trade unions</b></li> <li>• <b>Current coach and community bus operators</b></li> <li>• <b>Organisations representing local users, such as Transport Focus</b></li> <li>• <b>Constituent local authorities</b> of the West Midlands Combined Authority</li> <li>• <b>Neighbouring local authorities</b> who may be affected by any proposed scheme</li> <li>• <b>The traffic commissioner</b></li> <li>• <b>The chief police officer</b></li> <li>• <b>The Competition and Markets Authority</b></li> </ul>	<ul style="list-style-type: none"> <li>• Police and Crime Commissioner</li> <li>• Internal WMCA / TfWM staff</li> <li>• West Midlands' local government bodies</li> <li>• Local Councillors</li> <li>• MPs and other parliamentarians</li> <li>• Business groups</li> <li>• Large retail organisations</li> <li>• Other large businesses</li> <li>• Large public sector employers</li> <li>• Bus industry groups</li> <li>• Other transport operators</li> <li>• Other industry bodies</li> <li>• National Highways and road user groups</li> <li>• Environmental groups</li> <li>• Universities, schools and colleges</li> <li>• Private developers</li> <li>• Academics and think tanks</li> <li>• Parish councils</li> <li>• Representatives of older and disabled people</li> <li>• Representatives of young people</li> <li>• Representatives of other persons with protected characteristics</li> </ul>



# Questionnaires

## Short survey

- 9 questions
- Executive Summary should be used to support with answering these questions.
- This survey is recommended for bus users and the general public, however anyone can answer either survey.
- General questions on the assessment.

## Long survey

- 43 questions (including the 9 short survey questions)
- The full consultation document should be used to support answering these questions.
- This survey is recommended for statutory consultees, such as bus operators or local authorities. However, anyone can answer either survey.
- General questions on the assessment and questions on each individual case.

## Response Mechanisms:

You can respond to the consultation in a number of ways:

- by completing the **online response form**
- by taking part in a **community research session** and completing a response form in person.
- by posting a **hard copy** of the response form to our freepost address
- by sending an **email** to [busreform@tfwm.org.uk](mailto:busreform@tfwm.org.uk)
- **We must receive a consultation response through one of these methods**

# Engagement

Direct engagement will help us target audiences that may be missed, or not specifically targeted, by the marketing campaign as well as amplifying the message to those targeted by the marketing campaign.

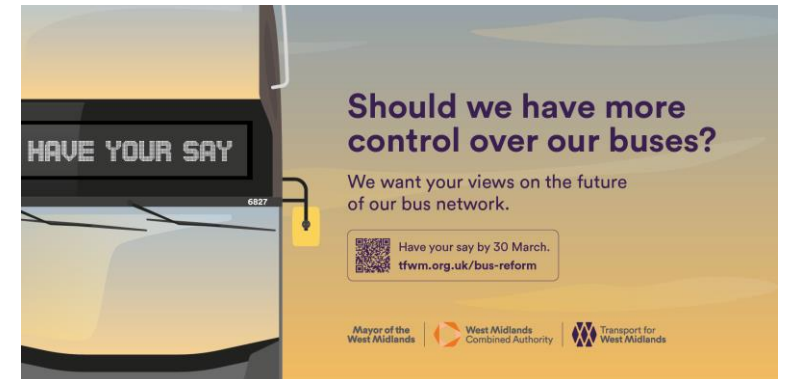
## Member Engagement

- Two all councillor briefings held in December (pre-board decision)
- Email sent to all councillors and MP's in the region when consultation opened
- Email sent to the chairs of all local authority scrutiny committees
- Halfway through, another email will be sent to all councillors

Engagement tactic	Target audience
Public online Consultation: <ul style="list-style-type: none"> <li>• Questionnaire on Commonplace</li> </ul>	All residents
Peer to Peer Researchers	Groups from seldom heard voices across the West Midlands
School and College Toolkits	16-19 year olds
Focus Groups	All residents
Public Events: <ul style="list-style-type: none"> <li>• In person and online across the West Midlands</li> </ul>	All residents
Physical Consultation Copies in public spaces e.g. Libraries	Digitally excluded citizens
On Street Surveys	Digitally excluded citizens Bus passengers
Statutory Consultee Online Surveys Snap survey for specific consultees	Bus operators
Statutory Consultee Briefings	All statutory consultees
Statutory Consultee Letters	All statutory consultees

# Key Messages and Creative

Slogan	Have your say
Main messages	Should we have more control over our buses?
Sub message	We want your views on the future of our bus network.
	Have your say by 30 March. <a href="http://tfwm.org.uk/bus-reform">tfwm.org.uk/bus-reform</a>



# Promotion

An extensive marketing campaign, utilising out of home, print and digital tactics, will raise awareness of the consultation and direct people towards the consultation and details about it.

The marketing campaign will mainly be targeted at the general public.

Marketing tactic	Target audience
Out of home marketing: <ul style="list-style-type: none"> <li>• Billboards</li> <li>• Digital screens</li> <li>• Posters at bus stations</li> <li>• Vinyls and Filler Ads at bus stops</li> <li>• Press ads</li> </ul>	All residents Any other interested parties
Digital marketing: <ul style="list-style-type: none"> <li>• Paid social media</li> <li>• Paid search</li> <li>• Youtube</li> </ul>	All residents Any other interested parties
Animation explainer videos	All residents Any other interested parties
Comms toolkit	Effected Local Authorities Local businesses and organisations Any other interested parties
Email signatures on WMCA staff emails	Internal WMCA / TfWM staff Any other interested parties

# Access and Inclusion

**We are committed to making the consultation as accessible as possible.** The need to comply with tightly-drawn and often highly technical requirements presents significant challenges when seeking to highlight to the public why the consultation matters.

- In person events, day times, evenings and weekend
- Online evening events
- Executive summary and FAQ documents translated into Urdu, Punjabi, Polish and Romanian
- Easy read versions of executive summary
- Peer to Peer researchers
- On the street surveys
- Printed documents at bus stations and LA owned buildings (libraries, leisure centres)
- Voice notes accepted on common place
- Subtitles on all videos



# Summary

- Consultation will finish at the end of March – have your say!
- The decision will be made regarding franchising in May 2025
- Transition will need to be managed carefully but for Coventry this will be part of franchise phase 1 in late 2027 if approved
- Franchising will offer better value per £ and allow the control levers over the network
- Risks and opportunities have been carefully assessed
- CCC officers and TfWM officers will also be attending Coventry Scrutiny Board (3) later in February 2025.

**Questions, comments and  
discussion.**

**Thank you!**