

## Partial Business and Regulatory Impact Assessment

### Title of Proposal

The Transport (Scotland) Bill – Bus services provisions

### Purpose and intended effect

#### • Background

Bus patronage in Scotland has been declining since at least the 1960s. The trend was not halted by deregulation and privatisation, which began in the mid-1980s. The decline is not uniform and bus passenger numbers, as well as the level and quality of service, vary significantly across Scotland depending on the particular local circumstances. This can lead to the most vulnerable in society being unable to carry out the journeys they rely upon.

Fundamentally, buses are a local service and work best when they are tailored to meet local needs and circumstances. Central government sets the framework of options for local authorities (and Regional Transport Partnerships [RTPs] where appropriate – collectively referred to as local transport authorities [LTAs]) to improve bus provision. The Transport (Scotland) Act 2001 ('the 2001 Act') attempted to set such a framework, but the evidence has shown a disappointing level of uptake. The general message from stakeholders is that elements of the existing legislation are unclear and/or may be over-burdensome limiting its use.

#### • Objective

The Transport (Scotland) Bill ('the Bill') aims to give local authorities the flexibility to pursue partnership working, local franchising, or running their own buses in certain circumstances – allowing local authorities to better respond to local needs. The Bill also includes measures to improve the information available to passengers, making bus travel a more attractive option, and provides for information to be supplied to local authorities on when services are deregistered. More detail on the proposals can be seen in the Policy Memorandum accompanying the Bill at:

[http://www.parliament.scot/Transport%20\(Scotland\)%20Bill/SPBill33PMS052018.pdf](http://www.parliament.scot/Transport%20(Scotland)%20Bill/SPBill33PMS052018.pdf)

#### • Rationale for Government intervention

Bus services are important to the people of Scotland. Around three quarters of all public transport journeys are made by bus. However, the sector faces significant challenges with the overall number of passenger journeys decreasing and service cutbacks in some places which can leave communities without a public transport option.

Introducing new legislation will provide LTAs with a viable and flexible set of options to influence the provision of bus services in their area to better meet local users' needs. Requiring bus operators to share information openly will improve the information available to passengers to help them plan and make a bus journey. Providing LTAs with the ability to request information about the revenue and patronage of a service following notification that it is to be de-registered or, in certain circumstances, varied takes forward recommendations from the Competition Commission (subsequently subsumed within the Competition and Markets Authority)

to help new or potential bus operators

Improving and modernising the legislative framework in relation to bus services in Scotland will contribute to the following national outcomes

- “We realise our full economic potential with more and better employment opportunities for our people.”
- “We have tackled the significant inequalities in Scottish society.”

## **Consultation**

### **• Within Government**

Discussions have been on-going with officials across the Scottish Government in development of the Bill, including, but not restricted to, the following Directorates: Transport Policy Directorate, Transport Scotland Trunk Road and Bus Operations Directorate, Directorate for Local Government and Communities, Scottish Procurement and Commercial Directorate and the Digital Directorate.

Engagement has also taken place with LTAs both directly and through the Association of Transport Coordinating Officers (ATCO). Regular discussions are also held with the Department for Transport and Welsh Government, to explore and understand work being undertaken elsewhere in the UK.

### **• Public Consultation**

The full public consultation on the bus service proposals for the Bill closed in December 2017. A total of 315 responses were received from members of the public, local authorities, transport operators, RTPs, public bodies and other organisations. Alongside this a number of stakeholder events took place to develop the policy. There were 61 responses submitted by organisations while a total of 254 responses were received from individual members of the public. One set of campaign responses was also received using a standard text developed by an environmental group.

The majority of respondents felt that the proposals would impact on businesses, with bus operators in particular concerned about increased costs in terms of training, new infrastructure and administration regarding open data.

### **• Business**

In addition to public consultation, businesses and local authorities were contacted with a view to gathering more information about the likely impacts of our proposals. Stakeholders contacted included operators (including Stagecoach, Lothian, First, and Whitelaws), local authorities (including Falkirk, Western Isles, Aberdeenshire, Border and Dumfries and Galloway), the Confederation of Passenger Transport (CPT), the Association of Transport Coordinating Officers (ATCO), Bus Users Scotland (BUS), the Traffic Commissioner for Scotland, Traveline, RTPs, CoSLA, the Mobility and Access Committee for Scotland (MACS) and unions. A key forum for discussing proposals has been the ‘Bus Stakeholder Group’, which meets twice yearly and is chaired by the Minister for Transport and Islands. Members include representatives from Transport Scotland, CPT, RTPs, CoSLA, ATCO, SPT, MACS, Bus Users Scotland, the Scottish Traffic Commissioner, Community Transport Association and the Scottish Road Works Commissioner.

Transport Scotland officials are continuing to engage with business following the introduction of the Bill.

## **Options**

This BRIA considers scenarios under 3 options:

**Option 1** – Do not legislate.

**Option 2** – Introduce legislation to improve on the existing statutory framework on partnership and franchising models of bus service delivery.

**Option 3** – Introduce legislation in line with Option 2 with additional measures on local authority-run buses and information sharing requirements (the full proposals in the Transport [Scotland] Bill).

## **Sectors and groups affected**

LTAs (both local authorities and RTPs), bus operators, bus users and potential bus users are likely to be affected by each of the following options:

### **Option 1: Do not legislate**

With this option the existing framework of options available to local authorities remains unchanged. Bus services across Scotland vary due to the different approaches of LTAs and bus operators and the effect of differing patronage levels and other factors. These can change over time due to a range of influences. Yet the policy aims outlined above are unlikely to be met in the same manner without the additional legislative options provided by the Bill. Additionally the current approach to sharing information will continue, where operators make information available to the public and LTAs on a voluntary basis (apart from information on timetables and routes, which is required as part of the process for registering services).

**Benefits:** If legislation is not brought forward, the existing situation will continue. Where LTAs wish to take action to improve bus services in their area they will be able to use the powers previously conferred on them under the 2001 Act through the use of Quality Contracts (QCs) and Quality Partnerships (QPs). In addition they will continue to be able under the Transport Act 1985 Act to subsidise socially necessary services, which are otherwise not commercially viable, while remaining unable – apart from some limited exceptions – to provide those services themselves.

Therefore business – in the form of bus operators – would generally only see an impact under that legislative framework or from external commercial factors. The bus industry would not have to adapt to new models of working contained in the Bill such as partnerships, franchising or local-authority-run services. It is also worth noting that in certain circumstances, these new models can offer benefits to operators in terms of better relationships with LTAs, more reliable services, improved patronage and customer satisfaction, and increased market certainty over the period of a

partnership or franchise,

Additionally, Transport Scotland's public consultation displayed a desire for change. At least one major company not currently operating bus services in Scotland also indicated possible interest in bidding for franchises.

On the information-sharing measures in the Bill, basic information on routes and timetables is already required as part of the service registration process. Some operators are already taking steps to make better information available to passengers, both through their own websites and through apps and journey planners such as Traveline Scotland. If legislation is not introduced it can be assumed that these operators will continue to do so with associated benefits for passengers. Over time, it is anticipated that customer demand and market forces will lead to a rise in the amount and quality of information provided by operators to the public. However, it is unlikely that 100% coverage will be achieved.

Costs: With this option it is also assumed that the existing funding situation will remain relatively stable. In 2016/17 (latest available figures), £298 million was allocated to bus operators in Scotland by central or local government (not including dedicated school transport costs, figures on which are not collected nationally). This equates to 43% of the industry's total revenue. It consists mainly of concessionary travel reimbursement, Bus Service Operators Grant (which supports the network as a whole, enabling services that might not otherwise be commercially viable) and payments from local authorities for specific supported services.

Levels of profitability and/or investment for bus operators vary given factors such as company size, geographical coverage and differing business models. These are likely to alter over time. However, given the limited appetite to pursue QPs and QCs, it can be assumed these will not be greatly influenced by such options under existing legislation.

### **Option 2: Improve on the 2001 Act - New partnership and franchising model available to local authorities**

In this option only a limited number of the measures in the Bill are taken forward. The QP model is replaced with an updated and revised model known as a Bus Service Improvement Partnership (BSIP) while the QC model is replaced by a new form of local service franchising which is designed to increase the range of situations in which a local authority can consider franchising as an option.

Compared to a QP, a BSIP will be a true form of partnership between LTAs and operators. BSIPs will involve local authorities formulating a plan (called a BSIP plan) with the operators in their area and then deciding on how best to implement it through supporting schemes (BSIP schemes). The plan and scheme(s) are then voted on by operators before the BSIP can progress, with support from both the LTA and operators.

Compared to a QC, the Bill lowers the threshold for considering franchising and instead provides for a thorough assessment process which the LTA must follow to develop of deliverable and effective proposals. The process includes an audit of the financial aspects of the authority's proposals. Once the assessment process has been completed, the franchising proposal will be assessed by an independent panel who will consider whether the authority has come to a reasonable conclusion in deciding to make such a scheme.

Benefits: BSIPs involve a stronger partnership element than QPs, with operators and local authorities required to work together to develop the plans and schemes to improve services in the area and taking responsibility for their delivery. Operators are given a say in whether proposed plans and schemes proceed. Once agreed by a sufficient number of operators, all operators in the area of a scheme, including operators who enter the market subsequently, must provide services which meet the service standards set in the scheme or risk losing the right to operate the service through deregistration.

BSIPs also require the LTA to commit to action for the scheme or plan in some way (whether through new facilities or taking measures to assist operators). The requirement that facilities (infrastructure) must be included (as in QPs) is removed to allow LTAs to bring forward 'measures', for example on car parking, instead or as well. In addition, BSIPs offer an extended range of available 'service standards' which can be required of operators, as compared to that in the QP model.

By extending the range of actions which can be undertaken by LTAs and operators as part of a partnership, BSIPs offer greater flexibility to take action to address specific issues within the partnership area. This can result in a range of benefits such as more efficient investment in the network for LTAs, reduced operating costs for operators as a result of improvements to the network, and improved services for passengers, which may in turn lead to better patronage – a benefit for all parties involved.

The franchising model in the Bill increases the level of control which an LTA has over their local network. It allows them to design franchising arrangements to take account of local issues such as integration across transport modes and alignment with wider socioeconomic objectives as well as giving them a greater say over the services provided to passengers. An appropriately designed franchise should also increase the stability of the network, giving LTAs certainty to invest as, following competition for the market during the tender process, there will be limited change to the network during the lifetime of the franchise. This certainty will also benefit operators taking on a franchise as operating risks are transferred from the operator to the LTA.

While LTAs are already able to introduce franchising in the form of QCs, feedback from engagement with local authorities and from the consultation was that the QC system is felt to be too burdensome even to attempt in its current form. The Bill addresses this by introducing a viable and workable procedure to pursue franchising while at the same time providing for a rigorous scrutiny of proposals. It also introduces a number of safeguards throughout the development of a franchise which are based on lessons learnt elsewhere, including an audit process designed to

ensure that the financial aspects of the assessment are thoroughly considered and an independent panel which will de-politicise the final decision making.

Costs: The levels of subsidy outlined in Option 1 are unaffected by whether the measures in the Bill are pursued or not and can be assumed to continue under Option 2.

BSIPs will be defined by partners. They will be highly context-specific so costs will vary. It is expected however that the administrative costs of creating a partnership will primarily fall on LTAs. Beyond those costs, implementation costs will fall on both operators and LTAs, depending on the standards, facilities or measures defined in the individual BSIP scheme. For operators this could include costs of upgrading or changing services and equipment to meet more stringent standards. Once a partnership is made and operational, operator costs might reduce as they would have an element of stability from knowing the time period of the partnership and having commitments from the LTA in terms of investments or policy interventions. For LTAs costs will vary according to the type of action undertaken, with infrastructure facilities (such as dedicated bus lanes) likely to be higher cost than measures (such as changes to parking provision).

The BSIP model provides a useful tool for LTAs to work with operators to improve bus services within an area. It may however not be able to meet all of an LTA's objectives. Ultimately the success of a BSIP relies on consensus between members of the partnership and where this cannot be achieved the LTA may not be able to achieve their objectives for bus services within their area.

For franchising, costs to LTAs will include the preparatory work in developing a business case, set-up costs associated with establishing a scheme, running costs, costs related to legal issues and challenges, transition costs for employees and provision for risk and contingency. The costs of an individual franchise will depend on its design, in particular the revenue model chosen ('gross cost', where the authority retains revenue, vs. 'net cost', where operators retain revenue and with it financial risks), and the size and scale of the franchise.

Operators would face one off costs in tendering for a franchise as well as on-going running costs where they win a contract. In certain cases there may be increased costs from stricter or additional service requirements under a franchising arrangement which would be expected to reduce bus operators' profit margins. Where an operator does not win a franchising tender they will lose access to that section of the market with associated costs to that operator.

Making it easier to initiate franchising will allow some LTAs to achieve their objectives in relation to buses as they would have control over the network and services within the franchise area. However, due to potential risks and costs, some LTAs will not wish to move to a franchising model. Introducing a new form of franchising on its own will not therefore allow all LTAs to achieve their objectives for bus services within their area.

**Option 3: Introduce legislation in line with Option 2 with additional measures**

### **on local authority-run buses and information sharing requirements.**

In this option QPs and QCs under 2001 Act remain in place but additional legislation is introduced to improve information and clarify the circumstances in which local authorities can run their own buses.

Local authorities will be given the ability to provide bus services themselves where they determine there is an unmet need for public transport in their area as an alternative to contracting for them following a tender process. This provides the local authority with flexibility to address particular local needs where the competitive market is not providing the services it considers necessary and provides a more straightforward legal basis for some existing authority provided services.

In order to improve information available to passengers, the Bill requires the operators of local services to provide information on routes, timetables, actual running times (real time and in the past) and fares publicly and in a specified format. It also provides LTAs with the ability to request information on deregistered services from operators, in line with recommendations made by the Competition Commission.

**Benefits:** The ability to run a bus service directly is considered to be particularly beneficial in areas where there is a need for public transport but there are few or no commercial operators running services commercially or submitting tenders for subsidised services. A few authorities already run a number of bus services of different kinds under a variety of existing provisions but more report that the existing legislation around this issue is unclear and that this inhibits them pursuing this option. Updating the legislation to provide clarity will make it easier for local authorities to directly provide unmet transport needs where they consider this offers best value. As this is limited to circumstances where no commercial provision exists, there should be little material effect on the business interests of private bus companies, though there may be circumstances in which commercial operators lose the opportunity to bid for tendered services because authorities deem it better value to provide the services themselves.

The benefits of publishing information will primarily fall to passengers in the first instance. They will be enabled to access consistent information on all services in a consistent format, free of charge. Publishing information can also be used to provide opportunities for innovative developments in using and accessing information and creating or supporting services such as route planners and bus trackers which will make bus services a more attractive option for passengers. Mandating the publication of information will increase passenger confidence in using services and allow them to make more informed choices. This may also result in an improvement in bus patronage, to the benefit of operators themselves, along with wider economic benefits.

Providing information on deregistered services is designed to facilitate more effective competition in the market for supported bus services. It will primarily benefit LTAs in their consideration around supporting services, and may help secure lower tender prices. Enabling LTAs to disclose information to potential bidders will also benefit non-incumbent operators by informing their decisions on whether to bid and giving them confidence in their tender prices.

Option 3 therefore builds on the benefits of option 2. The situation for bus services varies significantly across the country in terms of characteristics such as level of competition –both between bus operators and between bus and other transport modes – and quality of service and patronage figures. Needs differ and a ‘one size fits all’ approach is not appropriate. Option 3 provides a more comprehensive set of options for improving and modernising bus services in Scotland.

Costs: As with Option 2, the subsidies outlined in Option 1 are assumed to continue with Option 3. The BSIP and franchising costs outlined in Option 2 are also applicable in Option 3.

Additionally, there are a number of potential costs associated with local authority-run operations which can generally be considered in two parts, set-up costs and on-going running costs. Set-up costs can vary significantly, particularly if authorities have to establish or acquire depots, vehicles, supporting buildings, equipment and services. On-going running costs are related to, for example, fleet maintenance and replacement, staff costs, fuel, insurance, tax and MOTs, risk and contingency. The costs of providing information to passengers will primarily fall on operators, although there may be some costs to the Scottish Government associated with the development of a central repository, should one be required. For operators, cost will include the acquisition and operation of systems and associated back office functions as well as on-going management and maintenance of data. Operators have increasingly been offering information voluntarily in recent years and absorbing any cost outlay into their existing business models, so compliance costs will vary by company. However, the costs will be more significant for those operators who are not currently making information for the public and will therefore need to invest in new systems in order to comply with legislation. It is intended in implementing the information requirements to seek as far as possible to maximise synergies with existing systems and with developments elsewhere in the UK.

The provision of information on deregistered services may result in some costs to LTAs in seeking and processing information from operators along with determining issues of commercial confidentiality where this is raised. Similarly, there may also be administrative costs on operators due to the requirement to retain and provide this information on request. However in both cases costs are expected to be low and limited to those services which LTAs are considering. There is potential for competitive pressure on operators result in a downward pressure on their tender bids, with a commensurate benefit for local authority expenditure.

### **Scottish Firms Impact Test**

Commercial bus companies are the sector most likely to be affected by these proposals and views were sought from businesses, industry representatives and local government on the likely impacts.

There are around 200 bus and coach operators in Scotland currently in receipt of Bus Service Operators Grants. Given the number of commercial operators in Scotland it is not feasible to list all firms affected or possible affected. Likewise the specific companies which operate supported services can change with each



tendering process as operators enter the market and others leave.

Operators use their commercial judgement to determine service routes and frequencies. This market-based approach encourages innovation and entrepreneurship and provides incentives for operators to bear down on costs, provide new services and develop new types of service. Scottish bus companies earned profit margins of 8.6% on average in 2016, a reduction of nearly one percentage point from the previous year, which is attributed to decreasing revenue against static costs<sup>1</sup>. The 2016 profit figure is higher than the figures for the English shires (7.3%) but lower than that for English metropolitan (10.3%) areas and Wales (9.9%). Note that profits here are Operating Profits, or earnings before interest and taxation. Published company reports from the larger operators suggest a recent downturn in profitability.

In terms of the Bill's options to LTAs, it has been demonstrated that the situation for bus services varies significantly across the country in terms of characteristics such as level of competition between bus operators and between bus and other modes and the quality of service and patronage figures. This means that there will be variations both between and within LTA areas in terms of the value and effectiveness of the actions which LTAs will be able to take as a result of the Bill provisions. As such the impact of the legislation on operators will be highly dependent on the approach taken by individual LTAs.

The Bill provides local authorities with options to adopt according to specific local need but there is no statutory requirement to implement them. As such it is difficult to define detailed impacts at this time. However, information has been gathered to provide illustrative examples of the broad costs associated with pursuing the options provided for by the Bill and more detail on these can be found in the Financial Memorandum accompanying the Bill at:

[http://www.parliament.scot/Transport%20\(Scotland\)%20Bill/SPBill33FMS052018.pdf](http://www.parliament.scot/Transport%20(Scotland)%20Bill/SPBill33FMS052018.pdf)

Feedback from Scottish Government engagement with the bus industry highlighted that they view franchising as the option most likely to adversely affect operators. They noted the introduction of a franchise would be a substantial intervention in the local market which would affect all operators. However, the Bill does not mandate or incentivise the pursuit of franchises. Additionally, our engagement with LTAs has demonstrated that many would favour partnership working in the first instance, feeling that it could achieve many of the benefits of franchising but without the costs.

Where LTAs choose to pursue franchising they are aware that this is a relatively costly approach and would result in a substantial intervention in the bus market. Industry has raised particular concerns about the impact of franchising on smaller operators who may not have the capacity to compete for a franchise and, if they were able to place a bid, would be more significantly affected by any loss. Smaller operators are often very location-dependant and so the loss of even part of their network as a result of failing to secure a franchise bid may affect the financial viability of the whole business. Any franchise design and associated tender process would have to take account of the needs of SMEs. On the other hand, any operators

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<sup>1</sup> TAS – Bus Industry Performance (2017)

successful in bidding for a franchise would see an increased level of business certainty over the course of that arrangement.

Representatives of the bus industry have also highlighted that any franchise design should be rigorously examined and tested to ensure that it is commercially viable for operators to take part. During our engagement with LTAs, all the authorities we engaged with emphasised that franchising would only be undertaken if it had a strong business case in which the full costs and benefits had been appraised. The Bill provides a number of safeguards to ensure that the implications of a franchising framework are fully considered. These include an audit of the financial aspects of the authority's proposals, a requirement for LTAs to carry out a consultation on their proposals, including notifying operators of local services, and a requirement for LTAs to obtain approval for their franchising proposals from an independent panel.

In comparison with franchising, operators considered that the introduction of a partnership would be less likely to give rise to adverse impacts for business, providing the partnership was properly balanced. Operators highlighted the value of existing voluntary partnerships but welcomed how the Bill would formalise their influence over the terms and conditions of a partnership arrangement. It was felt that statutory partnerships offered an opportunity to take action to tackle issues such as congestion, which could result in significant benefits for operators and passengers.

The design of the new partnership process means that a partnership will require support from a sufficient number of operators within the area before it can progress. As a result it will be a true form of partnership, with LTAs and operators required to work together to develop the plans and schemes to improve services in the area and taking responsibility for their delivery.

In relation to local authority run services, operators were of the opinion that providing there was fair competition and the operation of services was subject to appropriate checks and balances they would not have any significant concerns. While the Bill will permit local authorities to operate their own bus services in certain circumstances, they will still be required to comply with the other requirements of 1985 Act in connection with the provision of local services, most notably those under section 6 (registration of local services).

In terms of information for the public, operators noted that much of the information is already being provided on a voluntary basis, often through the Traveline Scotland service. They also highlighted that the main barriers to operators in making information available were costs of equipment and resources. While these proposals will apply to all operators, operators and CPT highlighted in their feedback that impacts were likely to be greatest for smaller operators who might not be able to absorb the costs associated with their delivery. It was also noted that many smaller operators also operate supported services and that costs arising from the requirements of this this legislation may be passed on to LTAs as an increase in tender prices.

The requirements for providing and publishing the information will be defined in secondary legislation, which will be developed in conjunction with operators, LTAs and other interested parties prior to implementation. In order to address some of the

concerns raised by operators, it is intended that the regulations on information for the public will be introduced with sufficient lead in time to enable them to adopt (or adapt where information is already provided) systems to meet the requirements. Consideration will also be given to the treatment and support of SMEs.

Throughout the development of the Bill's provisions, consideration has also been given to the impact on businesses that operate both north and south of the border. In reality these businesses already have to engage in separate regulatory regimes but where appropriate we intend to maintain alignment with rest of UK, particularly when developing regulations in relation to the proposals on information for the public.

### **Competition Assessment**

A number of competition concerns were raised in the consultation on these proposals and we have engaged with the Competition and Markets Authority (CMA) to ensure they are fully addressed. The CMA already offers advice to LTAs on competition and partnership arrangements<sup>2</sup>.

The Bill amends the existing competition test in the 2001 Act to ensure it is applied whenever a local transport authority is considering making or varying a partnership scheme. That reflects the potential impact that such a scheme could have on the bus services market in an area. Where a scheme would have a significantly adverse effect on competition and that effect cannot be justified by reference to the benefits to be gained, the scheme cannot go ahead.

As a further competition safeguard, the CMA are mandatory consultees at a number of stages in the process of making and varying partnership plans and schemes as well as for franchising frameworks and on the regulations relating to information for the public.

### **Test run of business forms**

N/A – No new forms are proposed at this stage

### **Legal Aid Impact Test**

It is not currently expected that the proposals will have any impact on the level of use that an individual makes to access justice through legal aid or on the possible expenditure from the legal aid fund. This will be further explored and updated as necessary as the legislation progresses.

### **Enforcement, sanctions and monitoring**

The Bill creates no new enforcement process or body and in general uses existing scrutiny and sanction mechanisms for operators and local authorities. It does however provide the Traffic Commissioner with powers, in relation to services subject to BSIP schemes, to refuse or cancel a registration where operators are not in a position to comply with operational service standards. This therefore prevents operators from providing services which do not meet the imposed operational service standards and is a significant element of the enforcement of partnership schemes.

<sup>2</sup> <https://www.gov.uk/government/publications/letter-from-the-cma-to-local-transport-authorities-on-bus-partnership-arrangements>

Local authorities will have monitoring and enforcement arrangements for supported services and this Bill does not affect these practices. Where a local authority chooses to develop a partnership or franchise it is also required to establish a monitoring process with an associated duty to publish annual reports.

**Implementation and delivery plan**

Primary legislation is expected to come into effect in summer 2019, and detailed technical regulations will follow in due course.

**Post-implementation review**

There are no specific plans at this stage to review the impact of the legislation in relation to bus services. However, the Bill requires the adoption of any of the measures on BSIPs or franchising to undergo rigorous evaluation processes which explore issues such as business considerations and the commercial impact. Specific aspects such as data requirements will be reviewed following implementation and the Scottish government will continue to liaise with stakeholders on the development of guidance and regulations, to support implementation and generally to monitor the performance of Scotland’s bus services.

**Summary and recommendation**

Option 3 is recommended. In addition to existing options such as subsidising bus services, by providing LTAs with a range of powers to support or influence the provision of bus services the Bill will allow them to use the approach they consider to be most suitable to meet their objectives for services in their area.

Additionally the Scottish Government considers that mandating the provision of information to the public is the only approach which will ensure consistent, enforceable, access to information on bus services across the whole of Scotland.

Legislation will also ensure that the Scottish Government complies with the recommendations of the Competition Commission regarding information on deregistered services. For these reasons the Transport Bill will introduce legislation to deliver option 3 as described above. This is considered to be a partial BRIA as the introduction of specific measures on BSIPs or franchising will require to undergo rigorous evaluation processes which explore issues such as business considerations and the commercial impact. Therefore further assessment of such considerations will take place if specific schemes are pursued.

- **Summary costs and benefits table**

Option	Total benefit per annum: - economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
1- Do not legislate	LTAs use exiting powers to take action to improve services in their area. Improvements to information are delivered on	Costs to business and industry – largely in the shape of bus companies – would not change in

	<p>a voluntary basis.</p> <p>However, consultation and engagement have shown a clear desire to improve the existing framework and the do nothing approach would not address this. The policy benefits outlined above for Option 2 and Option 3 would not be realised.</p>	<p>relation to a new Scotland-specific legislative framework.</p>
<p>2 - Introduce legislation to improve on the existing statutory framework on partnership and franchising models of bus service delivery.</p>	<p>Extending the range of actions which can be undertaken by LTAs and operators as part of a partnership offer greater flexibility to take action to address specific issues within the partnership area.</p> <p>Introducing a viable and workable procedure to pursue franchising, subject to appropriate safeguards increases the level of control which an LTA has over their local network.</p>	<p>In relation to costs to bus operators, BSIPS can lead to a cost outlay to meet service standards, yet these can be mitigated or offset by longer term benefits in a successful partnership and are anticipated to have similar cost implications to the Quality Partnerships they replace.</p> <p>Franchising has not taken place outside London so definitive estimates are not readily available. There are a range of complexities with forecasting specific cost implications on the suite of options and these are explored in the Financial Memorandum introduced to Parliament alongside the Bill (link below).</p>
<p>3 – Introduce legislation in line with Option 2 with additional measures on local authority-run buses and information sharing requirements.</p>	<p>The benefits outlined in Option 2. However additionally, the ability to run their own bus services will provide authorities with flexibility to address particular local needs.</p> <p>Improvements to information will ensure passengers can access consistent information on all services and help LTAS when in their consideration around supported services.</p>	<p>As with Option 2. Additionally, regarding improved information costs vary by operator depending on the information they currently make available and the complexity of their fare structure.</p>

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The Financial Memorandum can be viewed at:

[http://www.parliament.scot/Transport%20\(Scotland\)%20Bill/SPBill33FMS052018.pdf](http://www.parliament.scot/Transport%20(Scotland)%20Bill/SPBill33FMS052018.pdf)

### **Declaration and publication**

The Cabinet Secretary or Minister responsible for the policy (or the Chief Executive of non departmental public bodies and other agencies if appropriate) is required to sign off all BRIAs prior to publication. Use appropriate text from choices below:

- Sign-off for Partial BRIAs:

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

**Signed:**



**Date: 27<sup>th</sup> August 2018**

**Minister's name - Michael Matheson**

**Minister's title - Cabinet Secretary for Transport, Infrastructure and Connectivity**

**Scottish Government Contact point:**

**Peter Grant (Transport Scotland, Bus Policy)**