

LIVERPOOL CITY REGION COMBINED AUTHORITY SCRUTINY PANEL

AFFORDABLE TRANSPORT – SHORT HOP BUS FARES REVIEW

1 Chair's Introduction

This is the second piece of detailed scrutiny undertaken by the Liverpool City Region Combined Authority Scrutiny Panel and I would like to thank Panel members for the time they put into this work and those individuals who presented evidence to us. The issue of affordable and reliable transport is vital to our communities, as reflected by the comments made to elected members by their constituents. We were particularly keen to understand why the cost of 'short hop' bus fares within the LCR appeared higher than other comparable areas and what, if anything, can be done about it.

Whilst it initially appeared that, within the deregulated bus market we may be unable to influence significant change in terms of bus fare regimes, our investigations revealed that there were nonetheless suggestions that could be made that may help bus users and which may encourage greater bus patronage across the city region. These suggestions are reflected in the recommendations at Section 7 of this Report.

I commend this report to you,

Cllr Kevan Wainwright
Chair – LCR Scrutiny Panel

2 Background to the Review

When the Panel was first formed it identified a number of topical areas around which it wished to carry out in-depth reviews. The Panel has already looked at 'European Funding' and has now examined 'Affordable Transport'. The topics were originally selected as they covered the broad range of responsibilities of the Combined Authority. It also allowed the Panel to test a methodology of working, given that each of the constituent authorities 'do' scrutiny in a different way.

3 Developing the Scoping Document

Having identified 'Affordable Transport' as a review topic the Panel held an initial scoping meeting to:

- Further refine the review area.
- Identify a timescale for its completion.
- Identify those who the Panel would want to receive evidence from.

The Panel identified the issue of 'short hop' bus fares for further investigation. This was selected as evidence provided by Merseytravel had identified that the cost of "short hop" fares in the Liverpool City Region were some of the most expensive in the country. Members wanted to understand why this was the case and what could be done about it.

Following those discussions a Scoping Document was produced to guide the next stages of the review, which is attached at Appendix A of this report.

4 What we did and who we spoke to

As noted in the Scoping Document the review consisted of three evidence sessions as follows:

- a) The first evidence session focused on reviewing trends in the bus market, rates of fare increase, the current position on 'short hop' journeys within the LCR area and provided comparisons to similar urban areas across the Country. A range of questions that emerged from this evidence session was discussed and agreed with Members before other witnesses were interviewed.
- b) In the second session two smaller operators, Avon Buses and Halton Transport were interviewed by the Panel and shared their views. This was supplemented by a representative from Transport Focus, the Government appointed passenger champion, who conduct annual passenger surveys across the region.
- c) At the Final Session the two major operators, Arriva and Stagecoach, were interviewed and this session was closed by representatives from Merseytravel who briefed Members on the way forward, including how the proposed Bus Alliance may operate.

5 What did we hear and from whom?

a) Evidence Session One

Paul Johnson, Research and Intelligence Adviser, and Ian Raymond, Evidence and Intelligence Officer, from Merseytravel's Policy Research/Intelligence team presented in detail the market in the City Region noting that nearly 80% of public transport journeys are made by bus but numbers have fallen by nearly a quarter since the mid 1990's. In examining bus fares specifically, it was noted that these have increased at a faster rate than inflation or rail since at least 2000. In addition, fares are charged at a flat rate for trips up to 6 miles, but there are some local variations. Evidence available confirmed that many other urban areas have 'short hop' bus fares with cost increasing over distance. The evidence presented in charts showed that 'value for money' increased

significantly with distance travelled. The draft interview questions that were discussed by Members in this session provided an outline to probe operators into their decision making over fares including how the short distance policy evolved in the city region, barriers to future adoption of short distance fares, reasons for the rapid fares increases and future fare innovations.

b) Evidence Session Two

The second session consisted of witnesses from two smaller operators - George Lewis, Managing Director Avon Busses and Colin Stafford Managing Director, Halton Transport. Both noted particularly the cost element of running bus services and the need to make a return in order to invest further in the bus fleet. Furthermore, it was stated that they have recorded few complaints on the fares they charge. When asked about flat fares they believed it was a historic decision instigated to prevent 'overriding' but could not provide any specific evidence of this. Both operators indicated that they ran some commercial routes that larger operators would not provide, due to commercial viability. They also noted they were conscious of the impact of the fares charged, with one operator stating that they had reduced their weekly fare as part of their fare revision earlier in the year (although other fares were increased).

David Beer, Passenger Executive Manager from the watchdog 'Transport Focus' also attended the second session. He stated that although Transport Focus was appointed by Government it had no statutory powers to force operators to reduce prices or introduce new fare structures. He did however indicate that the surveys that his organisation undertakes and the pressure that local passengers can make a difference citing a fare decrease in the Bristol area as an example. He noted that it's generally punctuality/reliability that are the main concerns of passengers, and stated that information is a key requirement in ensuring passengers were aware of all fare options available to them.

c) Evidence Session Three

The third session consisted of witnesses from the major operators - Gary Nolan, Regional Director North and Elisabeth Tasker, Managing Director Merseyside and South Lancashire from Stagecoach followed by Arriva's Howard Farrell, Managing Director Merseyside and Derek Bowes, Commercial Manager NW and Wales. The session closed with final witnesses from Merseytravel - Liz Chandler, Director of Corporate Development, Matt Goggins, Head of Bus and Carol Mitchell Data & Analysis Team Leader. As noted in the earlier session the larger operators could not provide tangible evidence of the 'overriding' issue that had been quoted to justify the flat fare policy but both operators stated that they were conducting trials of shorter distance fares, although at present the outcomes of these are inconclusive. However both agreed the current flat fare system could be perceived as unfair for shorter distances and needed to be looked at. In addition, Stagecoach as part of their

evidence noted they had a half fare for job seekers, which was particularly beneficial when people needed help the most.

It was stated that if short 'hop' fares were introduced, fares on longer journeys may have to be increased as a result. Both operators noted that they may look at a 'carnet' type ticket that would be cheaper for people who worked in jobs which requires them to travel, for example, on just 2-3 days per week. They also agreed that investment in the bus fleet would be a factor in helping increase patronage in the future citing more comfortable seats, wi-fi, charging points etc. They mentioned that improved reliability/punctuality would help them to reduce costs which could help stabilise ticket prices or possibly reduce them. However, this would require highway authorities to work with them on bus priority measures. Finally, regional inconsistencies in fares were noted to be down to historical reasons, but it was acknowledged that these are slowly being addressed.

Merseytravel provided a presentation on issues concerning affordability, setting fares, competition issues, the role of Merseytravel and the development of a City Region Bus Strategy. Questions were asked about a possible franchising system, and it was explained that this would depend on the future Bus Bill. The proposed 'Bus Alliance' with the City Region bus operators works within current legislation and Merseytravel will be working closely with operators to deliver partnership aims specifically to increase bus patronage.

Smaller operators are recognised as an important component of the bus industry, and regular meetings between Merseytravel and all operators are now undertaken to facilitate good communication and understanding. It was also recognised that speeding up the flow of buses could reduce costs and would be welcome. 'Carnet' Tickets were recognised as helping making fares affordable but it was reiterated that apart from supported fares the organisation could not insist that the operators change their fare structure or levels.

6 What conclusions did we reach?

From the evidence sessions the following conclusions were reached

a) Cost of fares

1. In comparison with other urban areas, short distance fares are expensive with affordability improving with distance.
2. In the City Region, bus fares have increased at a faster rate than rail fares since 2000 however, the average bus fare is still cheaper than the average rail fare.
3. Taxis can be competitive over short distances particularly when two or more people share the cab.
4. Operators claimed that overriding in the mid 2000's was an issue in implementing the 'flat fare' system. However, they could not provide 'hard evidence' that the Liverpool City region was any different to

anywhere else. The current trials will indicate if there are any current issues in this respect.

5. The Panel welcomed that some operators recognised that flat fares are poor value and could be reducing patronage. Short distance trials were to be encouraged but it was noted that there is no wish to improve complexity or penalise unfairly those who are currently travelling around 6 miles at a relatively cheap rate (although longer distance fares may increase).
6. No real explanation was given as to why 'short hop' fares were available in other urban areas apart from the development of local networks.

b) Information about fares

1. Information on fare options was deemed to be key. It was evident that from a customer perspective that more information on fares is required and that this should be incorporated into the Bus Strategy that Merseytravel is developing. Further, individuals should be able to find out the best available fare for their journey. However, it is noted that this could be complicated in a multi-operator environment despite being undertaken by operators such as Warrington Borough Transport and Trent Barton.
2. There was a lack of awareness of the Stagecoach Job Seekers ticket which should be better publicised.

c) Improved Bus Flow across the LCR

1. Improved traffic management arrangements that reduce and make journey times for buses more reliable including new technology, traffic management, bus lanes etc can reduce costs to operators. This could result in reduced or more stable fares due to them being able to reduce costs by utilising less buses on the route. The evidence from Transport Focus also shows that reliability and punctuality are more important to users than price.

d) Future opportunities,

1. Bus Patronage has declined for a number of years however more recently it has exhibited slight growth which operators noted had been higher on certain routes.
2. Fares are exclusively a matter for bus companies who operate in a commercial environment, with the exception of supported service bus fares. The regulatory conditions mean that the neither the Combined Authority (through Merseytravel) nor Transport Focus have the powers to insist that operators change their fares. They can however influence particularly using evidence from passenger surveys and comments to get the best possible outcome for users and encourage non-users.

3. A Carnet of tickets was raised as an approach for reducing fares for part time workers, and the use of smartcards was also mentioned in this context.
4. The Panel welcomed trials on short distance fares that some operators are undertaking and suggest that a key location away from Liverpool City Centre is considered eg Kirkby, St Helens, Southport, Runcorn etc as a future trial as part of the Bus Strategy/Bus Alliance.
5. Smaller operators voiced concerns particularly regarding their revenue streams that the impact of moving to a 'short hop' system could have – the elasticity on a route and levels of competition being crucial. They further indicated that there had been very few complaints when moving to a flat fare a few years ago.
6. The Bus Alliance was mentioned by all operator witnesses. Small operators stated that they required to be involved fully in discussions and engaged. The Panel see the Alliance as having a key role in ensuring that information is available to passengers and influencing more affordable fares to be a key aspiration.

7 What recommendations are we making?

a) Cost of fares

1. Review supported fares to analyse the costs/benefits of introducing short distance fares on supported services.
2. Continue to develop a range of tickets that includes an 'all operator' carnet ticket and other innovations.
3. To raise, through the Alliance, a trial at a key centre which incorporates short distance fares as part of the agreement.

b) Information about fares

1. Ensure that the emerging bus strategy includes information on fares as a key element
2. Develop the Merseytravel website/apps to incorporate fare information on point to point fares in conjunction with work undertaken by the Bus Alliance.
3. The Bus Alliance customer experience workstream develops a strategy with all operators on main routes to publicise fares between key centres by operator. This to include the consideration of publishing fares at shelters and in timetables.
4. Task the Bus Alliance customer experience workstream to develop point-to-point fares as part of the journey planner as a long term development.

c) Improved Bus Flow across the LCR

1. Work with Local authority partners to encourage improved traffic management arrangements to improve punctuality/reliability. The Better Bus Area evaluation should help inform this.

d) Future opportunities, including legislative background and Buses Bill

1. Continue to work with Transport Focus to influence their work in relation to ticketing and user/non user perceptions re 'value for money' and distance.
2. Smaller operators should be encouraged to join the Bus Alliance.
3. Progress on short distance trials to be shared amongst Alliance members, provided it does not breach commercial confidentiality or competition legalities with a view to expand the trials, if successful, across the network.
4. The progress of the Bus Bill is kept under review and relevant consultations responded to. If enacted the relevant powers be used regarding affordable fares.

SCRUTINY SCOPING DOCUMENT

Liverpool City Region Combined Authority Scrutiny Panel

Scrutiny Review of Affordable Transport

Aims and Objectives

Aim and Objectives	<p>The review will look at three questions, as follows:</p> <ol style="list-style-type: none">1) Why are short journey distance cash fares so expensive?2) Why do operators have different fare levels in place across different areas/routes of the City Region?3) What can be done about it?
Context/Background	<p>Members of the Liverpool City Region Scrutiny Panel had identified “Affordable Transport” as a topic for detailed scrutiny as part of their work plan. At their Development Day held on 17 August 2015 they identified the issue of short hop fares as an area of more detailed review. This was in the light of information provided on that day that indicated that short hop cash fares were more expensive in the LCR than anywhere else.</p>

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Methodology	
Timescale	The target completion date for this piece of work is for the final report, together with any recommendations to the LCR Combined Authority, to be signed off by the Panel at its meeting on 28 October 2015.
Evidence session 1	Evidence session 1 will focus on the information held on this issue by representatives of Merseytravel and will look at the current position on short hop journeys within the LCR areas, together with comparisons across the Country. This will enable members to formulate questions to bus operators and to determine any other sources of evidence they may wish to identify.
Evidence session 2	Evidence session 2 will concentrate on receiving evidence from the principal bus operators within the LCR and will provide members with the operators' rationale for their pricing structures. Evidence will also be provided by "Transport Focus" – an independent transport user watchdog.

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Evidence 3 session and Wrap up meeting	<p>Session 3 will continue to receive evidence from the transport operators, but will also start to focus on drawing conclusions from the evidence received and forming recommendations to the CA. Officers will draft a final report which members will be consulted upon before formal submission to the Panel on 28 October 2015.</p>
Potential outcomes	
Expected outcomes	<ul style="list-style-type: none"> – Members will gain a greater understanding as to the rationale behind the different price structures across the Country and the region. – Members will develop recommendations to the CA in order to influence providers in delivering a more equitable and understandable price structure.
Measuring success	<p>The ultimate measure of success will be that:</p> <ul style="list-style-type: none"> – The rationale behind the fares charged will be more widely understood. – The inequality in short hop cash fares is reduced. – Those fares will be considered to offer value for money to the user. – Bus passenger journeys will increase across the City Region.

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Officer/Member involvement	
Members	All members of the Scrutiny Panel will have the opportunity to be involved in review.