

BSWB 06 - Evidence from: Dr Llyr ap Gareth, Head of Policy, FSB Wales

Senedd Cymru | Welsh Parliament

Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith | Climate Change, Environment, and Infrastructure Committee

Bil Gwasanaethau Bysiau (Cymru) | Bus Services (Wales) Bill

1. What are your views on the general principles of the Bill, and is there a need for legislation to deliver the stated policy intention?

FSB Wales agree there is a need to legislate on this matter to deliver on the policy intention. The legislation seeks to solve problems identified by our members consistently in our research. Bus travel is often described as being unreliable, prone to inconsistent service and closure of services without warning, often affecting the businesses in those areas whether business hubs, local cultural events, or high streets, and affecting access to work for staff and skills. The economy would benefit from a properly integrated system that takes account of wider economic and business needs.

In FSB reports and research over the last few years from Skills to Manufacturing, from Creative Industries to Tourism, improving public transport has repeatedly been noted as a priority across Wales, but particularly so in more rural areas. It has been noticeable that public transport has been put forward as a priority even when the research did not actively ask questions on public transport.

While agreeing with the need for reform we would like to ensure two things are secured and are an integral part of the bill's aims:

1. Economic impact and local market needs

Business and Economy need to be front and centre of this bill and discussions around public transport in implementing the bill and identifying opportunities.

A good and reliable public transport system is a vital part of any successful economy, bringing value through increased connections increasing opportunities for investment and allowing the mobility of people and skills in the workforce, and for employers.

Legislation is required to address a more fundamental problem in rural areas with transport more difficult and employment hubs and people accessing them more

disparate over wider distances. For any government policies based around equality of provision and for agendas such as a meaningful Young Person's Guarantee, transport for rural areas is a key issue, and one in which employers across the region should be allowed the opportunity to engage with and to shape decisions on priorities.

Our concern is that the Explanatory Memorandum's aims discuss business and the economy in vague terms, which risks missing opportunities in any changes. For example, we would like the following core aim outlined to include economy and business:

“The Welsh Government’s ambition is to reform bus legislation, to provide a joined up public transport network that is safe, integrated, environmentally sustainable, efficient, economic and responds to meet the transport needs of the public. Local bus services need to meet the specific needs of each locality and, by stimulating patronage, connect more people and reduce reliance on private cars.”

The use of the word ‘economic’ here appears to cover ‘affordable’ for individuals and for bus companies ‘to run’ the system, rather than on wider economic impact such as access to skills, nighttime economy and culture, and local hubs. Even when discussing economic impact in this section noting only ‘tourism and attractions’ seems unduly reductive.

“They provide vital links between our communities and are an important tool in ensuring a vibrant economy. They support the tourism industry by providing access to many attractions and are often the only means for some urban communities to access our natural landscapes.”

The aims of the bill should serve business needs in the round and economic development as an aim of the reforms should be on the face of the bill to signal the priority to those tasked locally with implementing it. These new powers hold the potential to ensure our public transport system supports business development; therefore, embedding this requirement in the legislation and ensuring impact assessments consider access to local markets and connections to hubs is crucial. As the paper notes, ‘Implementing the legislation, and introducing franchise contracts over different areas, will take time and will probably require iterative improvements to reach the ambitious level of service we are aiming to develop’ – this needs to include signals on what it is looking to achieve for SMEs from the start, and to develop that engagement and understanding as a starting point.

2. Equal opportunities in franchising

FSB Wales wants to ensure that the bill fulfils its stated ambition to introduce a system where:

“All parts of the bus operating sector delivering according to their particular strengths, including SMEs (Small and Medium-sized Enterprise), municipally owned companies and corporate players, demand-responsive services, taxi providers and community-based operators.”

FSB welcomes the inclusion of a requirement that authorities proceeding with a franchising scheme must consider how they will facilitate the involvement of SMEs. This will in turn ensure that the future development of the market is not dominated by larger providers and is likely to support SMEs within their local authority. FSB would like to ensure that Welsh Government, or TfW, provides guidance on how best to engage with SMEs within this space, using existing networks and trusted sources, to leverage discussions with these providers and ensure that small operators are not crowded out of future bus network expansions.

Beyond this, FSB would like to ensure that SMEs within the market are not excluded from valuable and profitable service routes. To achieve this, FSB calls on TfW to include in guidance a requirement that a percentage of profitable routes be open specifically for SMEs to bid for. Many SMEs are resource-stretched in comparison to larger operators, who will likely have a team that will look at bidding opportunities and already have many procedures in place. Furthermore, guidance should ensure that requirements for bidding are proportionate and realistic for SMEs.

It is also important in this case that contracts are shaped to provide SME opportunities and that any municipally owned companies do not edge small companies out. With franchising providing opportunities to maximise opportunities for SMEs, it is important that these companies are given a fair opportunity to bid, build and grow.

2. What are your views on the Bill's provisions (set out according to Parts below), in particular are they workable and will they deliver the stated policy intention?

▪ Part 1 - Key concepts and general objectives (sections 1 to 4)

The key concepts and provisions appear rational and workable, and set out the problems with the current system and how the systemic change will look to address them.

In terms of the implementation of the franchising system, we welcome the following statement and will look forward to greater detail on the implementation, and how to ensure a fair playing field for small operators:

“Local bus services across Wales will be grouped into service packages for the purpose of tendering; ranging from potentially as small as single routes, which may be of more interest to SMEs, to area wide franchises offering economies of scale for larger operators.”

On consultation, we welcome that there is a commitment to require local engagement via LAs, and note the following paragraph:

“The Welsh Ministers will be required to seek the views of local authorities when preparing the Plan, including identifying routes and principal stopping points along which standard services will operate and the geographical areas within which flexible local bus services will operate. Local authorities have the best understanding of local bus travel requirements in their area.”

This is sensible, but we would also expect a duty for an analysis by local authorities of the local business needs in terms of public transport and a requirement to engage with businesses on their needs, with guidance and support to do so. This should include mapping and accessing the business networks in their areas in order to consult. It is noted in the Explanatory Memorandum that this is an 'iterative process' of engagement and so subject to continuous improvement, but it is important that such expectations and norms that business and economy are priority areas for engagement are set out at the onset.

FSB supports the Government's proposals on providing more powers to local authorities in relation to bus franchising. It is worth noting that data suggests that more support is needed for rural LAs. With one in four bus routes being cut in the UK between 2010 – 2022, acutely affecting rural areas, rural SMEs are

compounded by very poor bus services and very limited rail transportation.¹ In Wales, the number of journeys on local buses has dropped to 61 million in 2022-23, compared to 91.7 million in the last full year before the pandemic.²

FSB UK data shows that 30 per cent of rural SMEs found that a lack of a public transport network was a barrier to hiring skilled staff as well as a barrier to their business growth, compared to 4 per cent of urban SMEs.³ As such, FSB in turn calls on Transport for Wales to provide tailored support especially for rural local authorities to support them in taking advantage of new powers granted via the bill. This must include support and guidance on how to engage with local SMEs when designing future bus services to ensure that the future bus network brings customers to businesses and skilled employees to their places of work. The guidance should also set out how local authorities can effectively assess the impact on any proposals for reform on the local economy and businesses. This may draw on wider regional and national expertise (e.g. CJC, RSPs) to support the assessments.

As powers over franchising are used, local authorities should take into consideration the economic need of SMEs; both in relation to driving customers to centres of economic activity such as high streets and to ensure that SMEs and their employees have accessibility to their business premise including SMEs located at business growth hubs.

We would encourage local government looking at implementing the bus bill legislation and developing a transport plan to engage early in the process with businesses and ensure that business engagement is not an add-on to their strategy around the new bus franchising system. Engagement should include:

- SMEs
- Local Business organisations, trade organisations, and forums (e.g. BIDs, any forums or networks in the area, community business hubs).
- Regional Development bodies such as Mida and West Growth deal, CJC, RSPs, on how transport infrastructure supports Growth Deals, attracts investment opportunities and ensure these factors are brought in to assess long term value of transport infrastructure.

¹

² <https://www.gov.wales/public-service-vehicles-buses-and-taxis-april-2022-march-2023.html>

³

In engaging these different actors, ahead of any franchising system and route planning, authorities should use the engagement to map out where there are currently issues on:

- Access to Skills
- Access to employment hubs (e.g. Innovation Hubs, Industrial Parks, FE/HE campuses, Hospitals and health centres)
- Access to customer base
- High Streets access and footfall
- Nighttime economy (including cultural institutions and community hubs in rural towns)
- Impact on congestion and sustainable travel
- Charging infrastructure (including workplace charging)

Local engagement should also ask employers what needs they have that better public transport could support. Alternative models such as Flexi services for the workforce should be explored and considered also, and it should be tested whether pilots for such schemes to (for example) industrial or business hubs would be practicable under the new arrangements if not covered adequately through franchising (e.g. how practical would the permitting scheme be).

3. What are your views on the Bill's provisions (set out according to Parts below), in particular are they workable and will they deliver the stated policy intention?

- **Part 2 - Functions of the Welsh Ministers relating to local bus services (sections 5 to 20)**

The provisions are sensible and workable, and FSB Wales supports bus reform (option 3) if it works to improve public transport use, with the proviso noted above about aligning any changes with economic impact, ensuring engagement with business, support for rural areas, and that small providers are given equal opportunities for good quality contracts.

Where current 'pathfinder projects' or statutory partnerships have been successful (such as the Sherpa buses in Eryri) that flexibility should be retained for such projects in future – including work around servicing business and industrial hubs.

We agree that 'A desired outcome of the planned bus legislation is to address the current fragmentation of responsibilities, and hence to have more emphasis on planning of bus services and monitoring of outcomes, to provide an improved basis for long-term financial planning.' It is important to ensure that this centralisation to the Ministers (or in practice TfW), should also include strategies that address local needs, including guidance for LAs on engaging with local business networks and identifying needs. We therefore note the following statement and look forward to further information on the support TfW identifies SMEs need:

'Looking after our important SME sector is a priority. The Bill doesn't impact them directly but in developing the contract packages consideration is being given to the existing market. TfW is also looking at what appropriate support might be provided to operators and potential operators in relation to understanding the bidding process.'

On urban and rural impact, the EM notes:

"On the basis of improvements to aspects of the bus service noted above, estimated patronage uplifts of 22% in major urban; 12% in town; and 17% in rural networks in 2040 would occur, based on examination of case study networks in Cardiff, Wrexham and Pembrokeshire. The approach to calculating these demand uplifts is set out in Annex B. This estimate is for the benefits arising from the legislation alone and does not account for additional investment."

Any such improvement across all areas is welcome of course, but it should be noted the lower baseline (due to further fall in services over the last decade) that buses have in rural areas and towns. As such, investment that recognises rural economic needs will be important.

4. What are your views on the Bill's provisions (set out according to Parts below), in particular are they workable and will they deliver the stated policy intention?

- Part 3 - Restriction on providing local bus services (sections 21 to 24)**

No further points.

5. What are your views on the Bill's provisions (set out according to Parts below), in particular are they workable and will they deliver the stated policy intention?

- **Part 4 - Information and data (sections 25 to 31)**

FSB Wales welcome the commitments to review, and evaluation outlined as key to providing scrutiny (see question 10).

6. What are your views on the Bill's provisions (set out according to Parts below), in particular are they workable and will they deliver the stated policy intention?

- **Part 5 - Local authority powers and duties (sections 32 to 34)**

As noted above we would welcome a duty to engage with businesses and to undertake an economic assessment of the impact of public transport reforms on SMEs (and guidance and support for local authorities in meeting these requirements, including from other regional bodies as appropriate).

7. What are your views on the Bill's provisions (set out according to Parts below), in particular are they workable and will they deliver the stated policy intention?

- **Part 6 - Miscellaneous and general (sections 35 to 44)**

No view.

8. What are the potential barriers to the implementation of the Bill's provisions and how does the Bill take account of them?

The EM notes the revenue risk will sit with Welsh Government/TfW, as they will set the fare structure and retain all revenue. It is important therefore that the system change is successful financially, as there is a risk to the provisions. The bus reserve mitigates this risk but raises others (see question 10).

9. How appropriate are the powers in the Bill for Welsh Ministers to make subordinate legislation (as set out in Chapter 5 of Part 1 of the Explanatory Memorandum)

These appear appropriate.

10. Are any unintended consequences likely to arise from the Bill?

The Explanatory Memorandum notes the revenue risk will sit with Welsh Government/TfW, as they will set the fare structure and retain all revenue. It is important therefore that the system change is successful financially and operates within its budget successfully, as there is a risk to the public budget. The bus reserve mitigates this risk but raises other wider risks too.

TfW's ongoing reform of rail and expansion into addressing and implementing bus reform and wider multi-modal views provides a welcome response to fragmentation of decision-making within the system and has the potential to provide more stability and clarity in a better integrated system.

The risk lies in ongoing public budgetary costs for TfW – it is important that reforms are commercially viable and pays for itself, or there is a danger that ongoing high levels of investment to TfW become too high relative to other budgetary needs. This needs to be consistently scrutinised, and the role of the Welsh Government and Senedd's scrutiny will be key to ensuring that we understand whether the changes are successful and value for money, that the investment is proportionate relative to the wider Welsh budget, and whether any course corrections or mitigation are needed. With public revenues tight it is important that transport does not become a fiscal black hole. FSB Wales therefore welcomes the commitment to open reporting, data and evaluation set out in the bill.

There is a risk that small operators are crowded out, or that smaller new companies may not be incentivised to start up, which would be a risk to the viability of the system or force greater public liabilities through municipal companies. The EM notes that 'a more stable procurement and operating regime would allow operators to concentrate on a core role of delivering excellent services and high-quality operational practices' and this should be the aspiration and impact. To ensure this, there should be a local SME procurement strategy to ensure that we encourage existing and new smaller companies to start up, build

capacity and capabilities, and grow to ensure long term sustainability to ensure service capacity at the local level.

11. What are your views on the Welsh Government's assessment of the financial implications of the Bill as set out in Part 2 of the Explanatory Memorandum?

no further points to add.

12. Are there any other issues that you would like to raise about the Bill and the accompanying Explanatory Memorandum or any related matters?

no view.